Course Manuel

freightuniversity@gmail.com

Table of Contents

INTRODUCTION

WELCOME to your **LFS Consulting!** We thank you for your interest in learning to become a Broker for the Motor Freight Industry.

As you probably know, there are many types of transportation infrastructure: air, sea, railways, and motor freight. Our main focus on this training will be primarily concentrated on brokering for Motor freight transportation.

You may sometimes wonder if there is still a demand for Freight Brokers. You see, no matter how bad the economy is, commodities will always be in demand, and eventually needs to be transported to the demanding market. Now that we have an improving economy, the freight brokers are ever in demand.

We at the **LFS Consulting**, aim to provide you with a complete explanation of how the motor freight industry operates and help you build a solid foundation of knowledge in the industry.

The first few sections of this manual will outline our nation's transportation infrastructure. Although, it may not appear to be part of the essentials of your daily responsibilities, it will prepare you by enhancing your understanding of the framework behind the logistics industry. The later sections will help you bridge your knowledge and understanding of the industry to the actual application of your day-to-day operation as a motor freight broker.

By the end of this training, we are confident that you will be well equipped with the knowledge to help you successfully venture into this lucrative industry.

Congratulations! You are now on your way to joining us in an industry with limitless potential.

CHAPTER 1

The Motor Freight Transportation Industry

We will start by breaking down the industry. First, you have the Freight that needs to be hauled from point A to point B by the Shipper. Then you have the Carrier who hauls the freight from point A and delivers it to point B. The freight could virtually be anything, such as a load of tuna heading to a canning facility or a line of clothes heading to a retail store. Whatever the load may be, there will always be a Shipper and a Carrier involved. However, a 3rd party is oftentimes involved in handling the freight, and this is where the freight broker comes in.

The Freight Broker

The Freight Broker arranges the transportation of freight and acts as the liaison between the Shipper, a company or an individual that needs their goods moved, and between the Carrier, an individual owner-operator who independently owns and operates his own truck/s or a large trucking company, who could actually move the freight. The broker also ensures that the shipment is successfully delivered. Although the freight broker plays a key role in the movement of the freight, the broker doesn't function as a carrier, but rather determines the need of the shipper and then connects that shipper with a motor carrier willing to transport the goods at an acceptable price.

The difference between a Freight Broker and a Freight Agent is quite simple. The Freight Broker needs to have his licenses in place, and he carries all the financial responsibility. A Freight agent on the other hand, still arranges the transportation of goods, but works under a licensed freight broker and burdens none of the financial responsibility.

The Role of a Freight Broker

Freight brokers are the link between shippers and motor carriers. They earn profits by making the required arrangements for cargo transportation. Freight brokers first define shipper's needs and requests. Next, they contact the suitable carrier who will transport the cargo at the most reasonable price. The freight broker deals with a motor carrier who is held responsible for cargo transportation in accordance with the shipper's needs. Freight brokers use databases for carriers to attract possible clients. Freight brokers protect shipments from loss by getting the proper insurance. Many companies cannot simply afford the absence of freight broker services; therefore, they hire freight brokers to coordinate their shipping needs.

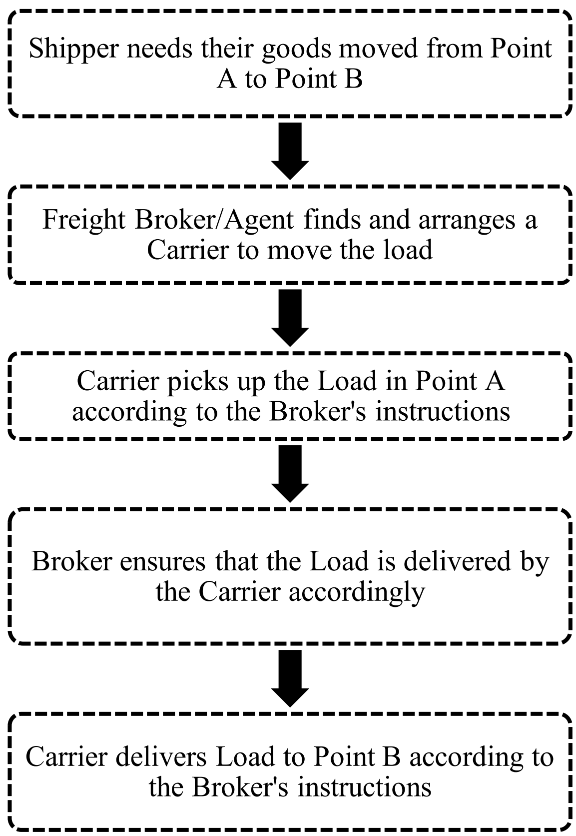
The goal of every entrepreneur is to operate on a low budget while earning profit. Shippers limit their budget on what they are willing to spend, based on what margin of profit the retail value of the goods that they ship can provide. Carriers work within a different budget. Their profit value is not dictated by the value of the goods they ship, but rather how much they can earn per mile they travel, which is typically influenced by fuel cost and some factors like road conditions during some difficult seasons of the year. Therefore, freight brokers are valuable for shippers and motor carriers. They have the power to help companies find reputable and reliable motor carriers; furthermore, they provide carriers with cargo for their trucks. It would be extremely difficult to move cargo without the assistance of a freight broker.

It is the goal of the company making the shipment to subcontract their shipping requirements with a freight brokering company that is capable of giving the services, but still providing them with the opportunity to make a profit. Take for instance a shipper that has a load of television sets valued at $200,000 versus a shipper with a load of onions valued at $6,000, the shipper with the television sets has the capacity to work with a bigger budget to spend on the shipping rate, but the shipper with the onions obviously may not have enough profit to do so. Carriers profit on how much they earn per mile and not on the value of the load they move. If the carrier is a large trucking company, they may have more flexibility in choosing a load to haul and may occasionally take in a lower rate every once in a while. If a carrier that was contracted by the broker is an owner-operator, he will most likely be more careful in choosing a freight to move and often times may not be capable of providing service at a lower price. Technological advances have provided the means necessary for both large motor carriers and owner-operators to possibly negotiate with a fairly decent and competitive rate. It is evident that anybody engaged in this business has a single goal, and that is to make a profit. This includes the shipper, carrier, and even the broker and agent. Then again, it is the broker or agent who will determine the pricing rate that will satisfy all the parties involved. Before becoming a freight broker, many people in the industry gain experience as a freight agent. With experience as his foundation, the freight broker becomes an expert on negotiating prices by attributing his proven track record of service.

Illustration: The Basic Workflow of a Freight Broker

To save everyone money, one might think that these middleman positions could be eliminated. However, during the course of this training, you will understand why a middleman plays a very major role in the freight brokering industry. A very huge amount of workload is taken off from the shipper; as it has now become the broker's responsibility to streamline some logistics and get the shipper and the carrier to agree to some terms.

Below is an illustration of the chain of events that involves Freight Brokerage:



Getting Started Quick Guide

To have a good start as a freight broker, your policy should focus on low cost operations. To gain success in this industry, follow these techniques:

First you need to have the MC Number / Operating Authority. This will make you able to start your business once you have received approval from the FMCSA. There are several ways to apply for the MC Number / Operating Authority. One way that saves time and effort is to visit the FMCSA Online Processing Website and submit your application.

Secondly, it is a good idea to have a processing agent that can represent your legal affairs because there are many possibilities for lawsuits in this line of work.

The third step is to make sure your business practices comply with FMCSA’s financial security requirements by acquiring a trust fund agreement for $75,000. This can be achieved going online and obtaining instant online approval.

The last step is to register with the Unified Carrier Registration Program (URC). The URC was created by federal legislation, which replaced the system for registering the operators of vehicles engaged in interstate travel – the Single State Registration System (SSRS). After you complete the registration process, you will be ready to conduct operations as a Property Broker.

Internet as a Growing Edge for Freight Brokers

Ever since the Internet was developed, a lot of accompanying innovations have risen to help freight brokers in doing their business. A lot of software and other elements have been created; these were just plain imagination a few years ago. The Internet made such big impact that activities that required days to accomplish were optimized to be completed in just a few hours.

Almost every household in the whole United States has Internet. Connected with each other, it is easier to send almost anything through the World Wide Web. In line with this, numerous or almost every freight broker has accessed the Internet to help in their day-to-day transactions and deals. The availability of software and websites that offer shipping matching services and loading boards has further enhanced the communication pathway between the parties concerned.

Freight brokers, truck carriers and dispatchers are now able to monitor and accept orders for loads. Also, with the current geographic technology that is integrated with the Internet, they can now see exactly where the load is coming from; not just the address but also the satellite location. They can also view the destination and the estimated distance from point A to point B. And lastly, payments and transactions can now be done through the Internet; an added comfort for any online business.

However, this type of work does not mainly focus on the Internet. It also involves a lot of communication process and some technicalities, which will be uncovered throughout this manual. Several tools and software will also be mentioned and discussed to aide you in the process of being a freight broker.

Working from Your Home office

It is possible to be a successful freight broker, working from home. As your business grows, you can expand by adding freight agents and by setting up an office. However, if you decided to run your business from home, you should take into consideration some planning tips and guidelines. If followed, these guidelines will help your business become successful. The guidelines cover everything from office environment to a successful separation between home and work. You need to be able understand the difference between home and work If you want to run a brokerage firm from a home office.

When working from home, mentally, you should allocate at least a full eight hours every day for work. Furthermore, it is important to separate your social life from your working hours. Some may say that it is a good idea to handle work and daily life at the same time, but the experts advise that the two should be kept separate. It is a good idea to allocate a room for work only. This room will serve one function: running your brokerage business. Having a separate room will give the appearance of an office, which is necessary in the event that any clients, shippers, and tax sheriffs need to visit. It is also necessary to have a business phone line, which will reflect your professionalism, because tax auditors tend to examine physical boundaries such as that.

Why Should I Incorporate?

By incorporating your company or business, you gain many benefits and advantages that can play a critical role in expanding your business. By forming a corporation or a Limited Liability Company (LLC) you can enjoy many benefits such as credibility and legality. By doing so, other clients, customers, companies and individuals will be able to feel trust and safety in doing business with your company.

Another major advantage of incorporating your business is that you will have access to personal assets. In an incorporated company, owners have limited liability for business debts and obligations and they are able to separate their personal assets from the assets of the company.

Furthermore, there are tax benefits to incorporating a business; a corporation can save profits by avoiding double taxation of earnings and dividends. Lastly, the business can deduct normal business expenses, including salaries, before they allocate income to owners.

Another benefit to turning your business into a corporation is the protection of your company's name; other companies and businesses, by law, cannot copy or use your exact company's name in the same way. This protection helps to make your company unique and improves its' recognition and publicity rates.

Essential Equipment to Get Started

This portion will provide you the basic, but important instruments and tools that you would need for your home office as a freight broker. Additionally, almost all of these tools will be considered as business expenses for your company. However, consider investing with such because they can be a valuable asset in the long run.

WORKING FROM YOUR COMPUTER

Currently, using the Internet is vital in doing business. Your computer will be used to perform tasks such as managing and editing your database, creating and sending business emails, creating documents, worksheets, invoices, notes and many other necessary documents for work. You also can manage your company's website and social media to promote your business and attract more clients, using your computer

Atlas

You might not expect this but yes, you need an atlas. Why? This is because it is easier to visualize and calculate the distance of a route from the origin of the load to the destination if you are actually seeing it. Atlases offer detailed views on different locations. However, these are usually used for starters only. Experienced freight brokers have already mastered and familiarized themselves with different geographic locations so they need the atlas less compared to beginners. Alternatively, Google also sponsors the Google Maps, which is an interactive web-based map system. It features a detailed view of a place as well as directions from one place to another. In some cases, you can also view the 3D dimension of a place so you could see the landmarks available in the vicinity.

Electronic Mail Access

Shortened as email, electronic mail services allow users to send messages to a single or group of recipients. In the freight brokerage industry, you will most likely utilize it frequently. Many experts recommend Gmail, which is the email service provided by Google. It has an initial storage of 10 GB but further upgrades can be done by paying monthly for their 25 Gigabyte or 16 Terabyte storage. The latter is probably the biggest storage in comparison to the other competitors of Google.

However, you might not need such large storage if you are just going to send regular sized messages or attachments. However, some attachments like contract setups have a pretty large size for most emails. The good news is that in Gmail, you are able to attach large sized files.

Gmail is a web based email service that can be accessed through their website at mail.google.com.

Printer

Printers, as we all know, are perfect for assembling documents that need signatures or any other actual alterations like filling up some figures etc.

Stable and Decent Internet

This is one of the foundation tools that you would have to acquire, an Internet connection. It does not have to be very fast; it just has to be fast enough to acquire certain information and transactions. Most places have DSL Internet service providers, which will give you stable and fast Internet connection. However, in cases where you can't find this type of Internet provider, you can consider getting a dial-up Internet. This is a bit primitive compared to DSL, but is faster compared to its older version.

Telephone Line Service

It is suggested that you take advantage of any included telephone service that has an unlimited call promo because it will benefit your company. Another reason is because you may need to make frequent calls to settle any activities needed for loads and transactions. Most unlimited call plans have a monthly cost of just $50, which is quite reasonable if you are going to make dozens of calls a day. Additionally, you can get a toll-free telephone line. It is a perfect investment if you have plans of extending your business to other states in the future. Also, VOIP service providers like Skype are much like telephone lines except they require Internet rather than a telephone line. They have voice features that allow people to talk and see each other through the use of a computer with a camera. Furthermore, they offer other services that you may need such as: HD voice quality, online call data management, local and Toll free numbers, and voice mails. However, you might have a hard time enjoying this channel of communication if your internet is experiencing frequent downtimes.

Here is a list of a few reputable VOIP phone service providers:

Skype - http://www.skype.com/en/
Nextiva - http://www.nextiva.com/
Grasshopper - http://grasshopper.com/
Ring Central - http://www.ringcentral.com/

Unlimited Fax Line

For some quick sending of documents, you can use the fax machine. It is highly recommended that the fax machine is connected to a second line rather than connecting it together with your telephone. Remember that you can't use a telephone line and a fax machine if they are connected to one line; in some cases you might need to use both of them at the same time so better invest to two telephone lines and they will give you easier work in the future. Both Ring Central and Grasshopper offer internet based incoming and outgoing faxing abilities for a reasonable price.

Software to Monitor Mileage

Mileage programs are able to accurately estimate distance of the origin of the load to its destination. This is essential for freight brokers so that they will be able to correctly quote a price for a specific load.

PCMiler.com also offers a mileage software called PC*MILER which offers mileage, routing and fuel tax pricing in an all-in-one package. Other versions are also available at mcra.randmcnally.com. A web-based version is also available and is provided by truckmiles.com and the advantage is that it is for free and you don't need to download and install any software to begin.

Load Board Web-based Service

This is probably the best asset that you will ever have for your freight brokerage business. This internet-based service gives you the ability to monitor your load and your trucks. You can see available loads as well as idle trucks. With this, you can match them so you could transport the load faster and in an efficient manner. This saves you a lot of time compared to the days when there was no such thing as an internet based load board.

Websites like internettruckstop.com or 123GetLoaded.com are some examples of the available load board service providers. They usually have a subscription fee per month so you could continuously post your loads and search for available trucks. An alternative for these sites is Transcore.com where you can make use of a DAT board, the name of the load board service that this company offers. The edge of this variant is that they have installed several screens at many truck stops in North America. This allows drivers to also monitor the load board screen even if they are far away.

Freight Broker Programs

This is specific software that caters to freight brokers alone. They help brokers finish repetitive tasks in a few clicks of a button. This makes a broker's job easier. However, these programs vary depending on the setup of your freight brokerage service. A different program is required for a single, stand-alone broker compared to a broker who is connected to other agents via extensions offices. The latter type of freight broker setup is usually connected by a central server.

Disclaimer: These tools have been mentioned under the standard that you are going to spend some money on the least investing equipment's. We are not responsible of any future liabilities when certain unforeseen situations arise. All of the mentioned websites are just for reference and it is not compulsory to acquire or purchase them.

How to MARKET YOUR BUSINESS

Marketing is a key function in almost every type of business. Effective marketing has a clear vision, strategy and plans. There are many marketing tools that are vital to support your marketing and to spread your business.

The first and most important marketing tool is a website for your business. You should have an attractive website that describes your business in a way that will help attract clients from around the world. Flyers can also be a good marketing tool; whether you use contact cards, printed flyers, news advertisement, or even packaging fillers that hold your brand name.

Another tool is your e-mail. You should have a set of emails linked to your domain to allow potential clients to communicate with your company. Having a professional email helps establish a professional connection between you and other companies.

The following is a list of software tools that are commonly used in the freight brokerage industry:

Word Press

A free and open source blogging tool based on PHP and MySQL. It includes a plug-in architecture and a template system and is used by more than 19% of the top 10 million websites. This tool can be used to create more efficient marketing.

VCita

A client engagement platform for small businesses. It is added to a Word Press platform to allow you to manage your clients and staff, to schedule appointments on any device, and to be more efficient with appointments and follow-ups.

Constant Contact

An online marketing company offering email marketing, social media marketing, online survey, event marketing, digital storefronts, and local deals tools, primarily to small businesses.

The following is a list of many other tools that can facilitate your working environment and procedures followed by freight brokers:

TRANSFLO Velocity

Provides document management and electronic workflow solutions. It allows carriers and trucks to scan documents anywhere and provide same-day access to delivery documents. This tool can speed up cash flow, which allows fleets and drivers to be paid faster through this electronic billing process. TRANSFLO Velocity can easily be used by downloading the software. This program helps to save time and money because it is a replacement for faxing .

Website: http://www.pegasustranstech.com

COMDATA

A payment processor and issuer of fleet fuel cards, corporate spend cards, paperless payroll cards, virtual payments, and trucking permits. COMDATA can be used to manage purchases and it allows administrators to set limits on cards, restricting usage to certain merchants, dollar amounts, and number of transactions. Website: http://www.comdata.com

The Fundamentals of Being a Freight Broker

At a glimpse, the foundations of brokering are quite simple and easy to understand. However, for you to be able to have a successful business venture, you have to dig deeper and understand more of the theories and concepts. Most freight brokers would agree to the statement that theories can be learned, but determination is something that someone might have or not.

A simple but effective strategy to learn the ways of the shipping industry is to be an agent first. Yes, you will learn a lot when you are under a company or an organization of fellow agents. This would be the best playground for you to understand and discover the hoops and loops of brokering. After some time, you may move on to venturing to your own and stand-alone brokerage service. To summarize this, you have two options to start with, either you become an agent first, or venture as a freight broker at once.

The Freight Broker versus the Freight Agent

The basics of freight brokering may appear relatively easy as discussed in the earlier sections, with licensing and financial control, the primary difference, between a Freight Agent and a Freight Broker. However, those entirely new to the industry would prefer to start out as an agent rather than to immediately venture out as a broker. Still, the choice is entirely yours. In this section, we are going to identify the differences of each so you may determine which path you are going to take that best fits your current situation, needs, or capabilities.

Responsibilities of a Freight Broker

The FMCSA (Federal Motor Carrier Safety Administration) is the license provider of both motor carrier and freight brokers. After obtaining a license, brokers are also required to secure a surety or trust fund before actual operation. These bonds are used in cases where unforeseen incidents happen that makes the broker liable for any matter.

Brokers are also tasked to gather the payments from clients and dividing it to the motor carriers that transported the load. If an agent is present, they will also need to pay him commissions for arranging the load transactions.

Additionally, being a broker must mean that you have an initial line of credit. Most shippers or customers do not pay for 30- 60 days and you must pay your carriers within 15-30 days.

Since a broker is partially accountable for the finances, you must be cautious in choosing who you do business with. To avoid payment issues or extended collection times, a credit check of a prospective customer should always be performed prior to extending a credit line.

Motor Carrier Arrangement Paired with Freight Broker

In addition to their trucking business, a lot of motor carriers today also broker for freights and accept freights from other brokers. Doing so increases load availability of their own trucks, thus keeping their trucks moving constantly. They can also broker their own customer's freight if they have no available truck for dispatch.

Operational Capital

Since you need to pay your carriers within 15-30 days, and at best, in 25 days or less to maintain a good credit rating as a broker, paying for the freight bills will take most of your capital while you are still waiting to get paid by customers that could take up to 60 days. So, working as a broker you would need to take into consideration the operational capital that you will be putting up

Now, most brokers usually obtain operating capital through the following ways:

Bank Financing

Contact Michael Thomas For Factoring Services 469-331-0117

Invoice Factoring

For most businesses, Bank Financing is a traditional way to obtain capital. However, obtaining a bank credit line or a credit line extension, especially if you are new to business, would prove to be challenging. Also, a credit line involves collateral, which is tied up to your assets. Banks usually have strict and restrictive lending requirements, which often limit them in lending too many small and medium-sized businesses.

While bank financing is a feasible solution, it makes less sense for a small trucking company than does Invoice Factoring, also known as Accounts Receivable Factoring or Transportation Factoring. Invoice factoring is the purchase of account receivables for immediate funds. It is selling your invoices to a factoring company for cash and then, they worry about billing and collections. The invoices would be purchased at a discount, which would usually cost you between 5- 15% of the haul rate. However, this gives your business the power to grow without incurring or creating debt, and you have the immediate cash to pay for your carriers and your other business expenses. We will be discussing this in detail on the later sections. For now we will shortly illustrate the basic of Invoice Factoring as seen below.

Example: Invoice Factoring

A 2,500 mile shipment haul rate paying $5,000

Description	Rate Per Mile (RPM)*	Percentage Formula	Percentage %	Revenue Formula	Revenue
Haul Rate	$2.00	$2.00 / $2.00	100.00%	RPM x Miles x %	$5,000
Carrier Rate	$1.70	$1.70 / $2.00	75.00%	RPM x Miles x %	$4,250
Initial Commission				Haul Rate – Carrier Rate	$750
Factoring Company Pay		Pre-determined	5.00%	Haul Rate x %	$250
Released Funds				Haul Rate – Factoring Pay	$4,750
Broker Pay				Haul Rate – Carrier Rate – Factoring Pay	$500

* The figures in the table above are just examples. These may increase or decrease based on your specific needs and based upon the rates agreed upon with your factoring company. If you were able to acquire an agreement with a factoring company and agreed on a factoring rate of 5% that would mean they will release 95% of the haul rate, which is great because you immediately have funds to pay for the carrier rate. However, you just gave away 5% ($250) of your intended commission to the factoring company, reducing your final commission (if no agent involved) to $500 dollars only.

Responsibilities of a Freight Agent

As an agent, they are free from many tedious tasks like billing processes; or having a surety bond and other things that require for the operation of a brokerage. Therefore, agents can focus on building their own business and reputation towards a better hold on the freight agent industry. Some agents do not see the need to establish their own brokerage company because of the big income that they collect as an agent.

An agent is only responsible for building your customer base and following through with the necessary paperwork, which comes with brokering a freight load, to your parent broker's office. You can basically build your business without the burden of administrative responsibilities that befalls a broker. However, your parent broker will ultimately decide if they want to take your customer in or not.

Beginning Strategies

Most freight brokers have a hard time trusting new agents to work with them because of their inexperience. However, you might get their attention by telling them that you already have a shipper on standby who agreed to make you an agent. With this, you would need to send an agent information package.

You might be wondering how you can convince a broker to hire you even if you have no prior experience. In the next parts of this manual, we will show you how to use a Freight Broker Index or Directory. This is a key instrument for an agents starting work.

Getting Licensed

Operating Authority - Federal Licensure

To get licensed, your company may need assistance from an operating authority, which can be granted by FMCSA. Operating authorities can be referred to as an "MC," "FF," or "MX" number, which is quite different from the USDOT Number application process. Operating Authority regulates the type of operations your company can undertake. Furthermore, it authorizes the type of cargo you can carry and the geographical area you are authorized to operate within.

Costs for Obtaining an Operating Authority

Each individual Operating Authority will cost $300. To apply for multiple operating authorities, you will have to submit separate, non-refundable filing fees with the application. You can file for the following operating authorities with the OP-1 Application for Motor:

1. Broker of Property except Household Goods.

2. Broker of Household Goods

Common, Contract, And Broker Authority Definitions

1. If common carriers offer truck transportation ready for hire to the public, they must file both liability (BI & PD) insurance and cargo insurance.

2. If contract carriers offer truck transportation ready for hire to specific, individual shippers, based on contracts, they must file for liability (BI & PD) insurance.

3. Brokers must file either a surety bond or trust fund agreement, which allows them to arrange for the truck transportation of cargo belonging to others, for compensation, utilizing for-hire carriers to provide the truck transportation.

Requirements of Property Broker Authority

1. Broker's Authority is available through the FMCSA for a $300 fee. You must complete OP-1 form and select the option "Broker of Property (except Household Goods)".

2. A Surety Bond or Trust Fund is required. You can obtain it from a bank or a bonding company. The expected cost varies according to your personal credit and you are required to carry a $75,000 surety bond or trust. If your credit is good, some companies will put up a bond for you for a fee (normally $3500 per year). The form filed with this is BMC-84 or BMC-85.

3. Universal Carrier Registration Filing - If you arrange for the transportation and movement of freight, you will need to pay an annual fee of $76.

4. Processing Agent, which costs approximately $60, with the BOC-3 form.

Freight Broker Index

An index or directory is a collection of shippers or companies willing to hire a freight agent. This is a way to find and get a parent broker. These indexes usually come in the form of paperback or CD-ROMs. Amazon.com and BarnesandNoble.com are online book selling sites that have freight broker indexes available to purchase. Paperback books are also available on several truck stops. Alternatively, CRBookCompany.com sells indexes in the form of CD ROM. This is perfect for people who are not fond of books and are just comfortable checking things over the computer.

Choosing and Getting a Parent Broker

You will need to carefully consider which parent broker you will broker for. Working with a small brokerage firm may seem to give you more flexibility, but it actually limits your carrier base, as trucks and trucking companies are most likely to work with reputable brokerages in their credit rating. Having fewer carriers to haul your load also means less customer base. Bigger brokerages have a huge database of carriers and a lot of broker tools, which could make your work more efficient, at their disposal. However, they are also more restrictive than small firms and most would require exclusivity to their brokerage, meaning you can only broker for their company and for their company alone.

Now, getting an agent job for a brokering firm job could prove to be quite challenging. Brokers are usually very cautious in working with new freight agents. The best way to get their attention is by informing them that you have a customer or shipper ready to work with you as an agent, and then ask for their Agent Packet Information. You may do this for several firms to shop around and see which firm best suits you, but it would be wise to be flexible in your terms especially if you are still starting up. The first thing you have to do though is find a shipper willing to work with you.

There are many avenues where you can find shippers such as your local newspaper, manufacturers, and load boards. Once you have a shipper in mind, contact them and informing them you are a new agent that is looking for shipments in the area. Once you both reach an agreement about your rates and terms, have the shipper sign your proposal, which you will be bringing to the table of your prospective brokerage firm.

We suggest that you start with smaller firms because they offer more flexibility in learning the ropes and building your brokering skills as bigger firms have lesser patience and flexibility in working with new agents. Once you have conquered the challenge of getting in and being part of a brokerage firm, you are already on your way to your brokering career. However, this is quite challenging for some and is also the reason why some would opt out to being agents and would directly go and venture to become brokers themselves. The downside to this would mean that you have skimped on getting valuable experience and learning from other brokers and potentially learning the ins and outs of a brokerage firm that you will invaluably need once you decide to open your own brokerage.

However, are many truck drivers, who are well versed on how the carrier industry operates, and do quite well brokering on their own because they are already familiar with the freight rates and negotiating. If you are already comfortable in negotiating and do not mind the additional responsibility of tracking money, you may discover that venturing out and moving ahead as a broker will give you more opportunity than being an agent could ever give.

Compensation and Accountabilities: Freight Broker and Freight Agent

Typically, a Freight Agent earns between 45-60% for coordinating loads. However, there is no industry standard for a freight agent's compensation. Some brokers offer a 60-40 profit sharing, 60% of which will be yours and 40% the broker's, and some brokers will offer a straight 8% commission of the loads you bring in.

Freight brokers earn more or less than that of an agent for a single load. This is dependent on certain factors that a broker may be exposed to, such as entering an agreement with a factoring company that takes 5-15% out of the haul rate, and employing an agent, which takes 45- 60% off from the initial commission.

To understand this better, we will now illustrate the compensation and accountabilities of both the freight broker and agent using the same chart example we used on Invoice Factoring while adding the freight agent.

Example: Compensation and Accountabilities

A 2,500 mile shipment haul rate paying $5,000

Description	Rate Per Mile (RPM)*	Percentage Formula	Percentage %	Revenue Formula	Revenue
Haul Rate	$2.00	$2.00 / $2.00	100.00%	RPM x Miles x %	$5,000
Carrier Rate	$1.70	$1.70 / $2.00	75.00%	RPM x Miles x %	$4,250
Initial Commission				Haul Rate – Carrier Rate	$750
Factoring Company Pay		Pre-determined	5.00%	Haul Rate x %	$250
Released Funds				Haul Rate – Factoring Pay	$4,750
Agent Pay		Pre-determined	50.00%	Initial Commission x %	$375
Broker Pay				Haul Rate – Carrier Rate – Factoring Pay	$500

* The figures in the table above are just examples. These may increase or decrease based on your specific needs and based upon the rate that agreed upon with your factoring company and broker.

If you negotiated a factoring rate of 5% with the factoring company, that would mean they will release 95% of the haul rate, which is great because you immediately have the funds to pay for the carrier rate. However, you just gave away 5% ($250) of your intended commission to the factoring company, reducing commission to ($500) and you have to pay your freight agent the commission ($375) for coordinating this load, further reducing your broker pay to ($125).

Alternatively, if you were a one-man team operation (you book the load yourself without an agent), you would get to keep the ($375) that you would have paid your agent, having your commission back at ($500). Also, if you didn't factor this load, you get to keep the ($250) you would have supposedly paid for a factoring company, bringing your commission up at ($700). Then again, it would take 30-60 days or even more to collect your receivables.

Obviously, an agent has significantly lesser risk and responsibilities involved compared to the broker, and as you have probably noticed from our illustration that a freight agent earns more than a freight broker. That is $375 an agent gets versus $ 175 a broker earns for this load. That's a huge $ 200 dollar difference! As an agent you get the income without the licensing obligations, the huge operational capital, and other financial responsibilities that burdens a broker. To think, this is only one load that we are talking about and it is not uncommon that agents earn around $ 500 or more daily. Some very experienced agents are even capable of coordinating 10- 15 loads a day! If you are an independent contractor, who is not bound to an exclusive contract with a brokerage, you may even hire employees to assist you with the loads that you are brokering. Now, being a freight agent probably sounds better than being a freight broker. You need to understand that freight brokers work with more than one agent and can even directly broker a load by themselves as well. A small brokerage can even operate with 10- 50 agents under their firm. Now imagine the stream of income from that! Bigger responsibilities and bigger accountabilities translate to bigger opportunities as well, creating more channels to income.

Pro’s and Con’s: Freight Agent and Freight Broker

We will summarize and illustrate the Pros and Cons of being a Freight Agent and a Freight Broker, as we have learned in this section.

Freight Agent

- Gains experience from working with brokers in a brokerage firm
- Gains immediate access to carrier base and customer base in firms
- With immediate access to carrier base, new customers would be more willing to work with you
- Can focus on solely coordinating freights

- Works under a broker or brokerage firm
- Brokers prefer experienced agents
- Your shipments has to be approved by a broker
- You cannot take your customers with you or out of the brokerage firm
- Depending on the exclusivity of the brokerage term, you would be restricted to working with them exclusively

Freight Broker

- Self-employed
- Retains and controls the financial profit in load hauls
- Has the control over which load to take
- Has multiple agents working for him in finding carriers and load hauls
- Gets the keep the customers his agents bring in

- Large operating capital is needed
- Huge financial responsibility and accountability in moving the funds
- Licensing and other government required documents in operating a brokerage befalls a broker
- Has to establish a carrier base
- Has less time to focus on finding and coordinating loads

As you have learned and you will learn in the coming sections, there are pros and cons for being a Freight Agent and a Freight Broker. The choice of choosing which path to take is ultimately yours. However, we at the **LOGISTICAL FORWARDING SOLUTIONS** strongly recommend that you complete this material before making that decision to ensure that your choice, along with its own benefits and setbacks are clearly understood.

Governing Bodies of the Transportation Industry

The field of transportation is not just being regulated by one superior organization or authority. Several agencies coexist to provide regulations to the different transportation fields. The following are the MAIN agencies that work hand in hand to monitor the transport status of the United States:

- Department of Transportation
- Federal Aviation Administration
- Department of Homeland Security
- Department of Defense
- Customs and Border Protection
- Environmental Agency
- Department of Agriculture

Although the list is diverse, the main authority that governs transportation is USDOT or the United States Department of Transportation. It is further divided into other regulatory boards mainly:

- Federal Motor Carrier Safety Administration
- Maritime Administration
- Pipeline and Hazardous Materials Safety Administration

These are just some of its authoritarian boards, but the above-mentioned entities either directly or indirectly affect transportation. All of these organizations work in synchrony and harmony to implement the rules and regulations, which are stated in the Code of Federal Regulations.

Chief Regulatory Body of Freight Brokers

The FMCSA or the Federal Motor Carrier Safety Administration is the main regulatory body for freight brokers. The licensing of brokers is governed by the said authority and is responsible for other processes and requirements concerned with it.

However, coordination with other authorities always occurs in the FMCSA office. Motor carriers and brokers have a wide variety of loads to transport. This, in effect, triggers chain reactions under the federal authorities. For example, if a motor carrier is tasked to transport military materials, then it should comply with the standards of the Department of Defense; but if it is transporting cows or pigs, it needs to adhere to the regulations of the Department of Agriculture.

The licensing process will be discussed in a short while. First, it is best to study the history of the FMCSA and how it came to be as it is today.

History of the FMCSA

In 1935, the US Congress passed the Motor Carrier Act. This specific law gave the Interstate Commerce Commission or the ICC enormous and essential authority within the freight industry. This gave them the power to control and regulate the motor carriers' standard. Almost every aspect of the industry was then under the discretion of the ICC including the motor carriers permits, routes and most importantly, the tariff costs.

The ICC executed the order that the tariff rates of each carrier should be regulated to a uniform rate. They said that the reason for this was because of a forecasted overwhelming competition among the carriers themselves. Gradual and mild competition may be healthy for the industry, but a projected abrupt increase in competition made it a negative situation for the economy. Added to this was the fact that the country was barely recovering from the effects of The Great Depression, which began in the year 1929.

In 1980, the Congress revised the previous act and came up with another Motor Carrier Act. This version encouraged and promoted competition among motor carriers. It was coined as a "partial deregulation" to the guidelines that prevented carriers to establish their own tariff rates. This resulted to a cascade of changes in the tariff rates of different motor carriers. As a result of competition, many decreased their rate to encourage shippers to make deals with them instead of their competitors.

In 1986, the Congress passed another law that further regulated the standard of the industry. This was the Commercial Motor Vehicle Safety Act, which focused on a better screening standard for motor carrier drivers. This prevented the entry of delinquent, drug-laden, and unsafe drivers from actually getting an entry to the industry. All of this was a result of the growing competition and the entrance of small business groups that offered the same service as bigger carriers do. Furthermore, this law gave a provision that a commercial driver can't have multiple operating licenses from multiple states. It also increased the requirements for employers to where the drivers are being hired.

As the economy grew in 1991, the Congress passed the Inter-modal Surface Transportation Efficiency Act or ISTEA. This helped local and state governments to prepare for a new type of economy that enabled interstate business transactions as well as international deals. Federal agencies and local governments scrambled to integrate their highways with Railroads and Shipping Terminals. Due to the expansion of the country's economy, interstate commercialism became a critical aspect for the state and local government.

In 1995, the Interstate Commerce Commission Termination Act or ICCTA was enacted and it abolished the ICC. It scattered its responsibilities and authority to the agencies under the Department of Transportation. On December 31, 1995, the licensing of motor carriers was given to the Federal Highway Administration, which was an agency within the Department of Transportation Railways. Furthermore, the Surface Transportation Board or STB was given the authority with other inter-modal activities. This year signaled a lot of reforms within the motor carrier industry and it triggered numerous economic situations that enabled the industry to expand.

In 1998, the Transportation Equity Act of the 21 st Century was born. This was a multi- billion-dollar investment that was signed by President Bill Clinton. Its goal was to maintain and prepare the country's transportation systems to pave way for the 21 st century. Additionally, all safety regulations concerning motor vehicles were implemented by all states in a uniform manner with the help of the Motor Carrier Safety Assistance Program or MCSAP. They funded the improvements and fund requirements for the execution of different programs like vehicle inspections and compliance reviews. To cope with this massive investment, they stipulated in the Act that motor carriers can be fined a maximum amount of $10,000 for violations of safety standards.

In 1999, the Motor Carrier Safety Improvement Act was enacted and aimed for two things:

- Enhance the Federal Motor Carrier Safety program by establishing its own Administration, which followed the same name of the program and was a division of the Department of Transportation.

- To decrease the quantity of accidents involving trucks by implementing strict inspections, stricter sanctions for violators and compliance review. It also allowed the hastening of provision making proceedings to increase the improvement in the transportation regulation standards.

Finally, on January 1, 2000 the Department of Transportation formed the Federal Motor Carrier Safety Administration or FMCSA. Its beginning tasks were just to regulate and enforce motor carrier safety standards, but its responsibilities have widened as time passed by. Today, almost all of the authority is given to FMCSA including, licensing, safety and compliance of carriers, brokers and forwarders.

The FMCSA, as well as other federal agencies are to comply with the Code of Federal

Regulation. This is the major guideline that every government body has to follow in their formulation and implementation of regulations.

What is the Code of Federal Regulations?

The Code of Federal Regulations is the primary rulebook for all agencies in the United States regardless of what their function is. The Code makes sure that every government body is doing his job and implementing correct standards and laws. As freight brokers, you should be able to abide by these regulations. For this to be possible, you must have the correct knowledge about the CFR and how to implement it on your business so as not to give out any hints for non-compliance.

The CFR is a collection of published regulations that are enacted by different Federal Organizations. It lists the specific regulations that are known to us as administrative laws. The Federal Register created this, which is a division of the National Archives and Records administration.

Before the CFR was created, former President Roosevelt opened new Federal agencies. This resulted to an accumulation of various laws and regulations, which in turn created a mass confusion and ignorance to the regulation because the citizens did not have a single place to look for the entire list of regulations that were enforced at their time. In 1935, the Federal Register was created which was a publication that showcased the various regulations provided by the Federal agencies. This partially solved the problem but left others confused on where to search for past regulations as well as related revisions to previous laws. This initiated Congress to form the CFR, which was primarily a form of management for the Federal's regulations. It made the collection of regulations systematic and provided convenience and knowledge for the citizens.

Components of the CFR

The CFR is listed with fifty Regulation Titles. These titles are divided into chapters; each section into parts; and each part into sections. This made it easier for people to search for specific regulations. This collection is updated every year to ensure that the public is continuously informed and aware of the new regulations. The presence of the Internet has made the CFR available online and easily accessible through gpoaccess.gov.

REGULATION TITLES

Title 01 – General Provisions	Title 26 – Internal Revenue
Title 02 – Grants and Agreements	Title 27 – Alcohol, Tobacco Products, and Firearms
Title 03 – The President	Title 28 – Judicial Administration
Title 04 – Accounts	Title 29 – Labor
Title 05 – Administrative Personnel	Title 30 – Mineral Resources
Title 06 – Homeland Security	Title 31 – Money and Finance: Treasury
Title 07 - Agriculture	Title 32 – National Defense
Title 08 – Aliens and Nationality	Title 33 – Navigation and Navigable Waters
Title 09 – Animals and Animal Products	Title 34 – Education
Title 10 – Energy	Title 35 – Panama Canal
Title 11 – Federal Elections	Title 36 – Parks, Forests, and Public Property
Title 12 – Banks and Banking	Title 37 – Patents, Trademarks, and Copyrights
Title 13 – Business Credit and Assistance	Title 38 – Pensions, Bonuses, and Veterans' Relief
Title 14 – Aeronautics and Space	Title 39 – Postal Service
Title 15 – Commerce and Foreign Trade	Title 40 – Protection of Environment
Title 16 – Commercial Practices	Title 41 – Public Contracts and Property Managements
Title 17 – Commodity and Securities Exchanges	Title 42 – Public Health
Title 18 – Conservation of Power and Water Resources	Title 43 – Public Lands: Interior
Title 19 – Customs Duties	Title 44 – Emergency Management and Assistance
Title 20 – Employees' Benefits	Title 45 – Public Welfare
Title 21 – Food and Drugs	Title 46 – Shipping
Title 22 – Foreign Relations	Title 47 – Telecommunication
Title 23 – Highways	Title 48 – Federal Acquisition Regulations System
Title 24 – Housing and Urban Development	Title 49 – Transportation
Title 25 - Indians	Title 50 – Wildlife and Fisheries

Using the CFR

You would notice that Title 49 is highlighted for the purpose of emphasis because this is what freight brokers should focus more on. Although all of the contents are important, this is specific for brokers who would want to familiarize themselves with the transportation system as well as other accompanying regulations. It is also important to note that some parts of Title 49 might refer you to other parts or titles. This is because some agencies that made regulations for transportation may not be necessarily focusing on transportation itself.

If you are trying to navigate to the specific topics regarding freight brokers, you can find it on Part 371 of Title 49.

Part 371: Brokers of Property

371.1 – Applicability
371.2 – Definitions
371.3 – Records to be kept by brokers
371.4 – Misrepresentation
371.9 – Rebating and Compensation
371.10 – Duties and Obligations of
371.13 – Accounting

For more information regarding Part 371, you can access the FMCSA website through fmcsa.dot.gov. And for the whole CFR you can check gpoaccess.gov.

Business Requirements of a Freight Brokerage

Broker Authority

After you obtain a general business license from your local city's department of licensing to operate your business, you would also need to obtain another license specifically for freight brokering.

As a freight broker, you would need to secure your brokering license, also referred to as a Broker Authority or just Authority, from the Federal Motor Carrier Safety Administration (http://www.fmcsa.dot.gov/) or FMCSA. The FMCSA is one of the agencies in the United States Department of Transportation or USDOT. Authority is a license that applies to transportation commerce. This license authorizes companies or individuals to transport freight or coordinate the transportation of freights. Before motor carriers, brokers, and freight forwarders can begin interstate operations in the United States, they must first comply with the multi-step application process through FMCSA to obtain an Authority. Now, not all motor carriers are required to have an authority, such as carriers transporting their own goods which are "not for hire" carriers. However, if they, at any time, allow their carriers to transport other commodities other than the ones they manufacture, then they have to obtain an authority. This license or authority is to protect your customers or shippers, making sure that you are held accountable for your business dealings with them.

Below are the different licenses for each:

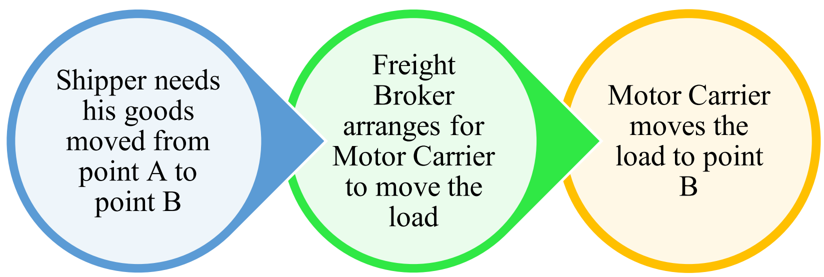
- Freight Broker – needs a Property Broker Authority; Coordinates the transportation of the freight but does not take physical control of the freight.

- Freight Forwarder – needs a Freight Forwarder Authority; Coordinates the transportation of the freight and at some point, during the transportation takes physical control of the freight.

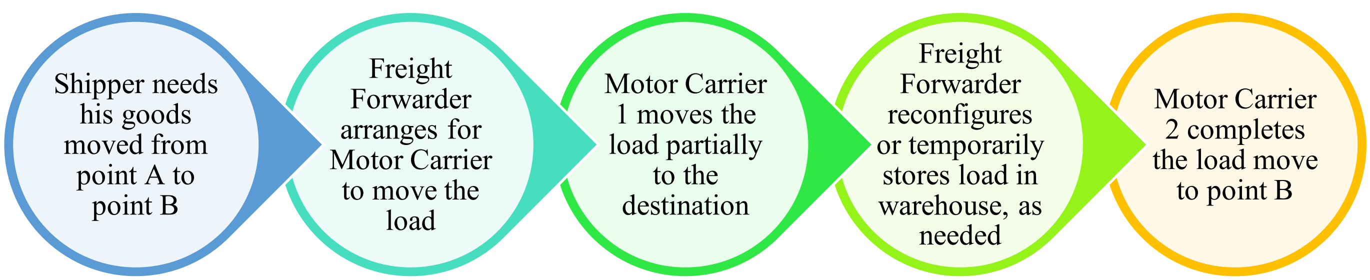
- Motor Carriers – needs an Operating Authority; Transports the freight, therefore takes physical control of the freight.

Below is an illustration to better explain the Freight Broker and Freight Forwarder's role in the transportation industry:

Freight Broker



Freight Broker



It is imperative that you obtain your authority because you would not be permitted to operate until then. In obtaining your broker authority you need to complete a 3-step process:

Step 1: Apply for your authority through the FMCSA

Step 2: Purchase a Broker Surety Bond or a Broker Trust Fund Agreement for the amount $75,000

Step 3: File Form BOC-3 for your Process Agent/s through the FMCSA

Before we explain the above steps in detail, let us first discuss about the need for a Surety Bond or Trust Fund and Process Agent/s.

Broker Insurance

A broker insurance obtained in an insurance company for the amount of $75,000 is required for your license application in the FMCSA to be approved. The CFR Title 49, Sec. 387 states that, *"The broker license shall remain in effect only as long as a surety bond or trust fund remains in effect and shall ensure the financial responsibility of the broker."*

You need this insurance because the FMCSA expects you to be financially accountable for the freight that you have brokered. This insurance ensures them that you pay for your carriers all the time, in the event that you are unable to pay for your carriers, your insurance company, or bond, or fund reimburses or pay for your behalf if you are unable to complete the contract. This protects your carriers from losses resulting from your failure to meet your obligation. For this particular insurance, you have the option whether to choose a Surety Bond or a Trust Fund. Both functions the same but has different requirements.

Difference between Surety Bond and Trust Fund

Surety Bonds are a third party instrument by which one party (the surety bond company) guarantees a second party (the entity requiring the bond) successful performance of a third party. They guarantee the performance of an obligation and assure that your company will perform in accordance with the terms of a business license, permit, contract, financial obligation, or court order. Those terms and guarantees are uniquely outlined in different surety bond forms. Beginning from October 1, 2013, a broker must obtain and file with FMCSA a surety bond or trust fund agreement of $75,000 to comply with FMCSA's financial security requirements.

A Freight Broker Surety Bond is required by the Federal Motor Carrier Safety

Administration (FMCSA) Any individual or company who operates as a transportation freight broker must obtain this bond; which guarantees that the principal will pay motor carriers if they fail to carry out transportation contracts according to (FMCSA) regulations. The BMC-84 Surety Bond costs $75,000. The new law requires the security to pay claims if the broker consents to the payment, or if the broker does not respond after notice and the surety determines that the claim is valid, or when the claim cannot be resolved and reduced to a judgment.

Freight Broker Bond (Formerly Known As ICC Bond)

This Surety Bond applies to Freight Brokers and Freight Forwarders. These bonds are commonly known as BMC-84 and property broker surety bonds. Brokers are allowed by the FMCSA to submit a BMC-85 trust fund in place of a bond. It is recommend to submit the BMC-85 trust fund if you do not qualify for a BMC-84 freight broker bond. Obtaining this bond will depend on your personal credit history. It is available for individuals with credit problems; however, those with a low credit score will pay a higher premium.

BMC - 85 (Property Broker Trust Fund)

To operate legally as a transportation broker, a freight broker bond is required by the Federal Motor Carrier Safety Administration (FMCSA). This bond can also be called: BMC-84, ICC Bond (this bond was previously a requirement of the ICC), or a Property Brokers Surety Bond. The FMCSA also allows brokers to submit the BMC-85 trust fund in lieu of a bond. However, most agencies only recommend brokers make use of the BMC-85 trust fund if they do not qualify for the bond.

Surety Bond

Property brokers must have a surety bond or trust fund in effect for an amount of $75,000. The FMCSA will not issue a property broker their license until a security bond or trust fund until the full amount is in effect. As long as the bond or fund is in effect, the broker license will remain valid, which ensures the financial responsibility of the broker.

Evidence of a security bond must be filed using the FMCSA's prescribed Form BMC 84. Furthermore, evidence of a trust fund with a financial institution must be filed using the FMCSA's prescribed Form BMC 85. The surety bond or trust fund ensures the financial responsibility of the broker by providing payments to shippers or motor carriers if the broker fails to carry out its contracts, agreements, or arrangements.

A **Surety Bond** requires that you have a good consumer credit rating and this would not require collateral. There are several insurance companies that offer a surety bond. You can ask your local insurance company for more information or you may also search for it on the Internet. Once you have applied and qualified for the bond, you must pay annually to the insurance company for you to maintain your bond. The fee is based on your credit rating, but it is often estimated at around 10% of the amount of your bond of $75,000. This means you would need to pay $1,000 annually to keep your bond.

Now, remember this percentage may increase or decrease depending on your credit limit. The surety bond is definitely attractive especially to those who are just starting out because of the little investment involved in securing this requirement. However, in the long run this annual expense will begin to build up and you will be spending quite a lot for a surety bond compared to obtaining a trust fund.

A **Trust Fund** on the other hand, requires collateral or cash on your part. Most Federal Deposit Insurance Corporation (FDIC) Banks can assist you with obtaining a trust fund. The required amount by FMCSA for your trust fund is $75,000. Again, this is quite a big investment especially if this amount is not used for your actual business operations, but rather for acquiring a needed requirement. Remember a trust fund has to sit on the bank for the entirety of your operations, because it is part of the requirement that you have at least $75,000 worth of insurance by the form of a trust fund. This is a one-time investment or payout to put up your trust fund. However, the trust fund is coming from your own monetary investment in the bank, which means your trust fund actually earns money through the interest rate at which your bank has proposed. Since your trust fund actually earns money, in the long run you would have gained, compared to investing on a surety bond.

Acquiring a Surety Bond

There are many companies that accept application for surety bonds on freight brokers. Most bond requests are approved 3-5 business days from when you applied, but some are approved on the same day. BondsExpress.com and PermitsPlus.com are just some of the companies that accept applications for surety bonds.

Acquiring a Trust Fund

Trust companies are available anywhere and many Federal Deposit Insurance Corporation or FDIC banks are usually able to help you set up a trust fund. However, you have to remember that acquiring a trust fund means that you need to have "collateral" such as your assets or cash. As long as you have the resources to serve as mentioned, you can always avail of a trust fund .

Substitute for Obtaining Broker Insurance

A Surety Bond or a Trust Fund is required for you to complete your application. However, if the options in getting either of them are proving to be quite a challenge on your part, you could always explore other alternatives in getting a good consumer credit rating that a Trust Fund requires or getting the collateral that a Surety Bond requires. You could invite a partner or create a corporation in which a partner or one of the incorporators have good credit ratings for them to be qualified in applying for a surety bond. Sale or equity of a property may also be another way of securing your trust fund. In any case, you must be prepared to study your financial situation or capabilities and options before making any major financial judgments.

Engaging with a Partner

For freight brokers that are short of assets or might have a bad credit rating, you might be able to resort to getting a partner that has a good credit rating or has available assets. The downside of this strategy falls at the end of the person with a good credit status. However, you may present an arrangement of commissions with a more favorable profit on the part of that person; you can establish a corporation or LLC if your prospective partner agrees with the arrangements.

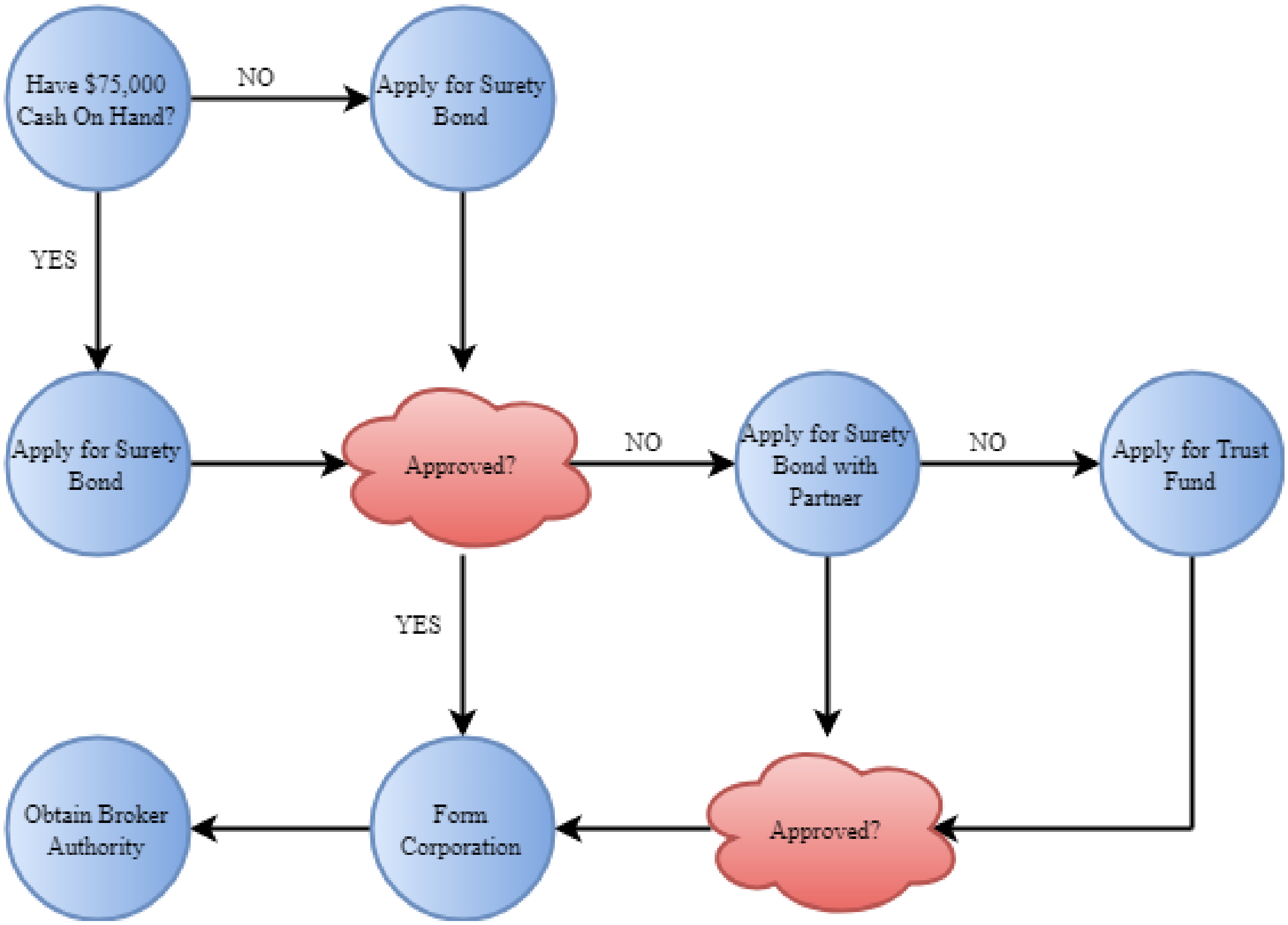
Gaining a partnership with another person means that you only refer to the other person as an investor or a silent partner. Only he affects the financial aspect because you still run the business, but he or she is earning money because of the capital that he or she shared with you. Giving an investor a fair share in the earnings would be the best way to keep him "on your boat" but maintain a financial level where your capital could still keep your business alive and operational.

After offering a principal investment, an investor would typically ask for a 10-20% profit, but only until he or she has returned his initial investment. Afterwards, you and your investor could arrange a lower investment return rate to ensure that you are also earning the right amount of profit to operate your business. Most investment returns last for more than a year. This is justifiable because without the investor, your business would not even exist. These are the effects of not having enough cash or asset to start your own business. An LLC or a Limited Liability Company involves having an investor that asserts a role in the company to control or manipulate some of its parts, but this is in exchange of collateral in the form of investment. This strategy often involves freight brokers that have zero assets or ownerships to start their operations.

Having a partner can have two results: a good one or a bitter experience. Most tycoons start out with incorporated or LLC partnerships so that they could clearly draw the line between what is his and the investors'. Incorporation involves a very specific set of responsibilities and shares for the different people within the organization. The problem with having investors that are not in the operating part of the business is that their shares tend to become permanent compared to private investors which allows you to set the duration of the investment period.

Disclaimer: These are all general information; we hold no responsibilities on any unforeseen circumstances.

Illustration: Flowchart in Obtaining a Surety Bond or Trust Fund



The Process Agent

A Process Agent is a legal representative of a freight broker whom court documents may be served in the event a legal case will ensue against a carrier, broker, or forwarder.

You would need to designate a process agent for every State where you will be operating. Brokers would need to list process agents for each State they will be operating with a physical office and in which they will be writing contracts. Your process agents must be filed with the FMCSA using Form BOC-3 with a $50 filing fee. This form is used to find your process agent in the State where, in the event that there is a case filed against you.

If you refer to FMCSA Regulation 49 CFR Part 366, you will find more details about The Designation of Process Agents by Motor Carriers and Brokers. Once an "Operating Authority" has been assigned to you by the FMCSA, you will be contacted by processing agents. The fees associated with their service generally range from $45 to $65. Once you select the company or agent that you wish to be your BOC 3 Agent, they will notify the FMCSA and attach their information to your operating authority for public viewing.

If you have difficulty in sourcing out process agents to represent you, there are many commercial firms who can arrange for process agents in any State, as well as file the necessary papers for the process agents, and all for a reasonable fee. The FMCSA website (http://www.fmcsa.dot.gov/registration-licensing/licensing/agents.htm) has put together a list of some of the companies, sorted by state, who can arrange for process agents.

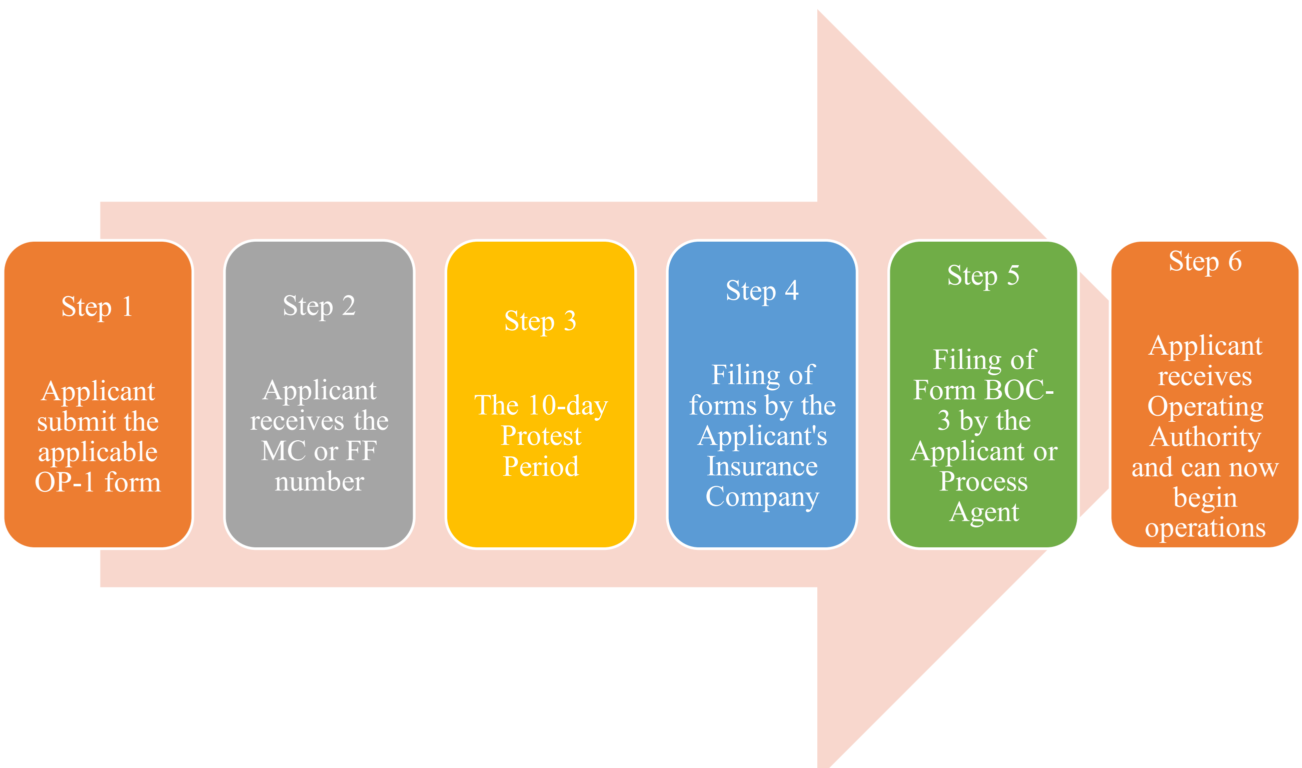
Using a Form BOC-3

As mentioned above, the Form BOC-3 is used in cases where a court hearing regarding a suit, complaint or any other court action occurs. This allows the FMCSA to find the process agent that was allocated to you in the state where the incident happened. The good news is that many companies are present to assist brokers in arranging process agents in every state that you need to have one, but it has a corresponding fee of course.

ProcessAgents.net and PermitsPlus.com are two famous and credible companies that give assistance for brokers that would need process agents. They are able to register you in all of the states without a huge hassle from your part; you just have to pay their fees as compensation.

Steps in Obtaining your Operating Authority

Earlier in this section, we discussed the basic steps in obtaining your broker authority. We will now illustrate and further discuss the steps in detail to provide you a more laid out perspective in obtaining your Authority :



STEP 1

Fill out and submit the appropriate form/s in the OP-1 series through the FMCSA

- This depends on the type of material that you will be working with, such as household goods, hazardous materials, etc.

- A $ 300 fee is applicable for each form submitted

STEP 2

- After the application has been submitted, the FMCSA will award you a Motor Carrier (MC) or Freight Forwarder (FF) number, which is needed to continue with the licensing process.

- When applying online, you immediately receive your MC or FF number and your confirmation grant letter will, arrive through mail. This greatly reduces the processing time versus mailing the application, which approximately takes 4 weeks.

STEP 3

Then your application goes into a 10-day protest period. This allows any company to protest your application to operate, stating why you should not be permitted to operate, however this does not stop your application, it is just a necessary step of the application process, so you can still continue to move with the other important documents in the licensure process.

STEP 4

You are required to obtain insurance or a Surety Bond or Trust Fund worth $75,000 from an insurance company for your brokering business. As soon as you receive your MC number, you can start this step. However, you are not to complete the required paperwork, but rather it is your insurance company who needs to file the necessary documentation, which would include your MC number from the FMCSA. Conversely, it is your responsibility to follow up with your insurance company to verify if the FMCSA has received and approved the necessary insurance forms. Otherwise, you will receive a warning letter from the FMCSA about the 90-day deadline within 20 days of not receiving the insurance papers which is starting from the point of application.

STEP 5

At any time that you have received your MC number, you can designate a Process Agent/s who will represent your firm for each State that you will be working with, and who will receive court documents in the event of a legal action against a carrier, broker, or forwarder.

- You or your Process Agent/s need to file the Form BOC-3 together with a filing fee of $50 with FMCSA within 90 days of application

STEP 6

When FMCSA has accepted and approved your application, insurance, and process agents, and after the 10-day protest period has ceased without any protest, you will then be given an Operating Authority: a license for a Freight Broker, a permit for a Freight Forwarder, and a certificate for a Motor Carrier. This authority is sent through the mail and once this is received, you can now begin with your operations.

Despite the information that we have thoroughly discussed, we strongly advise you to you to visit the website of the Federal Motor Carrier Safety Administration (http://www.fmcsa.dot.gov/) or

FMCSA for further details. Below are some sites within the FMCSA website to help you in processing your authority.

- Instructions for Completing Form OP-1: Application for Motor Property Carrier and Broker Authority: http://www.fmcsa.dot.gov/documents/forms/r-l/op-1-Instructions-and-Form.pdf

- Matrix of FMCSA Required Forms: http://www.fmcsa.dot.gov/registration-licensing/registration-forms.htm

- FMCSA Online Registration Assistant: http://www.fmcsa.dot.gov/registration-licensing/online- registration/onlineregdescription.htm

- Site to download and print the appropriate form/s and instructions: http://www.fmcsa.dot.gov/print-form

- Frequently Asked Questions (FAQs): http://www.fmcsa.dot.gov/about/other/faq/faqs.aspx#question1

Alternatively, you may also call the FMCSA at 1-800-832-5660 to request an application packet by mail.

Maintaining Records

Property brokers should keep records of every transaction for at least three years because each party of a brokered transaction has the right to review the record of the transaction. It is a good idea for brokers to keep master lists consisting of:

1. The consignor's name and address.

2. Name, address, and registration number of the originating motor carrier.

3. Bill of lading or freight bill number.

4. A detailed description of any side service related to the brokerage of the shipment or other activity, the amount of compensation received for the service, and the name of the payer.

5. The amount of any compensation received by the broker for the performed brokerage service and the name of the payer.

6. The amount of any freight charges collected by the broker and the date of payment to the carrier.

Legal Brokering Guidelines

It is important to avoid any misrepresentation that may occur during a brokerage. The broker should not perform any brokerage services under any name other than in which his or her registration is issued.

In regards to rebating & compensation, the broker should not charge or receive compensation from a motor carrier for brokerage service under the following conditions:

1. If the broker has control of the shipment due to the broker having ownership over the shipper, the shipper having ownership of the broker, or a joint ownership.

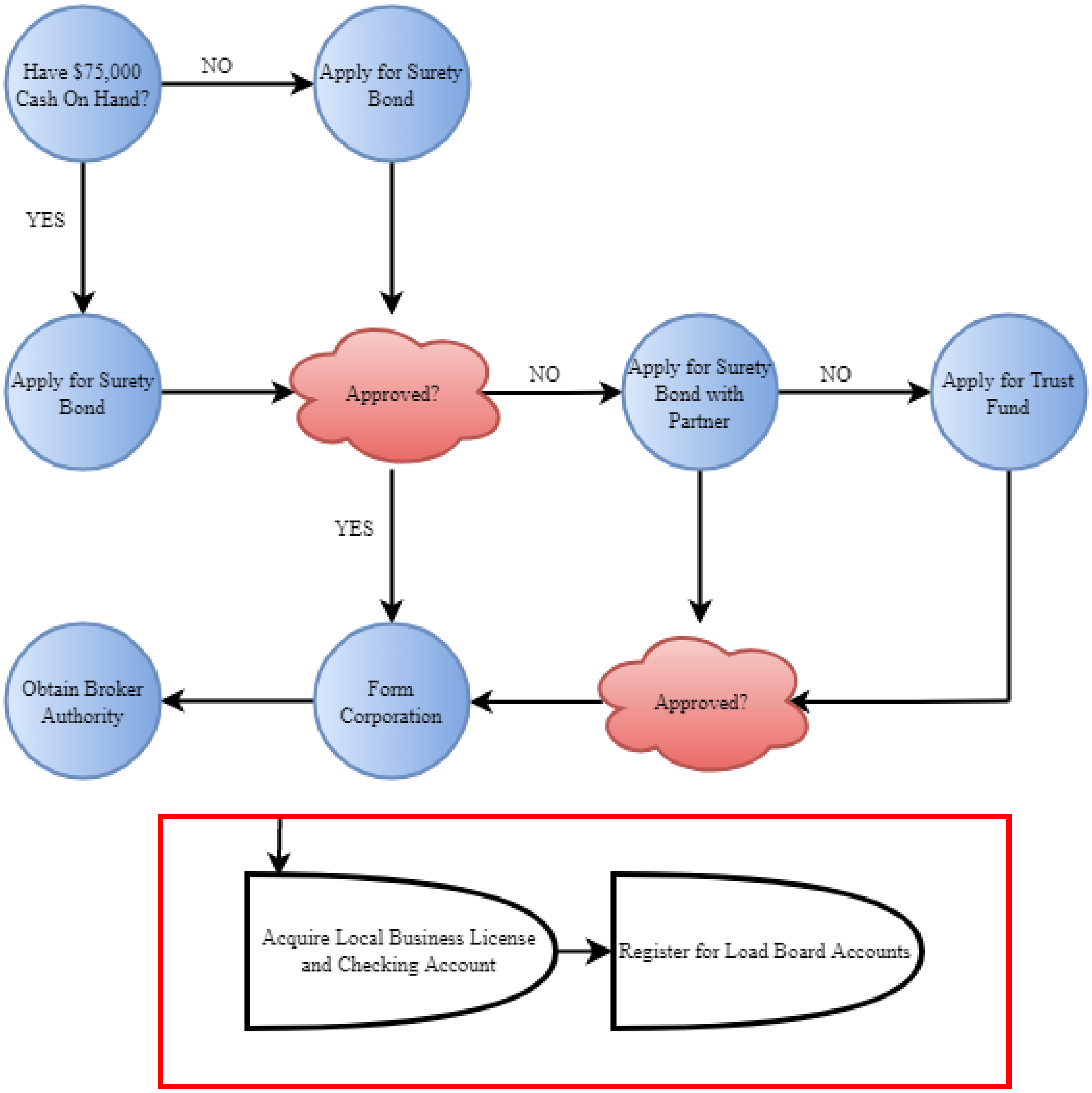
2. If the broker owns or has a material beneficial interest in the shipment.

3. If the broker does not offer to give anything of value to any shipper, consignor or consignee except for inexpensive advertising items

Evaluating Initial Expenses

This section will discuss and assess your initial, flat and long-term costs. Brokerage strategies may vary; some may resort to supporting their business with the lowest financial expenses so they could just initially operate their business. Some, however, would decide to go for the big risks and expenses so that they could start their brokerage quickly and make it grow at a faster pace. With this in mind, it can be inferred that there is no specific way to start a brokerage. Different business plans are available; they have their own advantages as well as disadvantages.

Alternatively, this flowchart will give you an overview of how a decision is made when starting up a brokerage. This illustration has been shown in the previous section but this time, it has a continuation.



You might end up realizing that the needed asset for starting a brokerage should be quite big. This might apply to you if you did not thoroughly read the manual; skipping some sections from here and there. If you haven't done that, then you would think that there are ways to minimize the initial expenses of a business especially when you are just starting out. Although in the future, you may be faced with problems on materials, equipment's or assets that are really needed for your brokerage; that is a part of the business.

The flowchart shown above this section display the pathways that you might end up when certain decisions have to be made. However, this illustration is guided by five main factors:

1. High and low expenses
2. Rounded up costs
3. Cost duration
4. Flat and varying expenses
5. Required or Optional expenses

Name of Cost	Required or Optional	Low	When	High	When
Loads Board	Optional	$30	Monthly	$ Per Post	Monthly
Broker Software	Optional	$100-$250	Monthly	$5K-$25K	Annually
Carrier Monitoring	Optional	$30	Monthly	$2,500	1x
Mileage Software	Optional			$5,000	1x
Broker Authority	Required	$300	1x	$300	1x
Insurance	Optional	$1,500	Annually	$1K-$2K	Monthly
Process Agents (BOC3)	Required	$50	1x	$150	1x
Surety Bond	Required	$500-$1,000	Annually	$75,000	1x

Surety Bond: Advantages and Disadvantages

The Federal Motor Carrier Safety Administration or FMCSA will not give you the privilege of a broker authority if you don't give them any evidence or document that proves the presence of a surety bond with an amount of $75,000. As discussed in the previous sections, a surety bond does not require you an actual amount of $75,000 cash. You would only require a financial backer, which is available with various surety companies.

A disadvantage of a surety bond is the application process. Qualifications are determined by surety companies; most of them requiring you to obtain a good credit rating. Also, annual fees are mandatory for them to keep your surety bond alive. So if for example, the annual fee is 10% of your bond amount; $7,500 would be the annual fee plus a fair amount of consideration on your credit rating. If you keep the surety bond for 15 years, you would have spent $112,500 to keep a $75,000 bond alive. That's quite impractical for some freight brokers. On the other side, its advantages are leaned towards brokers that do not have sufficient resources for a capital. Securing a surety bond in the beginning would be a good step to lessen your projected expenses. With this, you can focus on getting your business running by draining your resources to other equally important expenses. Another upside on with surety bonds is that surety companies often help you when you have problems with your bond. Why? This is because of a collateral effect; if you have an issue, they will also have an issue.

Trust Fund: Advantages and Disadvantages

If you take an investors perspective, the best way to secure your financial foundation is to actually have a trust fund of $75,000. Having a trust fund means that you have $75,000. Having a trust fund would be a great investment because these have regular interest rates.

Another advantage of having a trust fund is the so-called “Seventy-Two Rule”. This is used to estimate the number of years that your asset is doubled. It is computed by dividing 72 by the interest rate of your trust fund; this would come up with a rough estimate of years to double your trust fund money. One important thing to do here is that you should also reinforce your trust fund with your own money and not just wait for it to double.

On the other hand, the disadvantage of opening a trust fund account would be the actual expense of roughly $75,000. Unlike a surety bond, you would need an initial $75,000 to initiate a trust fund. Also, assistance from the company that you have a trust fund at times of difficulties on your bond would be unlikely. Why? This is because it is not a part of their responsibility and is not just their expertise.

Broker Authority

This application is a onetime deal and is procured from the Federal Motor Carrier Safety Administration.

Process Agent (BOC3)

The FMCSA also requires the application of the Form BOC3, which is a list of process agents assigned to you. Most brokers hire a service provider to arrange this for them, but you can also do this on your own.

Broker Insurance

The two insurance policies that a freight broker could have are Contingent Cargo and Contingent General Liability Insurance. These are not required to get you a broker license. However, clients would most of the time ask for some kind of insurance as an added trust for you to move their cargo.

Several clients frequently require the basic Contingent Cargo policy. However, the price of this insurance is usually negotiable. You and the customer could talk about it before initiating the deal. This policy would usually be at a minimum of $1,000 annually and a maximum of $2,000 or more on a monthly basis; the latter is for Contingent and Auto Liability policies which is a more challenging insurance type. In general, Contingent

Cargo policies should be present because they can be cheaper than other policies.

Load Board Service

These are web-based matching systems that ease the process involved with freight brokers. A regular monthly fee is almost always present. DAT boards, which are more advanced, compared to typical load boards are more expensive. These typically have a fee of $20 to $50 on a monthly basis. The following is a list of some recommended boards and the benefits of each one.

Internet Truck stop, which is the most popular load board with freight brokers and motor carriers in the field. At Internet Truck stop you will find all general freight carriers such as Vans, Reefers, Flats, RGN's and Double Drops. http://www.truckstop.com/

Bulk Loads Now, which is a load board that specializes in equipment for bulk freight where you can find Hoppers, Walking Floors, End Dumps and Tankers. http://www.bulkloadsnow.com/

The Livestock Network, where you can find broker freight in the field of agricultural freights. http://www.livestocknetwork.com/

Wide Load Shipping, which serves as the load board of the specialized freight community. http://wideloadshipping.com/

Brokerage Software

When choosing broker software over the Internet, make sure that you think of the future. Most freight brokers think of expanding to different locations, but fail to realize that some programs do not allow the access from multiple locations. Ideal freight broker software should have the capacity for expansion if you wish to do so.

Mileage software

As indicated in the table above, the mileage software is usually an added, but paid, feature of most freight broker software. The price of this program would depend on the broker software that you purchased. However, for brokers who plan to expand and add a server to their hardware; make sure that a license for the separate mileage software is available.

Additional fees for network and hardware services will be added to your expenses if you decide to go to this pathway.

The expenses of adding a server and building a network into your business can be quite high. Most of these can't be recovered within a couple of years. Unlike bonds, these aspects of brokerage can be minimized by just choosing web-based software to serve your business. However, you have to make sure that it will also serve your future needs, so take time in deciding on which packages to take.

There is no general long-term loss when discussing these types of investment. As a result, it is favorable for the business to select the least expensive option, but you should still consider the future plans of your company.

Carrier Monitoring

This is a type of service that allows brokers to monitor their motor carriers' ratings regarding safety and other aspects. This is not a required expense but it is still suggested. Why? This is because a lot of time is saved when having this service compared to individually searching for the safety profiles of the motor carriers that you are dealing with. Most monitoring services have their own insurance company; offering you with insurance while carrying out their monitoring tasks. The good thing about this is that if you get them both from one company, you could save a lot of resources instead of finding two separate groups.

Chapter 1 Summary

The Motor Freight Transportation Industry

The Motor Freight Transportation Industry is primarily transportation of motor freight from point A to point B. The Shipper (point A) contracts with a Carrier to deliver to the Receiver (point B) Freight can be anything from fish, to clothing, to raw materials.

The Freight Broker

A freight broker is a third party that is sometimes involved in the transportation of freight from one location to another. They arrange the transportation and act as the liaison between the Shipper and the Carrier. The freight broker determines the requirements of the shipper and then connects them with a motor carrier that can adequately meet the requirements.

A freight Agent arranges transportation of the freight under the supervision and authority of a licensed broker, but carries none of the financial responsibility. The freight broker being the licensed party carries all the financial responsibilities associated with transporting brokered freight.

The Role of a Freight Broker

Freight brokers earn their profits by making arrangements for cargo transportation by defining a shipper's needs, requests and contracting a suitable carrier to transport the cargo. Shippers and Carriers operate under different terms, which is why a freight broker is vital in many situations. Furthermore, freight brokers provide carriers with vital service in keeping the equipment moving and profitable.

Companies make it a goal to be able to subcontract their shipping requirements, while still earning a profit. Carriers profit on how much they earn per mile, instead of the value of the cargo they are moving. However, innovation in technology has made it possible for motor carriers and owner-operators to negotiate competitive rates.

Illustration: The Basic Workflow of a Freight Broker

Freight brokers remove some of the stress from the shipper because it is now their responsibility to streamline part of the logistics this is accomplished by providing the carrier and their services to the shipper.

Getting Started Quick Guide

When becoming a freight broker, one should focus on low cost operations. There are a few steps to getting started: obtain an MC Number by visiting the FMCSA Online Processing Website, obtain a processing agent to handle your legal affairs, make sure your business practices comply with FMCSA's financial security requirements, and register with the Unified Carrier Registration Program.

Internet as a Growing Edge for Freight Brokers

There have been many recent software innovations developed that make doing business as a freight broker very efficient. The Internet also acts as a major aid in day-to-day business operations for brokers. For example, it is possible to track a shipment in real-time.

Working From Your Home Office

As a freight broker, working from home is acceptable; however, there are some guidelines to follow: you should allocate 8 hours for your workday, it is important to separate your social hours from your work hours, and you need to set up an office in the event that a client needs to visit.

Why Should I Incorporate?

Incorporating a business makes it easier to expand, to protect your companies name, it gives the business more credibility and legality, and you will have more tax benefits. Furthermore, when incorporating, you are given the ability to separate your assets from the companies, which gives you more protection.

Essential Equipment to Get Started

You will need a trustworthy computer and stable Internet access, if you wish to work from home. You will also need an atlas, a professional email address, a printer, a fax machine, software to monitor mileage, and a trustworthy phone or VOIP service (like Skype http://www.skype.com/en/ Nextriva http://www.nextiva.com/ Grasshopper http://grasshopper.com/ and Ring Central http://www.ringcentral.com/). There are many companies that offer software to monitor mileage such as PCMiller.com, mcra.randmcnally.com, and truckmiles.com. Lastly, you will need load board service, which allows you to monitor your carriers trucks. Internettruckstop.com, 123Getloaded.com, and Transcore.com are all reputable load board service websites.

How to Market Your Business

You need implement successful marketing strategies in order to have a successful company. This means that you should have an effective website, business cards, advertisements, and an email with your own domain. There are many software tools used by freight brokers to enhance their marketing functions such as Word Press (wordpress.org) and COMDATA (comdata.com).

The Fundamentals of Being a Freight Broker

You need to understand the theories and concepts behind the freight broker industry before you can become successful. One way to understand the business is to work as an agent first because you will be working in an organization.

The Freight Broker versus the Freight Agent

A freight broker is financially and legally responsible for all transactions his/her firm takes part in.

The agent works under the control and license of a broker and generally receives approximately 50% of the brokerage fee. As shown the broker bares the responsibility and for this reason Most would prefer to start out as an agent, rather than a freight broker.

Responsibilities of a Freight Broker

First, one must obtain their license from the FMCSA and then you are required to secure a surety or trust fund before proceeding. A trust fund or surety bond is required for financial protection, in the event that an unforeseen incident occurs. Being a broker requires that you have a well-established line of credit due to the fact that most shippers do not pay for 30-60 days

Motor Carrier Arrangement Paired with Freight Broker

Today, many motor carriers broker for freights and accept freights from other brokers in order to increase their load availability and business as a whole.

Operational Capital

Obtaining operational capital is sometimes necessary because of the fact that freight brokers need to pay carriers within 30 days and it can take them up to 60 days to get paid. Operational capital can be obtained through bank financing and invoice factoring. Bank financing is the most traditional way to obtain capital; however, it can be difficult if you are new to the business.

Invoice factoring can be defined as the purchase of account receivables for immediate funds. The process is as follows: you sell your invoices to a factoring company for cash at a discounted rate, and then that company deals with collections and billings.

Responsibilities of a Freight Agent

A freight agent has fewer responsibilities than a broker. For example, they do not need to secure a surety bond or worry about billing, which means they have more time to build their own business and reputation.

Beginning Strategies

As with any new enterprise getting business as an agent may be difficult due to inexperience; however, a broker may employ you if you have secured a shipper.

Getting Licensed

Getting licensed may require assistance from an operating authority. An operating authority regulates the type of operations your company can undertake as well as the type of cargo you can carry. Obtaining one operating authority costs $300. In order to get licensed, you must apply for a surety bond amongst many other requirements.

Freight Broker Index

The freight broker index is a collection of shippers looking for freight agents. A paperback index can be purchased via amazon.com or barnesandnoble.com, while crbookcompany.com offers the index in CD ROM form.

Choosing and Getting a Parent Broker

You can choose between a large and a small parent broker. A small parent broker offers more flexibility but limits your carrier base, which means you will have fewer carriers to haul your load. Larger brokerage companies have larger carrier databases; however, many require exclusivity. Moreover, finding a parent broker that wants to work with you may be difficult, especially if you are new to the business. One suggestion is to start with smaller firms, as they offer more flexibility.

Compensation and Accountabilities: Freight Broker and Freight Agent

Typically, a freight agent earns between 45-60% for coordinating loads; however, some brokers offer a 40-60 profit share or, possibly, 8% commission on the loads you book.

Governing Bodies of the Transportation Industry

Several agencies coexist in the United States in order to provide regulations to different transportation fields such as:

- Department of Transportation
- Federal Aviation Administration

- Department of Homeland Security
- Department of Defense
- Customs and Border Protection
- Environmental Agency
- Department of Agriculture

However, the main oversight for transportation is the United States Department of Transportation (USDOT) and it is divided into three parts: Federal Motor Carrier Safety Administration, Maritime Administration, and the Pipeline and Hazardous materials Safety Administration.

Chief Regulatory Body of Freight Brokers

The Federal Motor Carrier Safety Administration is the main regulatory body for freight brokers. However, freight brokers move many different types of products, which requires the assistance of different regulatory bodies. For example, if a motor carrier is transporting military material, they need to comply with the Department of Defense.

History of the FMCSA

The Motor Carrier Act was passed in 1935. This law gave the Interstate Commerce Commission to power to control the motor carriers' standard, their permits, routs, and tariff costs. In 1980, Congress revised the act and established a new Motor Carrier Act, which promoted competition between motor carriers and as an effect, decreased tariffs. In 1986, Congress passed the Commercial Motor Vehicle Safety Act, which focused on better screening standards for motor carrier drivers. In 1991, Congress passed the Inter-modal Surface Transportation Efficiency Act, which helped with interstate business transactions as well as international deals. In 1995, the Interstate Commerce Commission Termination Act or ICCTA was enacted and it abolished the ICC and disbursed the responsibilities to the Department of Transportation. In 1998, the Transportation Equity Act of the 21 st Century was put into effect. This act regulated motor vehicles in a uniform manner.

What is the Code of Federal Regulations?

The Code of Federal Regulations is the rulebook for all US agencies; it makes sure that every government body is doing their job by implementing the correct standards. The CFR is a collection of published regulations, or administrative laws, that are enacted by different Federal Organizations.

Components of the CFR

The CFR has 50 regulation titles that are divided into chapters; each section has parts and each part has a section. You can find a listing of the CFR through gpoaccess.gov.

Using the CFR

Title 49 is the part that freight brokers need to focus on because it holds the information for transportation systems and their regulations. The specific topics regarding freight brokers can be found on Part 371 of Title 49. For more information on Part 371, please access the FMCSA website at fmcsa.dot.gov while the complete CFR can be found at gpoaccess.gov.

Broker Authority

You are required to obtain a license specifically for freight brokering, called a Broker Authority. The Broker Authority is obtained from the Federal Motor Carrier Safety Administration (http://www.fmcsa.dot.gov/). The license gives authorization to transport freight. Next, you must comply with the multi-step application process through FMCSA to obtain a Broker Authority, which will protect the shippers and ensure that they are held accountable for their business dealings with you.

Obtaining the Broker Authority is a three step process: apply through the FMCSA, purchase a surety bond or a Broker Trust Fund Agreement for the amount of $75,000, and then file the BOC-3 form through FMCSA.

Broker Insurance (Surety Bond)

Broker insurance for the amount of $75,000 is required for the approval of your license application. You need to obtain broker insurance because it holds you financially accountable. Your broker insurance will pay the carrier, in the event that you cannot.

Difference between a Surety Bond and a Trust Fund

Surety Bonds are a third party instrument by which one party (the surety bond company) guarantees a second party (the entity requiring the bond) successful performance of a third party. The Federal Motor Carrier Safety Administration requires a Freight Broker Surety Bond for anyone who wishes to operate as a transportation freight broker.

Freight Broker Bond (Formerly Known As ICC Bond)

The Freight Broker Bond, also known as BMC-84 and the property broker surety bond, applies to both freight brokers and freight forwarders. The cost of this bond depends on your personal credit history.

BMC – 85 (Property Broker Trust Fund)

A freight broker bond is required by the Federal Motor Carrier Safety Administration in order to operate legally.

Surety Bond

A surety bond or trust fund for the amount of $75,000 must be in effect in order for property brokers to operate legally. A valid surety bond ensures a valid license; without the bond, one cannot be licensed. Obtaining a surety bond requires a good consumer credit rating and can be done through many insurance companies. After acquiring the bond, you will have to pay annual maintenance fees to the insurance company, which is based on your credit rating.

Trust Fund

A trust fund is different from a surety bond because it requires cash or collateral in order to be obtained. You can get a trust fund through most Federal Deposit Insurance Corporation Banks.

Acquiring a Surety Bond

You can apply for a surety bond through bondsexpress.com, permitsplus.com, and many other websites.

Acquiring a Trust Fund

You can set up a trust fund through many Federal Deposit Insurance Corporation Banks.

Substitute for Obtaining Broker Insurance. Finding a business partner is one solution if you are unable to secure a trust fund or a surety bond. If this partner has a good credit rating, they can obtain the required securities.

Engaging With a Partner

It may be necessary to split commissions in a way that is more favorable to your partner, if the reason for the partnership is due to a bad credit rating on your part. If your partner agrees, you have the option of setting up an LLC or a corporation. This will most likely become a silent partnership in which your partner will only benefit from the commissions. Typically, an investor asks for 10%-20% of your profit in order to make up for his initial investment and then the rate can be renegotiated.

The Process Agent

A process agent is a legal representative for a freight broker. A process agent is required for every state that you do business in and a record needs to be kept with the FMCSA. The FMCSA website (http://www.fmcsa.dot.gov/registration-licensing/licensing/agents.htm) has put together a list of many companies, sorted by state, you can arrange for process agents.

Using a Form BOC-3

The Form BOC-3 is used in court hearings because it allows the FMCSA to locate the process agent in the state where the incident occurred. ProcessAgent.net and PermitsPlus.com are two recommended places to find process agents.

Steps to Obtaining an Operating Authority

1. Fill out and submit appropriate forms from the OP-1 series to FMCSA.
2. You will be awarded your Motor Carrier Number through FMCSA.
3. Your application will then enter a 10-day protest period, which allows any companies the option to protest your application.
4. After the protest period is over, you will need to obtain either a surety bond or a trust fund in the amount of $75,000.
5. Obtain process agents who will represent your firm.
6. After FMCSA has approved your application, insurance, process agents, and after the 10-day protest period has ceased, you will be granted an operating authority: a freight broker license, a freight forwarder permit, and a motor carrier certificate. This is only a summary of the responsibilities. We strongly recommend that you visit these websites for more information:
7. Instructions for Completing Form OP-1: Application for Motor Property Carrier and Broker Authority: http://www.fmcsa.dot.gov/documents/forms/r-l/op-1-Instructions-and-Form.pdf

Matrix of FMCSA Required Forms: http://www.fmcsa.dot.gov/registration-licensing/registration-forms.htm

FMCSA Online Registration Assistant: http://www.fmcsa.dot.gov/registration-licensing/online- registration/onlineregdescription.htm

Site to download and print the appropriate form/s and instructions: http://www.fmcsa.dot.gov/print-form

Frequently Asked Questions (FAQs): http://www.fmcsa.dot.gov/about/other/faq/faqs.aspx#question1

Maintaining Records

Records of every transaction need to be kept for at least three years because every party involved has the right to view them.

Legal Brokerage Guidelines

A broker cannot perform brokerage services under any name other than in which his or her registration is issued. Furthermore, a broker cannot receive compensation under the following circumstances:

1. If the broker has control of the shipment due to the broker having ownership over the shipper, the shipper having ownership of the broker, or a joint ownership.
2. If the broker owns or has a material beneficial interest in the shipment.
3. If the broker does not offer to give anything of value to any shipper, consignoror consignee except for inexpensive advertising items.

Evaluating Initial Expenses

You may find that the freight brokerage start-up expenses are not prohibitive. The main factors that go into calculating the initial expenses are high and low expenses, rounded up costs, cost duration, flat and varying expenses, and required or optional expenses. To open your own Brokering firm, it is recommended you to have a minimal budget of $3000.00 dollars to be able to meet all your necessary needs.

Surety Bond: Advantages and Disadvantages

The FCSA will not grant you the privilege of a broker authority if you do not give them evidence of a surety bond in the amount of $75,000. A major disadvantage of a surety bond is the grueling application process because you need to have a decent credit rating. Furthermore, surety bonds require an annual fee based on the amount of the bond.

On the other hand, surety bonds are suitable for people that do not have sufficient resources for capital and they assist the broker in focusing on building their business.

Trust Fund: Advantages and Disadvantages

From an investor’s perspective, the best way to secure a financial foundation is to have a trust fund of $75,000 because they accrue interest. On the other hand, the actual investment of a trust fund can be a disadvantage.

Broker Authority

A broker authority application is required once you meet the needs of and is submitted to the Federal Motor Carrier Safety Administration.

Process Agent (BOC3)

The BOC3 is a list of process agents that are assigned to you and it is required by the FMCSA.

Broker Insurance

There are two insurance policies that a freight broker could have: Contingent Cargo and Contingent General Liability Insurance. These are not required to get a broker license; however, several clients frequently require the basic Contingent Cargo policy.

Load Board Service

Load board services are web-based matching systems that make the process involved with freight brokers easier. The purpose of the load board is to allow freight brokers to post loads that carriers can view and contact the broker to contract to haul the posted shipment. It is common for them to require a monthly fee from $20-$50. Here is a list of a few popular choices:

Internet Truck Stop: http://www.truckstop.com/

Bulk Loads Now: http://www.bulkloadsnow.com/

The Livestock Network: http://www.livestocknetwork.com/

Wide Load Shipping: http://www.wideloadshipping.com/

Trucking Planet: http://www.truckingplanet.com

Brokerage Software

When choosing software, keep in mind the possibilities of expansion; many software options do not allow access from multiple locations.

Mileage Software

Mileage software frequently comes with brokerage software and is a vital resource because it will save you time.

Carrier Monitoring

This is a type of service that allows brokers to monitor their motor carriers' ratings regarding safety and other aspects. This is not a required expense but it is still suggested because it is a timesaver.

Chapter 2

Structures of Transportation

There are two exclusive modes of facility: unimodal and intermodal transportation. Even if both modes allot to the transfer of both, passengers and freightage, the main attention throughout these topics will be allotted specifically to the displacement of broad transport commodities. Take note that LTL or Less Than Truckload and FTL or Full Truck Load is different from unimodal and intermodal; these are the “modes" of transportation.

Pervading commodities referred to freight are labeled as "non-household artifact" like pre- made materials similar to steel, wood, machinery, poultry etc. Home materials represent most housing furnishings such as fixtures and remaining items already owned by the consumer.

Unimodal Movement

The word "Unimodal" is utilized to describe the shipping of cargo or people using one specific method of movement. If you broker a cargo that is picked up and delivered by one carrier, that cargo is called a unimodal movement. Unless you already have interior connections for intermodal transport, it is important that the majority of your transport customers will utilize unimodal transportation. Nonetheless, if you broker a cargo from its origin to its final destination, which does not mean that the cargo was not involved in an intermodal shipment. It is very easy to distinguish unimodal shipments. These are shipments where the transactions are done between the different states in the United States. Most shipments within the Northern Land require only a single way of transportation, which are the commercial vehicles. Yet, depending on the production of the goods being transported and its final target location, intermodal conveyance may be the most conventional and fast method of transportation.

Intermodal Movement

The term "Intermodal" is meant to inform the switching of transport modes or passengers using a mixture of a minimum of two unique movement techniques or modes. For it to pass as an intermodal transit, the cargo must be moved by a minimum of two of these methods: air, boat, rail, or truck. The intermodal transport facility is a prompt method to displace cargo loads between locations, because the shipment is ordinarily contained and is handled using common heavy tools made to transport containers. Depending upon the goods being transported and the dimensions of the cargo, the shipper has three options on standardized transport containers: 20 feet container, 40 feet container, and 53 feet container. Intermodal Transportation Evolution

During the 18 th century, coal gathering companies from England were finding an economical way to move their loads from the mines to their stations to be moved to the households and factories that burnt coal for temperature control and to run machineries. Coal container boxes were produced to serve this problem. The containers were loaded with coal from the mine, transported using wagons to be delivered to barges ready on the Bridgewater Canal. It is then unloaded to railroad cars or wagons to the end destination of the stations that distribute them.

The thought was well accepted and by the 1800's, basic forms of intermodal transit methods were developed and were being utilized to board furnishings and even traveler luggage between separate stations and seaports.

Nonetheless, it was in 1911 that intermodal business became recognized in the U.S. The largest difficulty to the success of intermodal business during those days was a need for the regulation of the cargo containers. It was not rare for a cargo to get to the port or shipyard only to know that the ship lacked the capacity or personnel required for accommodating the container. As the thought of intermodal shipping began to sink in, the idea of coming up with standard cargo boxes was discussed frequently. It was in the 1920's, the United Kingdom attempted to come up with a standard. The Railway Clearing house made 5 and 10-foot containers to be used by trains and trucks for front door transportation.

The status of moving supplies became efficient from the United States, which crossed the European continent when operations during World War II. It was the fundamental force behind the innovation of palletized containers. WWII also saw the initial attempts to board motor truck trailers via rails and the word "piggyback shipping" was born.

There was no set of standards for shipping containers before the 1950's. It was only established when the United States Department of Defense (DOD) came up with a standard measurement of 8x8x10 feet containers for the transport of supplies and equipment for the military. Another standard, known as the "ISO", was established during the late 60's and early 70's when the International Organization for Standardization mandated a law that was based on the specification of the DOD. The containers are called "ISO containers". This became a standard around the world.

As the amount of intermodal transportation shipments doubled, new regulations were formulated to accept bigger and heavier cargo as well as to fit them within the efficient and modern designs of shipping vessels, trains, trucks and trailers. Furthermore, the standards utilized nowadays will evolve once more as new transport innovations occur.

The US witnessed a 300% elevation in the population of intermodal transport using railroads alone. Nearly 70% of those cargo used dual stack railway carts which not only elevated the population of containers that can be moved at one transport, but increased the assets by stacking the containers in specified ways that the there is no way to unseal the door of the most accessible container until the top cargo has been taken away.

However, trains were limited to the dual stack method because of the risks and regulations governing it. Ships were allowed to use seven stacks as long as they adhered to safety standards.

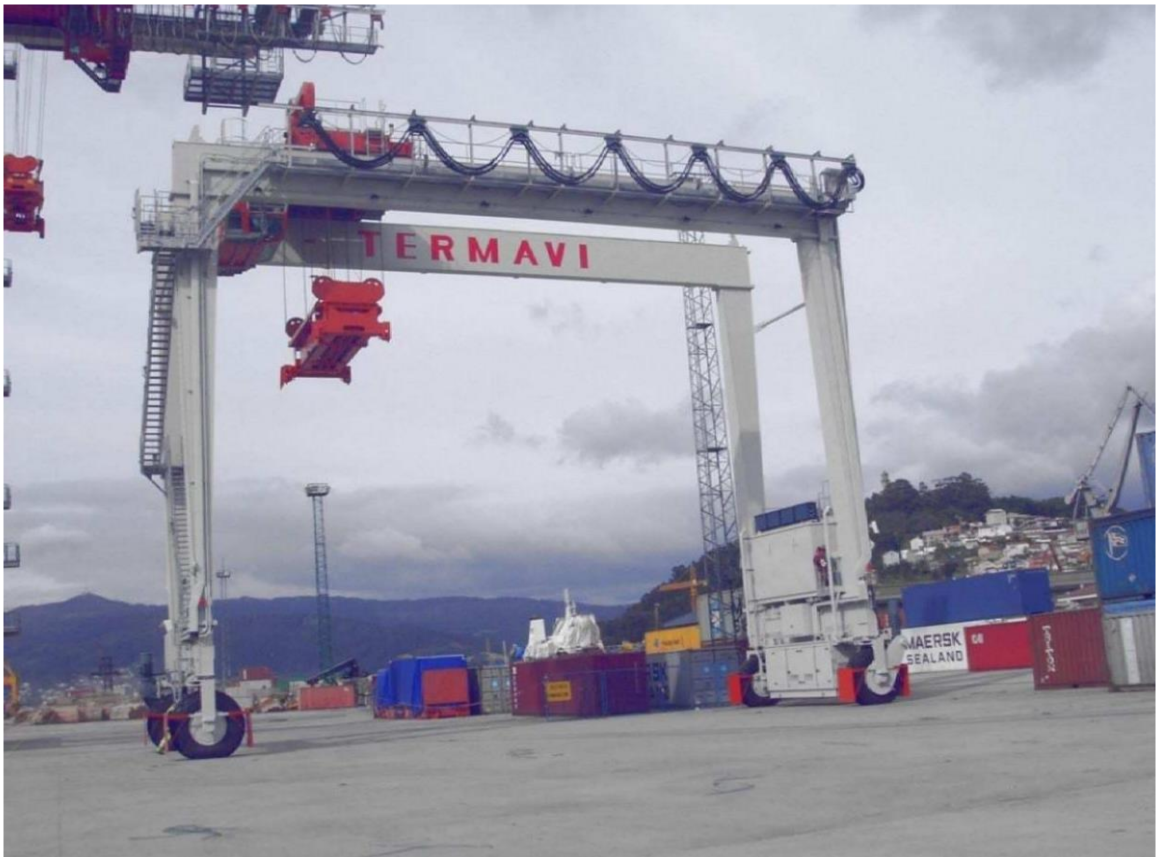
Standard Moving Equipment

ISO standardizations allowed operators to purchase corresponding equipment and tools to move specific containers. It made them have an easy task of transporting and transferring the cargo shipments from one place to another and arranging them in stacks was now a convenience.

General Handling Machineries

Transtainer

It is utilized to move containers from sea vessels onto trucks and trains. The transtainer is rail-mounted, and an enormous crane is utilized to move the shipments from the board to trucks and railcars that are waiting. The movement if the transtainer is parallel to the corner of the vessel so that it can push all of the containers from nearest to farthest.



"TERMAVI, Vigo (Spain). Transtainer® Crane"
http://www.paceco.es/ultimasentregas/termaviaugENG06.htm

Gantry Crane

Also known as a straddle carrier because of its ability to hold rail and road vehicles, it comprises of a crane movement system that has a spreader beam, and can shift to all directions; allowing for the accurate dropping of containers.

http://en.wikipedia.org/wiki/File:Portainer_(gantry_crane).jpg

Grappler Lift

It corresponds to the straddle carrier in pattern and function. It utilizes a claw or a hook to displace the container, instead of using the usual straps and cables.

http://upload.wikimedia.org/wikipedia/commons/thumb/6/6a/Cranes_ct4-bhv_hg.jpg/350px-Cranes_ct4-bhv_hg.jpg

Reach Stacker

It is a type of equipment that has a set of moving arms and beams that allow them to lift containers and stack them to each other.

http://www.terexportequipment.co.uk/reach-stackers-by-terex/terex-empty-reach-stackers/

Modes of Intermodal Transportation

Railway Transit - are containers that are placed above a flat or spine car, which is called "Piggyback".

Road Rail Transit - this is a cost-effective alternative for railway transport. The trailers are converted into railway-enabled transports by putting railway wheels on them. "Piggy back" is not necessary because of this feature. However, standards have to be met before operating this type of transportation. They have to have strong structures and aligned rail wheels to prevent any unforeseen problems.

Shipping Vessels - these are used to carry thousands of containers with different types of cargo. They are commonly measured with the use of TEU or twenty-foot equivalent unit and FEU or forty-foot equivalent unit, who refers to the amount of 20-foot or 40- foot containers that a ship can accommodate. Large ships are usually rated at 8,000 TEU, which means that they can accommodate 8,000, 20-foot containers in one haul.

Motor Carrier - these are used to move containers or trailers from seaports to railway stations or vice versa, which is called a drayage. Trucks can be utilized to transport containers and trailers with a destination to the consignee.

Barge - these are usually located along rivers like the Hudson or Mississippi River. Transportation with this method is call a Ro-Ro or a roll-on roll-off freight transport.

Pipeline - liquid or gaseous resources are transported via pipes that run across several miles to a station that collects and refines it.

Intermodal Transit Advantages

The advantage of using an intermodal type of transportation is in the safety of the cargo. Decreased freight handling is possible with intermodal transportation as well as front door delivery. Furthermore, cargo security is enhanced when using this method. Increased delivery time, an easy access to storage, and a smaller space for loading and unloading are attained when using intermodal transportation.

The most important factor that makes this method the most recommended is the fact that the groups involved in this type of shipping could utilize one Bill of Lading. Also, innovative tracking systems allow shippers and brokers to track the cargo from one place to another in real time.

Logistics Regarding Intermodal Transport

Today, the act of shipping can no longer be made a separate entity with manufacturing. Product companies have initiated several computerized technologies to combine shipping with their production process. 3PL freight brokers that are considered as third party logistics are now increasing in demand especially among the medium and small-sized manufacturing companies.

The implications brought about by these developments is focused on the decreased concern of shippers in how their products are going to be moved compared to the expenses that they will accumulate when moving them. This means that freight brokers who would want to become successful should compete for an affordable and timely method of transportation.

Issues with Equipment

Container owners have a hard time trying to resolve the issue regarding the repairs and refurbishing of damaged containers. Why? This is because their equipment's spend most of their time outside their yards. Some containers might get misplaced or get swapped if operators are not paying close attention to their work.

Freight containers spend most of their time at the hands of different carriers especially when an intermodal transport is executed. Different companies usually operate these modes. The issue here was that there should be an official standard rule regarding the handling of containers as well as their maintenance. Another issue was focused on the liabilities during the returning of containers to their original owners.

The Uniform Intermodal Interchange & Facilities Access Agreement

"... Is a standard interchange contract developed to promote intermodal productivity and operating efficiencies through the development of uniform industry processes and procedures governing the interchange of intermodal equipment between ocean carriers, railroads, equipment leasing companies and intermodal trucking companies."

The Intermodal Association of North America was formed alongside the Uniform Intermodal Interchange and Facilities Access Agreement. The latter was made to allow shippers to have just one contract in an intermodal transport method instead of having several separate contracts, which would increase the confusion and the time for processing the documents.

Concerns Regarding Security

Port securities were escalated in the United States because of the September 11 th terrorist attack. Their aim was to prevent any possibilities that terrorists were going to ship their weapons and equipment's via the seas without the government detecting it. The intermodal industry was largely affected because years before the incident, there was not much security standards implemented and this allowed several entries of dangerous items to the United States.

The Congress and the Department of Homeland Security are still working to enhance the security of the United States and to make smuggling of dangerous and illegal materials nearly impossible.

Proposed Bills Regarding Intermodal Transportation

H.R. 1817 - this bill aimed to lead the Department of Homeland Security to combine and organize the methods of doing background checks and accreditation of transport operators and workers. This bill also aims to fix the present sea shipment security measure and build guidelines for assuming risks implemented to each containers; this depends upon the origin of the containers and other aspects of it.

Transportation Security Improvement Act of 2005 - this aimed to create five different and local Transportation Security Agency Managers to execute strict inspection procedures.

Intermodal Shipping Container Security Act - this mandates the Department of Homeland Security to create security methods for intermodal shipping procedures. This Act contains a provision about having a maximum of not less than half of all containers to not possess "smart box" technology.

H.R. 173 and H.R. 785 - this provides several provisions for building a database that processes cargo-related crimes and violations that could be a security threat. Several bills and acts are on the process of being approved and discussed and these aim to further enhance the overall security of the intermodal transport industry.

Intermodal Chain of Supplies

Before discussing the actual flow of an intermodal transport chain, we have to determine the existing parties that make this possible

Shippers - owners of the goods and hire the services of carriers.

Intermodal Carrier - this transports good from the shippers to the receivers.

Receivers - receive the cargo shipment from the shippers through the intermodal carriers at the final destination of the shipment. These parties are responsible for processing the documents of shipments and are the ultimate deliverers of the goods to their ultimate destination; which is made possible by using trucks for delivery. In summary, they are the final shippers on the intermodal chain.

This process makes shippers save resources and time; they are able to transport their goods in an efficient and effective manner by applying the fastest routes and the least amount of paper work.

The Intermodal Cycle

Step 1: The freight is loaded on the trucks via the shippers loading dock.

Step 2: The truck leaves the dock and serves as the first intermodal transportation of the series of movements.

Step 3: The truck arrives at the rail hub; the containers or trailers are scanned for their processing in the freight tracking system and shipping destinations and instructions are double-checked.

Step 4: Containers are loaded onto flats or spines as “piggybacks”. Trailers are fitted with railway wheels to be able to ride onto the rail tracks.

Step 5: Trailer or containers arrives at the station hub and are taken care of by the receivers.

Step 6: Receivers act as the final intermodal transporters and move them to the final destination.

Review

Due to the continuous increase in traffic congestion and a simultaneous increase in the demand for shipping services, intermodal transportation is projected to grow. Efficiency, safety, and cost-effectiveness are the main goals of this mode of transportation. As the years have proven, it has been the most efficient way to transport shipments from one destination to another.

The railroad industry has survived because of this mode of transportation. In fact, most of the railroads nowadays serve as intermodal routes for shipments, but it is limited because of its inability to serve as a door-to-door transporter. On the other hand, the trucking industry is being impeded by volatile fuel prices and varying road conditions. With the two modes of transportations combined, they can compensate with each other's downsides and this makes intermodal transportation an ideal method.

Shipping companies like UPS or DHL now often use piggyback transports methods to send trailers to different locations. In fact, UPS has used the piggybacking method almost a million times in one year. Many shipping hubs now populate large districts. This is because of their nearness to different railroads and seaports. A freight broker can use this knowledge to search for available shippers within the proximity of these shipping hubs.

Documents Needed for Shipping

Shipping documents are classified according to three factors: legal responsibility, type of transportation, and method of collection. These documents are still an essential part of the shipping industry despite the innovations that have affected it. Most of these papers stay with the shipment from its origin to its destination. Three fundamental documents will be discussed in this section.

BOL or B/L Document

The bill of lading is given by the carrier and delivered to the consignee. It is legal proof that they have received the shipment from the shipper. Lade refers to loading cargo and the word bill is a substitute for a listing. The variations of a BOL document are:

Through BOL - required by domestic and international shipments if they are using intermodal transportation. This allows one shipment to have only a single document, instead of using different papers with different carriers.

Straight BOL - this is a binding contract that shows proof of ownership of the shipments by a specific company or person.

Order BOL - this is typically used when shipments are meant to be delivered internationally. It is a negotiable contract that asks the consignee to pay a corresponding bank once this BOL is received. The bank, in turn, pays the carrier. The carrier will transport the shipment after all transactions have been confirmed.

The primary elements of a bill of lading are the shipper's name and location, the consignee's name and location, the name and description of the shipments, freight classification, the total weight of the shipment, and who will pay for the expenses.

Date **BILL OF LADING – SHORT FORM – NOT NEGOTIABLE** Page 1 of 1

SHIP FROM	**Bill of Lading Number:**
[Name] [Street Address] [City, ST ZIP Code] SID No.:	BAR CODE SPACE
SHIP TO	**Carrier Name:**
[Name] [Street Address] [City, ST ZIP Code] CID No.:	Trailer number: Serial number(s):
THIRD PARTY FREIGHT CHARGES BILL TO	**SPAC:**
[Name] [Street Address] [City, ST ZIP Code]	Pro Number: BAR CODE SPACE
Special Instructions:	**Freight Charge Terms** **(Freight charges are prepaid unless marked otherwise):** Prepaid ❑ Collect ❑ 3rd Party ❑
	❑ Master bill of lading with attached underlying bills of lading.

CUSTOMER ORDER INFORMATION

Customer Order No.	# of Packages	Weight	Pallet/Slip (circle one)		**Additional Shipper Information**
			Y	N	
			Y	N	
			Y	N	
			Y	N	
Grand Total					

CARRIER INFORMATION

Handling Unit		**Package**					**LTL Only**	
Qty	Type	Qty	Type	Weight	HM (X)	**Commodity Description** Commodities requiring special or additional care or attention in handling or stowing must be so marked and packaged as to ensure safe transportation with ordinary care. See Section 2(e) of NMFC item 360	NMFC No.	Class

Where the rate is dependent on value, shippers are required to state specifically in writing the agreed or declared value of the property as follows: "The agreed or declared value of the property is specifically stated by the shipper to be not exceeding ____________ per ____________.

COD Amount: $ ____________

Fee terms: Collect ❑ Prepaid ❑ Customer check acceptable ❑

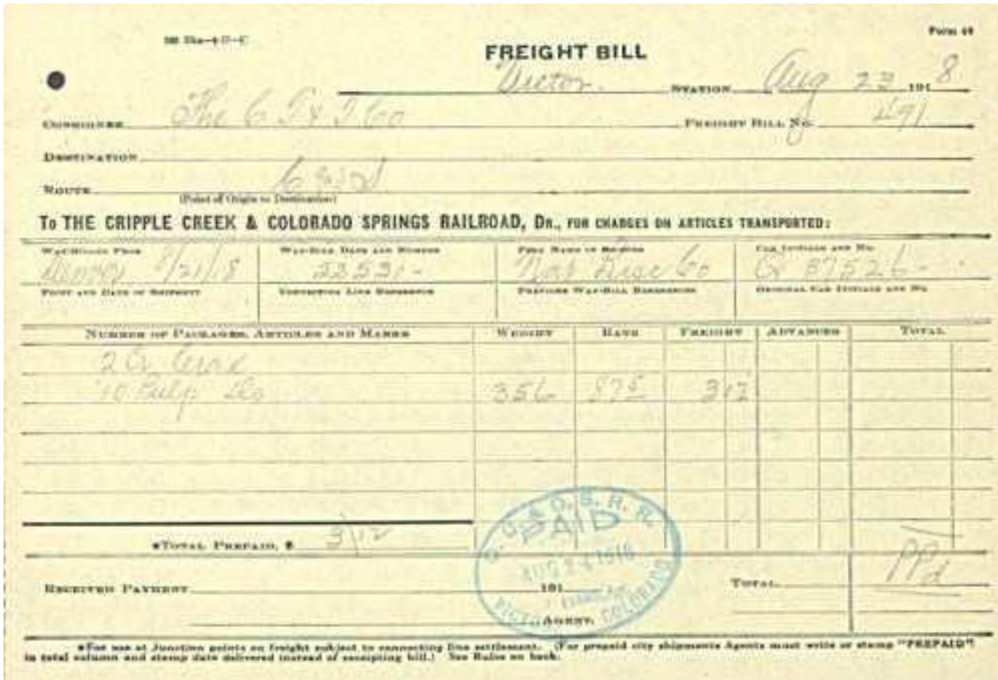
Note: Liability limitation for loss or damage in this shipment may be applicable. See 49 USC § 14706(c)(1)(A) and (B).

Received, subject to individually determined rates or contracts that have been agreed upon in writing between the carrier and shipper, if applicable, otherwise to the rates, classifications, and rules that have been established by the carrier and are available to the shipper, on request, and to all applicable state and federal regulations.	The carrier shall not make delivery of this shipment without payment of charges and all other lawful fees. **Shipper Signature** ____________

Shipper Signature/Date This is to certify that the above named materials are properly classified, packaged, marked, and labeled, and are in proper condition for transportation according to the applicable regulations of the DOT.	**Trailer Loaded:** ❑ By shipper ❑ By driver	**Freight Counted:** ❑ By shipper ❑ By driver/pallets said to contain ❑ By driver/pieces	**Carrier Signature/Pickup Date** Carrier acknowledges receipt of packages and required placards. Carrier certifies emergency response information was made available and/or carrier has the DOT emergency response guidebook or equivalent documentation in the vehicle. Property described above is received in good order, except as noted.

Freight Bill

This bill serves as an invoice and is presented to the shipper or to the consignee; depending upon the contract.



FREIGHT BILL

STATION

CONSIGNEE

FREIGHT BILL No.

DESTINATION

ROUTE

To THE CRIPPLE CREEK & COLORADO SPRINGS RAILROAD, Dr., FOR CHARGES ON ARTICLES TRANSPORTED:

Number of Packages, Articles and Marks	Weight	Rate	Freight	Advances	Total

*Total Prepaid, $

Received Payment

Total

Agent.

http://www.denverstockexchange.com/images/CC&CSRR_frtbill.jpg

Like the BOL, the Freight Bill has some basic elements that must be present within its contents, which are:

- Name of the carrier
- Reference number
- Shipper's name and location
- Consignee's name and location
- Name or description of shipments
- Cargo terms
- Amount to be paid

Receipt of Delivery

This is legal proof that the shipper sent or delivered a specific shipment to the consignee. The consignee signs the receipt and when that is done, the transaction is considered complete. This receipt is kept by the shipper and consignee along with the freight bill. Any unforeseen problems or damages on the shipment can be indicated on the receipt.

Shipping Terms

Free on Board or FOB terms are mainly used on domestic transactions and contain information on how the shipments were transferred or sold to the consignee.

The FOB principally defines the following:

- Who will pay for the cargo charges
- The destination of the shipment
- Shipping point
- Total cost computations
- When the payment will be made
- Who will pay for the packaging
- Who will choose the carrier
- Who is responsible for the damages

These are the following types of FOB designations:

FOB Destination - the right or title of the shipment is passed to the consignee once the shipment reaches the final location. This means that the shipper has complete responsibility with the shipment until the time when the consignee has signed the delivery receipt. The shipper assumes all ownership when the shipment is being transported and he or she will process any damage to the shipment.

FOB Destination, Freight Collect, and Allowed - same as the FOB Destination, the shipper has responsibility for the shipments until the consignee receives it. However, the consignee will pay for the freight charges for now. He or she then deducts this to the shippers invoice .

FOB Destination, Freight Collect - same as the FOB Destination, the shipper has responsibility until the consignee receives it. However, the consignee will pay for the freight charges but he will not deduct it from the shipper's invoice.

FOB Destination, Freight Prepaid - same as the FOB Destination, the shipper has responsibility for the shipments until the consignee receives it and he pays the freight. The shipper assumes all ownership when the shipment is being transported and he or she will process any damage to the shipment.

FOB Origin - The title to the shipment is initially given to the consignee at the place of loading or origin. The consignee assumes full responsibility while the shipment is being transported and has full ownership to it.

FOB Origin, Freight Collect - the consignee assumes full responsibility while the shipment is being transported and has full ownership to it. The title to the shipment is initially given to the consignee at the place of loading or origin.

FOB Origin, Freight Prepaid, and Charged Back - The title to the shipment is initially given to the consignee at the place of loading or origin. The consignee assumes full responsibility while the shipment is being transported and has full ownership to it. The shipper pays for the freight charges but deducts it to the invoice.

FOB Origin, Freight Prepaid - The title to the shipment is initially given to the consignee at the place of loading or origin. The consignee assumes full responsibility while the shipment is being transported and has full ownership to it. The shipper pays for the freight.

International Commercial Terms

INCOTERMS are used as substitutes for FOB during international transportation of shipments. This document was created by the International Chamber of Commerce to delineate the accountabilities and liabilities during the international shipping procedure. These are utilized in order to standardize the terms used on shipping agreements and contracts. Also, they set out rules on how to read the terms mentioned. Lastly, they allow the specific definition of what party pays specific costs and who is responsible for any liabilities such as damages or losses. Certain expenses are present during an international shipment.

These are the following:

- Records
- Port of exit transit
- Tariffs and taxes
- Ocean freight charges
- Port expenses
- Final transportation expenses

Examples of INCOTERMS

FAS - Free Alongside of Ship. This gives the consignee full responsibility and liabilities once the cargo is placed along the ship that will transport it. This INCOTERM is used by adding the place of the departure port like FAS Scottsdale.

EXW - also called EX Works. This INCOTERM defines that the consignee is liable and accountable for all expenses and risks made after the cargo leaves the shippers dock. Like the FAS, the EXW should also include the location of the shippers where the shipment was taken from. Example is when the shipper’s dock is located in Mississippi, and then it would be EXW Mississippi.

FOB - this assumes that the consignee will be made responsible for all expenses and risks once the shipment is loaded on the shipping vessel. FOB should always include the port of departure like EXW. In that case, it would be EXW Mississippi.

CIF - Cost, Insurance and Freight. This INCOTERM assumes that the shipper is made responsible for ocean transport expenses to the port destination. He is also made responsible for the insurance of the shipment. However, the consignee will take all responsibilities for the rest of the expenses once the shipment has arrived on the destination port. If the port destination were located in Los Angeles, then it would be CIF Los Angeles indicating the port destination.

LTL Freight

Less than truckload (LTL) shipping typically weighs between 151 and 20,000 lbs (68 and 9,072 kg). LTL carriers collect freight from various shippers and consolidate the freight onto enclosed trailers. The freight is then taken back to the terminal where it will be sorted and distributed. Usually drivers start their daily work from terminals and then they load incoming freights and head out to make deliveries. Once the trailer has been emptied, they make pickups from customers and return to the terminal for sorting and delivery. Generally, deliveries are performed in the morning and pickups are made in the afternoon.

The LTL model methodology states that delivery drivers usually have certain routes; therefore, they have the opportunity to develop a relationship with their customers. Once filling the trailer or completing the assigned route, the driver returns so that their shipment can be unloaded. The trailer is unloaded at the terminal and every shipment is checked and weighed again to make sure it matches the description contained in the accompanying paperwork.

Transit times for LTL freight depend on several factors but are generally longer than FTL times. LTL transit times are not only related to the distance between shipper and consignee, but they also depend on the makeup and design of the network of terminals and break bulks.

LTL shipping is considered the most efficient method for shippers who have many freights to transport that cannot be accommodated by parcel carriers but less than the required amount to fill an entire truck.

On the other hand, FTL or full truckload, which is another type of a truck-based shipping method, is the best pick for shippers who have a lot of shipments that can fill up a 48' or 53' trailer. Another type would be a parcel carrier which is used to transport small shipments that are 150 pounds or less in weight.

Using LTL carriers guarantees cost saving because a shipment can be transported for a fraction of the cost of hiring an entire truck or a trailer for an exclusive shipment. There are optional services that are available from LTL carriers, which include: lift gate service at pickup or delivery, residential service at pickup or delivery, inside delivery, notification prior to delivery, and freeze protection. These services are usually billed at a preset fee or for a weight-based surcharge calculated as a rate per pound or per hundredweight.

A regular LTL freight weighs around 100 to 10,000 pounds. Motor carriers that operate with this method pick up multiple shipments from different locations and organize them altogether into trailers. They are then transported to terminals where the transportation process is continued.

Pickups for shipments in this method usually occur in the morning and are continued in the afternoon.

Comparison to FTL Process

FTL carriers operate by providing shippers a trailer, which is then filled by the shippers themselves. After this is done, the carriers transport it to the stated location. Some FTL carriers, however, deliver to multiple locations. This may be true for grocery stores who hire carriers to deliver shipments to multiple branches of the store.

The trailer is filled and documents are processed for the transportation to begin. The papers that usually include this would be the BOD, Invoice and Export Documents.

The method of delivery may vary from one carrier to the other. Some resort to having just one driver to deliver the shipment to its final destination. Others ask their drivers to drop the shipment at a standard loading terminal and a new driver will deliver it for them. Still, other carriers devise specific routes for the driver so a new driver could relieve the original driver to complete the rest of the transportation.

An advantage of having FTL shipping as a method is the reduce chance of having freight claims compared to LTL. This is because in FTL, the cargo is only manipulated and moved twice compared to LTL where the assembly of the shipment in one trailer involves a lot of movement, because it is combined with other shipments. Also, LTL usually involves multiple changes and replacements of trailers.

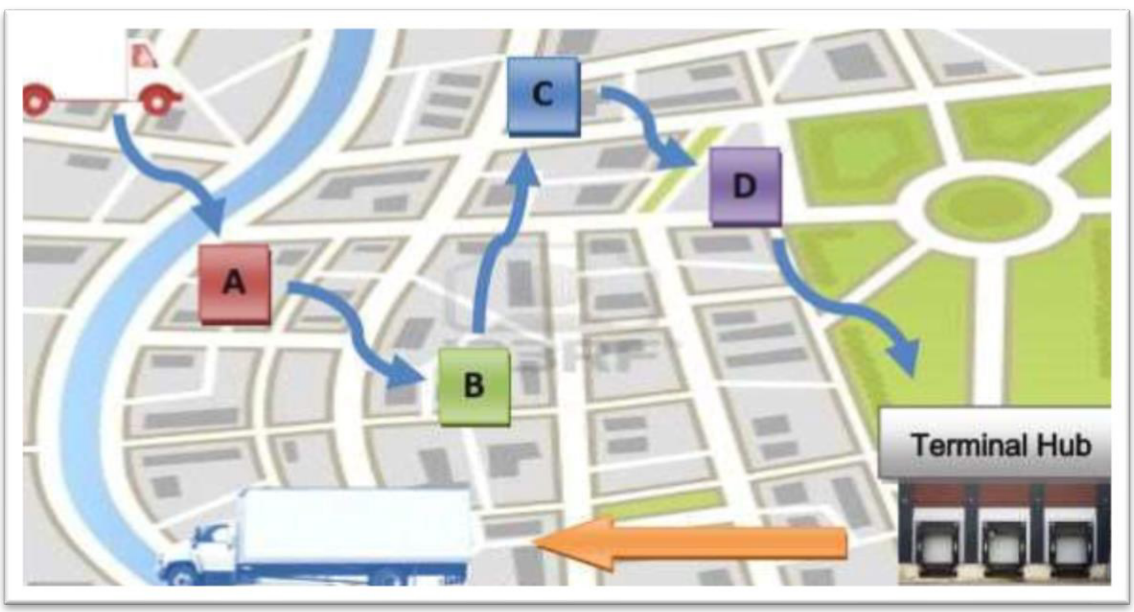
Business Paradigm for LTL Freight

LTL carriers typically operate on a specific route because multiple pickups of shipments occur in their method. The carriers usually devise a route where they are able to pick up multiple shipments in one go as outbound shipments.

After the collection of the different shipments, or the completion of a pre-determined route, the driver proceeds to a terminal where every shipment is processed.

Weighing and inspection is done at this stage to ensure that the shipments are free from damage before shipping them; this is to minimize any liabilities on the part of the carrier.

When transportation starts, most freight may end up being broken up into several portions; depending on the final destination of each shipment. Multiple handling is common among this type of shipping method. Also, a longer duration of delivery is usually expected because of the multiple handling processes the shipment has to go through.



Reasons for Utilizing LTL

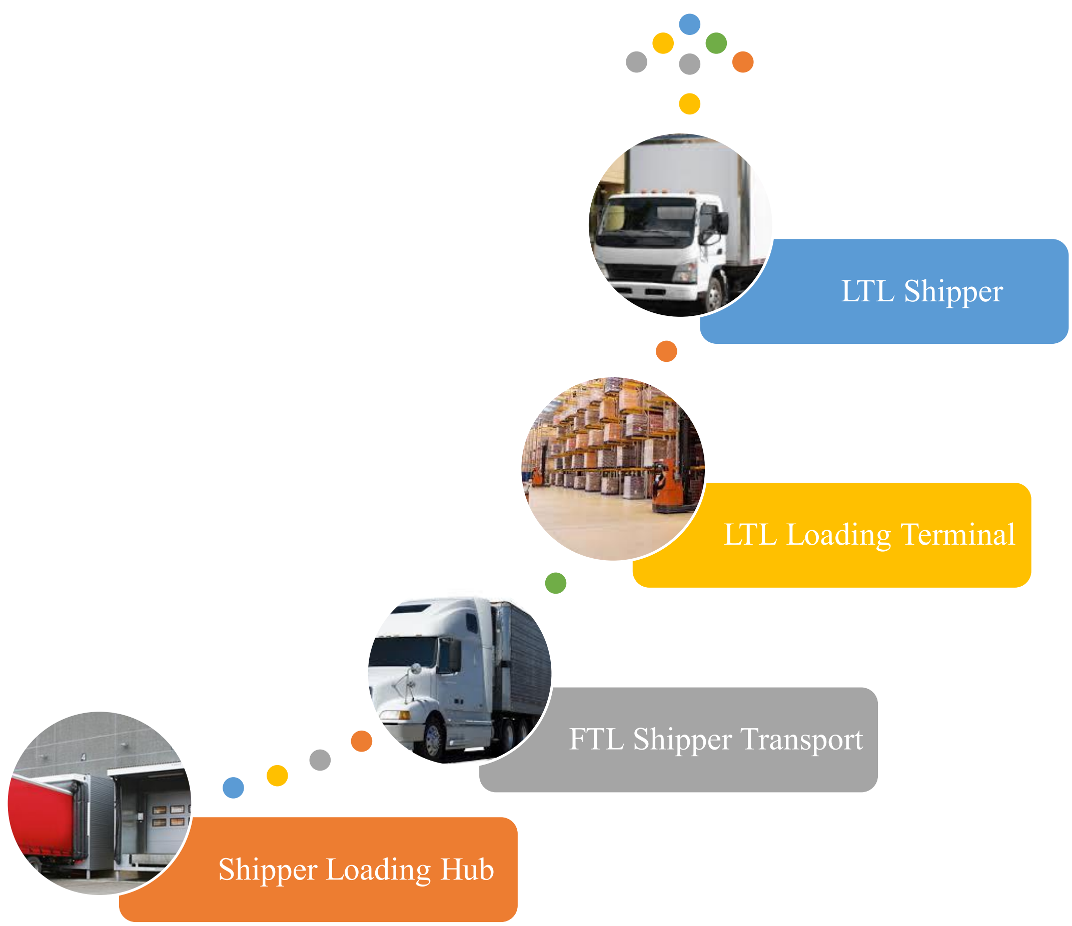
The financial aspect of LTL freight is its biggest advantage among the different methods of truck-based shipping. It's much less expensive compared to asking an FTL carrier to transport a small shipment. Also, some services are provided by LTL that are not available with FTL carriers. These are the following:

- Lift gate – a mechanical device that allows a truck to elevate the shipment to the level of the trailer. This reduces the strain put on the shipment, thus, preventing any damages.
- Pick-up and delivery
- Pre-delivery message alerts
- Freeze precautions

Most of these services are based on a fixed price or a weight-based rate measured by pound or kilogram.

Paired LTL and FTL

Shippers who have a large quantity of shipment that need it delivered to multiple locations might hire an FTL carrier in the first leg of the transport. This FTL carrier would transport the shipments to a corresponding LTL shipper who will deliver specific parts of the shipment to specific locations as instructed by the original owner of the shipment.



LTL Compared to Parcel Carriers

Parcel carriers accept shipments with a total weight of 150 pounds or less. They cater to customers who would need to deliver small pieces of materials or products to the front doors of their recipients or consignees.

Some parcel carriers try to level with LTL carriers by trying to talk to shippers to break down their shipments into small pieces. These pieces are often called “hundredweight”, and as the term implies, weighted at 100 pounds per piece. Unlike the parcel carriers, LTL shippers are able to transport the whole shipment without breaking it down.

The advantage of LTL is that it reduces the risk of damages on the shipment because it is handled as a whole compared to parcel carriers who break down large shipments to accommodate their services and this increases the handling processes that each piece has to go through. Tariff rates of parcel carriers might also be a disadvantage. This is because of the presence of several sets of shipments compared to an LTL shipment that is just considered as one set.

If a shipper has 300 items weighing 1 pound each, parcel carriers would have to divide it to 100 items per shipment or “hundredweights”. Therefore, three separate shipments are made and increased handling is observed. On the other hand, LTL carriers would simply take this shipment and take it as it is; reducing handling to a multiplier of 1 compared to 3 on parcel carriers.

Identical Features of LTL and Parcel Carriers

LTL and parcel shippers principally use loading hubs because they pick up their shipments on specific routes and gather them on specific station to process and inspect them.

Delivery duration is also prolonged for both methods when compared with FTL. This is because of the several transport processes that shipments undergo: from pickup, to assembly and processing, to final delivery.

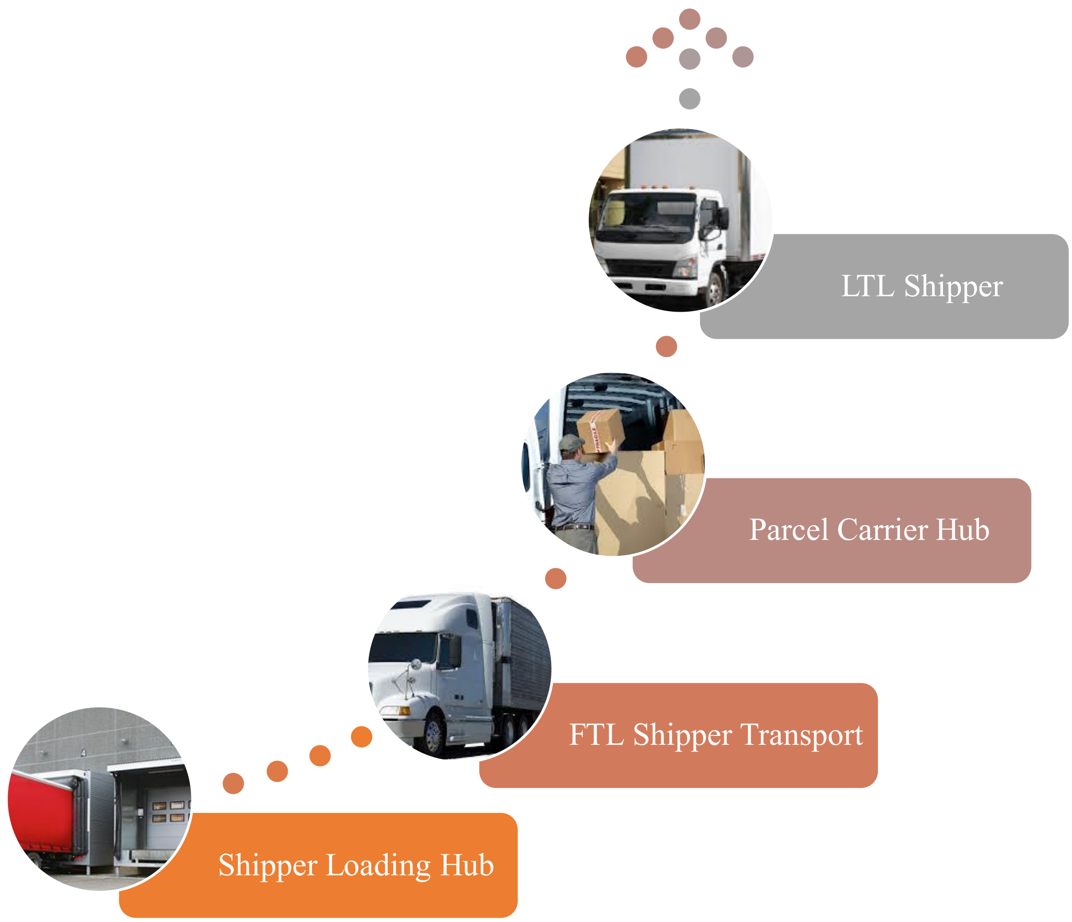
Both methods allow shippers to ask for a schedule of pickup via the Internet or over the phone; however, parcel and LTL carriers have a daily schedule for this.

Paired LTL and Parcel Carriers

In some cases, shippers will hire an LTL carrier to transport a shipment to a parcel carrier. This shipment, in turn, will be broken down to predetermined parcels and will be distributed to specific locations in a region.

Zone skipping is the term used for this type of combination. Because of economic reasons, the shipper does not allow handling of shipment to be done by a parcel carrier from the original destination. Instead, he hires an LTL carrier to deliver these to the parcel carrier’s regional hub. This is much cheaper compared to letting a parcel carrier break down the shipment from the original location.

This is a risky method because it increases handling situations, thus, it increases the risk for damages or losses.


LTL Shipper
Parcel Carrier Hub
FTL Shipper Transport
Shipper Loading Hub

Securing Shipment for LTL Carriers

LTL shipments often undergo frequent handling. Various kinds of activities could affect the shipments quality and status. Loading and unloading can be both risky for shipments especially when frequent dropping and tossing occur.

The use of freight pallets, shipping crates or tough-quality cardboard boxes are important to help reduce the risks of damages amongst the shipments. Also, tightly sealed cargo boxes help reduce the chances of theft in the event that an outsider or a delinquent worker come in contact with valuable shipments.

LTL shipments are more prone to getting lost or being incorrectly delivered to locations because of the multiple destinations that the deliverer is going to travel to. It is highly suggested that the freight crates should be properly labeled, placing a tracking number on the 4 sides of the box. A complete destination address and Zip Code should also be indicated to give accurate details when needed.

These security measures save time, resources, and labor compared to a poorly organized freight shipment that experiences a lot of losses, damages, etc.

Wooden Freight Pallet.
Photo courtesy of http://www.axispackaging.com.au/products/pallets/timber

Cargo Crates.
Photo courtesy of [http://www.hardwaresphere.com/2011/12/09/inbox-mini- cargo-crate-as-your-desk-organizer/](http://www.hardwaresphere.com/2011/12/09/inbox-mini-cargo-crate-as-your-desk-organizer/)

Trade Dynamics of LTL

The largest principal consideration for LTL operation expenses would be labor and fuel. Pick up schedules are regular and most LTL shippers have a daily pick up time, which makes fuel a regular expense for the company. Knowing that fuel has a volatile price, they must be cautious of how they use it and where it goes; every drop of fuel must count. Also, labor cost might be a bit high because of this works physical nature. These two entities should be treated as priority factors for calculating the expenses and earnings.

In summary, a trailer that procures shipments from different locations should have a perfect route that saves fuel and time. For this to happen, careful planning and estimating should be done. The trailer should also always carry the maximum weight of shipment that it can carry. Combining these two is called "freight mixing"; having a good freight mix means that every trip is efficient and profitable.

Two-staged LTL Network

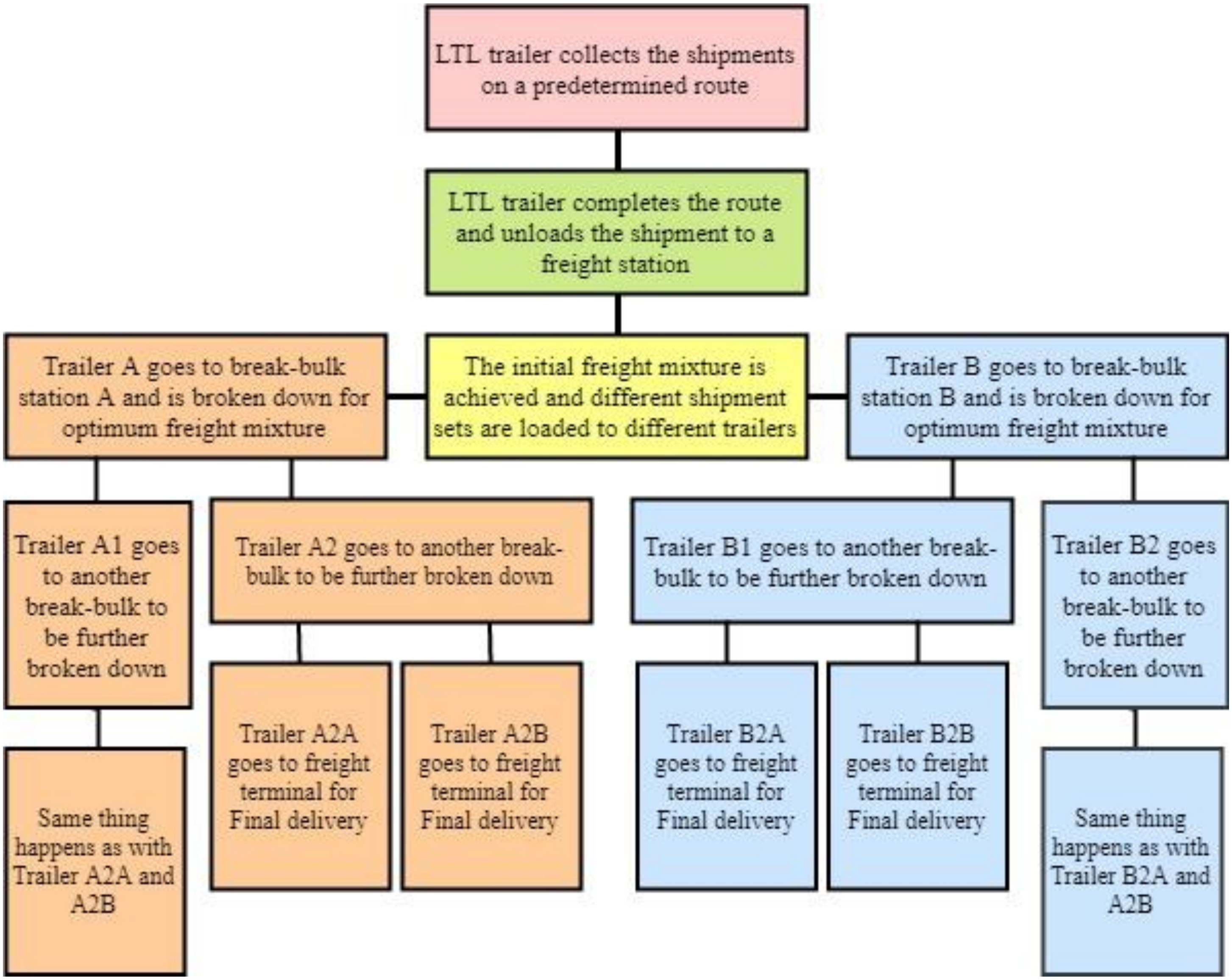
This method of perfect freight mixing is combining break-bulk stations with freight terminals. First, we have to define these two terms:

Break-bulk Stations - these are major terminals and loading stations where shipments unload after gathering all the scheduled shipments for the day. It is called as such because this is where they segregate and organize or "break" the shipments into specific sets for them to be forwarded to the next stage of the LTL network.

Freight Terminals - these are the stations where the broken down shipments are delivered from the break-bulk stations.

It is important to take note that some LTL carriers have more than one break- bulk terminal. If a shipment arrives to a break-bulk terminal after being picked up by the carrier from specific locations, it will be broken down to different sets to achieve the best freight mixture. It is then delivered to another district break-bulk terminal, which breaks the sets into smaller sets. This process could repeat a couple of times until such time where the broken down shipments arrive at a local freight terminal and are now ready to be delivered to their final destinations.

This network, when plotted, would appear like a vine-like pathway. Like this:



Intermodal Shipments for LTL

Even though FTL shipping is a truck-based method, it can also access different types of transportations; this then, is called intermodal transportation and shipping.

LTL shippers are considered the resident customers of railway freight and airway service providers. With this, they get cheaper deals and quality carrying methods.

Most LTL shippers build their own terminals next to their railways, which saves them time and resources compared to moving the shipments via another truck. Many LTL companies secure interest with rail transportation because of the uniformity of the delivery times; trains do not experience traffics like trucks on roads.

Review

The destination of the shipment, the type of freight, and the deadline; these are the most common determinants of whether an LTL carrier will use an intermodal type of shipping procedure. However, shippers can also indicate upon request if they would want such type of transportation for their shipments. LTL carriers will find all sorts of transportation methods just to make sure that the shipment arrives on time and in one piece without sacrificing too many resources.

3PL companies have emerged because of the innovations and standardizations brought about by intermodal shipping. Remember that you are just a freight broker, but a complete knowledge and understanding regarding unimodal or intermodal, LTL or FTL, and 3PL shipping is advisable and is crucial for your success.

Contract or 3PL Logistics

Outsourcing other parts of the shipping process is also an option for shippers and carriers. This type of logistic service is called Third Party Logistics or 3PL; it is also called Contract Logistics.

This started during the 1970’s when large companies began outsourcing their shipping, distribution and storage needs. The companies’ goal was to minimize the expenses for this part of the supply and product management process. Being able to reduce the expenses in this aspect of the company implies that they can shift the other resources to other equally important fields like manufacturing, labor etc.

3PL Logistic Variations

Two variations are available for 3PL providers to implement: asset-based and non-asset- based. In summary, these two vary between their approaches in the financial aspect of their operations.

Asset-based 3PL – these focus on the physical aspect of the supply chain management process. Trucks, warehouses, freight, planes, and other tangible equipment’s are their main assets for operation. As it says, it is based on the availability of the providers’ assets and how they are going to be used. Some services provided by this type are:

- Receiving or outgoing shipping management
- Distribution of shipments to multiple locations
- Freight mixture and other consolidation processes
- Packaging and security


Freight
Consolidation
Asset-based
3PL Services
Outgoing
Shipment
Distribution

Non Asset-based 3PL - based on its name, the service provided by this type of 3PL is not focused on its tangible assets. Instead if works on the administrative or internal areas of the supply management process. Most of them are logistic experts and may give assistance and professional advisory services to companies regarding the technicalities of their logistics department. Examples of the services that they offer would be:

- Auditing and bookkeeping
- Rate verification and quoting services
- Other administrative needs

Contract and Assessment for 3PL

Assessment is the first step before initiating a 3PL contract between the service provider and the company that is seeking their assistance. Information regarding market status and the company management process is vital before proceeding to the next step where they compare and contrast the company's logistics to the 3PL's style and method.

The initial assessment period is mostly concerned with allowing the 3PL to analyze the business paradigm of their customer. The 3PL studies their financial department, technological capabilities, and existing logistic management.

After this is done, the 3PL provider and the company agree to a specific contract that has been negotiated for a specific amount of time. This allows the 3PL an access to the company's information system and fundamental business paradigm. With their help, the company can manage the logistic aspect of their operations.

Benefits of having a 3PL

3PL personnel are highly informed of the logistic industry. They are considered as experts and can give advice on any aspect of that field. Supply management and shipping distribution are the most commonly tackled aspects during a 3PL service activity. However, the company has to ensure that all available information regarding logistics is forwarded to the 3PL to make every decision accurate and evidence-based.

Risks Involved with a 3PL

There is a risk for the company to lose their overall control over the logistics operation of their company. By allowing 3PL providers to manipulate and run the logistics end of their company, they can lose sight of important details that might trigger any problems or issues.

This risk stresses the importance of the assessment stage. Negotiation and proper analysis are crucial before starting the actual handing over of logistic control towards the 3PL provider.

The field of logistics is pretty much a dynamic and transforming aspect of every company. 3PL providers continually update their database and foundations to reinforce their expertise and make them competitive with other providers all over the world.

Fourth Party Logistic providers have also been developed because of the erratic nature of logistics and the growing size of companies that need 3PL providers. These 4PL companies offer the same services, but gather several 3PL as well as other service providers to provide a more comprehensive but harmonious operation in the logistic department of a certain company.

The end product has become an overall, detailed, and comprehensive assistance and operations by the new 3PL and 4PL providers. They make sure that they cater to all of the needs of a company; making them perfect for a busy and growing enterprise.

Review

A lot of base knowledge and experience is needed before becoming a 3PL provider. As a novice freight broker, you can obtain experience from the field by studying the different areas of the shipping industry and how it operates; theories might not be the most ideal methods to go when reality and several factors react against it. The 3PL field may be far away from you right now, but a fair amount of years and you will be able to consider venturing into this type of service.

Freight Categorization and Management

In categorizing freights or cargo shipments, a lot of aspects are carefully considered. Calculations based on measurements like the density and freight dimension are valuable information in arriving with reasonable freight categorization. This is important because it provides shippers, carriers and brokers a basis of how freights should be rated and how an overall shipment activity is priced.

Freight management and categorization is closely related to the price of the shipment procedure. Weight and size are very much important because this will transfer several factors to different parts of the shipping activity. For example, a heavy cargo could be attributed to an increase in the fuel consumption of a truck because it requires more of it to carry the speed that it needs. Also, the type of load is considered to determine the freight classification. General commodities, perishable goods or technological gadgets vary on their rates even if they have the same weight, volume or density per freight.

Using Freight Categories

Freight brokers are not directly responsible with freight categorization and freight rate determination. However, it would be ideal for him to learn freight categorization and management if they decide to create his own motor carrier.

In general, carriers have a large responsibility of freight classification. Part of this process includes the computation of tariffs and competitive rates. It is important that a carrier's rate is consistent and almost similar with other competitors to attract more customers and not discourage first time clients.

Different Freight Categorization Methods

There are two paths that a motor carrier could take when it comes to freight classification. One way would be to devise their own classification system to help them get a better and simpler computation and the other way would be to adopt a general classification system that is accredited by many carriers; these are called third party classification methods. One of the well-established systems would be the National Freight Classification or NMFC.

What is the NMFC?

The National Classification Committee or NCC formed the National Motor Freight Classification system or NMFC in an attempt to standardize the process of freight quoting and pricing.

The NMFC consists of 18 classifications. Each classification represents a type of product or commodity. These classes are rated from 50 as the lowest and 500 being the highest. The basis of this classification solely depends on four different aspects of freight:

- Product Concentration
- Storability
- Potential Liability
- Handling Process and Time

THE NATIONAL MOTOR FREIGHT CLASSIFICATION

Classification	Description or Examples	Weight/ft^3
50 (Clean Feight)	fits on standard shrink-wrapped 4x4 pallet, very durable	Over 50 pounds
55	bricks, cement, mortar, hardwood flooring	35-50 pounds
60	car accessories & car parts	30-35 pounds
65	car accessories & car parts, bottled beverages, books in boxes	22.5-30 pounds
70	cas accessories & car parts, food items, automobile engines	15-22.5 pounds
77.5	tires, bathroom fixtures	13.5-15 pounds
85	crated machinery, cast iron stoves	12-13.5 pounds
92.5	computers, monitors, refrigerators	10.5-12 pounds
100	boat covers, car covers, canvas, wine cases, caskets	9-10.5 pounds
110	cabinets, framed artwork, table saw	8-9 pounds
125	small household appliances	7-8 pounds
150	auto sheet metal parts, bookcases	6-7 pounds
175	clothing, couches stuffed furniture	5-6 pounds
200	auto sheet metal parts, aircraft parts, aluminum table, packaged mattresses	4-5 pounds
250	bamboo furniture, mattress and box spring, plasma TV	3-4 pounds
300	wood cabinets, tables, chairs setup, model boats	2-3 pounds
400	deer antlers	1-2 pounds
500 (Low Density; High Value)	bags of gold dust, ping pong balls	less than 1 pound

Standard Point Location Code

SPLC are used to determine a location that is utilized as a regular loading or unloading point. Two digit SPLCs are used to represent a state, city and county. On the other hand, a three digit SPLC would indicate a sub code, which is a more specific area, compared to a two digit SPLC.

Compliance with the NMCF through membership is not enforced by the government. However, carriers cannot use the NMFC regulations as a reference in cases where a court hearing is held.

The collection of SPLC is distributed by the NMFTA in the form of a CD. This can be ordered through their website nmfta.org.

Standard Carrier Alpha Code

The SCAC is a numerical identification of a specific motor carrier. This was also developed by the NMFTA to help regulate and monitor various carriers. This code is composed of 2 to 4 letters and is issued to every motor carrier that is involved with a business concerning the departments of the U.S. as well as for the application of tariff to the Surface Transportation Board or STB.

Additionally, a SCAC is required if you are going to work as a broker that plans to involve his business with the different agencies of the U.S. Government.

Tariffs on Freight Carriers

Freight Carrier Tariffs are the rules and regulations of a freight carrier regarding shipping. The rates, legal liabilities, freight classification and handling processes are stated in this legal document. Tariff computation mainly depends on the freight category of the shipments that are being handled.

Freight brokers often spend an awful lot of time in searching their database and listings for the freight carriers that have the lowest tariff rates. This is imperative because matching the carriers with shippers is a very tricky business. Alternatively, longtime carriers have devised several methods to keep the tariff of a specific commodity to a minimum level without hurting any aspect of the business.

Import tariffs are mistaken as having the same meaning as freight tariff. The former is a tax that exporters pay when delivering products into the United States. Tariff rates are standardized with each freight carrier. Unlike Business-to-Business services (B2B), they tend to be non-negotiable or fixed.

As a freight broker or a freight agent, you are unlikely to publish your own tariff rates except if you also operate a freight carrier business. However, it is important to understand this aspect of the industry.

Review of Tariff History

The creation of tariff rates was caused by a series of involvements between shippers and railroad service providers. In the 1800's, large railroad companies acknowledged equally large shippers to have lower rates and transportation costs compared to smaller shippers who were the victims of overpriced and unreasonable shipping rates.

Specific routes where there was only one railroad provider were subject to abuse too. They imposed higher rates because they knew that the shippers had no choice but to use the only available railroad company. The lack of competition brought many unreasonable business methods.

Railroad carriers who had accepted several shipments from other carriers offered a method of payment called pooling. This technique comprised of gathering all of the money earned in one account and distributing it to the other carriers if they agreed with the fixed prices that they were negotiated with.

In 1887, President Grover Cleveland passed the Interstate Commerce Act, which protected shippers and carriers with the dirty methods of pooling, unreasonable rates, and price fixing. This gave rise to the publication of individual tariff rates by carriers. Some of the provisions of the said Act are still enacted today and are the foundations of the modern regulating laws.

However, railroad companies did not agree with this regulation and put pressure on the Supreme Court to come up with a ruling in favor of the big companies; the court gave in and sided with them. Other business leaders who supported this Act also moved to support the law and keep it in effect for a long time.

In 1890, the Sherman Antitrust Act was passed to secure the rights of both carriers and shippers to a fair and standard tariff procurement process. It gave both parties the ability to file disputes.

Freight Tariff History

In the past, freight carriers were required to submit their tariff rates to the Interstate Commerce Commission. This agency studied each tariff rate and approved or denied them. However, the Sherman Antitrust Act did not cover transportation corporations; giving them the ability to set their own tariff rates. Tariff rates, then, were set through the agreement of transportation companies.

In 1994, the Trucking Industry Regulatory Reform Act or TIRRA was signed and enacted. This abolished the provision that carriers needed to submit their tariff rates to the ICC for approval. This deregulation allowed the tariff rates of each carrier to vary according to their approach and services.

Motor carriers and household commodity carriers are still required to submit their tariff rates to the Surface Transportation Board or STB which replaced the ICC after it was dissolved in 1995. This provision also affected carriers that delivered shipments on non- contiguous domestic business zones, which included Alaska and Hawaii.

Household Commodity Shipping

These types of carriers are still subject to filing tariff rates to the STB because their direct customers were the consumers that bought these commodities. This made the consumers prone to being abused by unfair rates that affect the retail price of a certain good.

The Government is strictly imposing this provision with the said carriers; putting several sanctions to violators. Carriers who have been found to be non-compliant to the application of their tariff rates to the STB are sanctioned by giving warning letters, fines, or the complete banning of their company from shipping any household commodity around the United States.

Even though the carriers of non-household goods are not required to file the tariff rates to the STB, they are still mandated by the government to provide their clients with the list of tariffs when requested.

Tariff as Protection

Tariffs were made to protect not only the shipper, but also the carrier. Concretely outlining the rates and prerequisites of a carrier would let the shipper be aware of who they are doing business with.

Tariffs also give the two parties a common ground to base their complaints if the need arises. Without this ability, disputes may take longer durations before being resolved and this could create a ripple effect with the country's commerce.

Legitimate members of the National Motor Freight Classification or House Hold Goods Mileage Guide have the privilege to adapt the standard tariff rates and regulations from these references. The advantage of this is that they can save time and resources in formulating their own tariff. However, carriers can’t adapt this type of tariff if they are not registered with either of the said parties.

A power of attorney is issued by freight carriers who have successfully enlisted themselves with either the NMFC or HHG organizations. This allows them to procure the reference tariffs and start operating with these standard rates. This activity entails responsibility with the shippers also. When dealing with a carrier that presents a tariff from the NMFC or HHG, they should request for a legal document to act as a proof that they are a part of either of the two organizations. If this is not provided, the shipper can refuse any transactions or expenses imposed by the carrier.

The tariff rate provisions have mostly been deregulated and dissolved. However, the government still has the authority to prosecute any shipping company that imposes unreasonable tariff rates. Most of these companies abuse the fact that they have customers that do not have other shipping company to go to. By monopolizing most of the area’s shipping activities, they are able to increase their tariff rates and their other charges. This victimizes shippers that have no choice but to endure this type of abuse. The government is continually monitoring this type of activity and is sanctioning every shipping company that it finds to operate in this way.

Standard operating processes dictate that the tariff rate is a non-negotiable rate. However, shippers and carriers can file disputes at each other for a limited time of 6 months. The Negotiated Rates Act of 1993 covers the provision that requires a party to file a dispute within the set duration. A 36-month statute of limitation is set when a dispute is covered by this Act.

The STB’s department called the Office of Compliance Enforcement offers assistance with disputes that involve tariff rates. The complainants can file for an Application Review with the said department to let the agency know of the current situation of the dispute.

The department will study the documents of the shipping transaction; gathering paperwork from both the shipper and carrier. This will help them determine whether the dispute is reasonable and evidenced or not.

After this, a written review and summary of the investigation is given to the shipper. This document can be used an evidence during court proceedings of the said dispute.

The service provided by the Office of Compliance Enforcement is free of charges.

Freight Tariff Elements

A freight tariff document has to have specific elements for it to be considered as complete and legitimate. State variations may be present but general guidelines are still kept to maintain the standardization of tariff documents.

Table of Contents - an accurate and complete table of contents should be available with the exact page numbers of each section.

Tariff Participants - this is a list of carriers that have sole participation on the tariff rate document being used. Most of this is membership based and certain standards have to be met before being provided a power of attorney to carry out this tariff rate .

Commodity Rates and Exception - this is a list that provides an alphabetized reference of any commodity and their corresponding rates. Also, additional provisions or exceptions are listed if needed.

Areas of Service - this serves as a geographic map for shippers to determine the locations where the carriers give service.

Clear and Detailed Instructions - the document should not include any deceiving details or ambiguous instructions. Acronyms, symbols, or abbreviations should be clearly defined when they are used for the first time.

Freight Rates - these detailed rates should be listed in cents or dollars. Baseline rates should also be stated. Freight measurements should be early defined by putting the equivalents of certain units of measurements to provide the reader with a clear reference of the numerical figures.

Utilizing Tariff Rates

Carriers typically use tariff rates for any shipping transactions with a shipper. If this is utilized, the carrier should always make sure that a copy of the document is available for the shipper to procure from them.

Shippers, in turn, are obliged to study and understand the tariff rate of the carrier to determine how their shipment is being quoted and classified. This should be done before the said transaction is done to avoid any unforeseen charges or liabilities on either party.

Additionally, shippers are also able to search for other carriers with cheaper rates if the tariff document is given to them in advance.

Review

The tariff document is an essential tool for the carriers to be able to earn a reasonable amount of cash for each transaction. This document also offers protection and preventive pathways for shippers before even doing business with the carrier.

Chapter 2 Summary

Structures of Transportation

There are two modes of facility: unimodal and intermodal transportation. Both modes are used for the transportation of passengers and freight, the main attention throughout this summary will be for the transportation of commodities.

Unimodal Movement

Unimodal is used to describe the shipping of cargo or people using one specific method of movement: air, boat, rail or truck. For example, brokering a cargo that is picked up and delivered by the same carrier is unimodal, which can be done from the east coast of the US to the west coast.

Intermodal Movement

Intermodal is used when more than one transportation method is necessary. For a transportation method to be considered intermodal, it needs to use a minimum of two methods i.e. truck to rail back to truck.

Intermodal Transportation Evolution

Coal container boxes were invented during the 18 th century as an economical way to move coal from the mines all the way to the end destination that distributes it. However, intermodal business did not become recognized in the United States until 1911. One major problem that businesses faced during this time was standardizing the size of cargo containers. In 1920, the UK attempted to implement a standard of 5 and 10-foot containers to be used by trains and trucks for front door transport. Later on, WWII became the primary motivator for the innovation of palletized containers, which is when piggyback shipping came into being.

Standard Moving Equipment

ISO standardization allowed operators to purchase corresponding equipment to move specific containers, which made the task of transporting easier because shipments were arranged in convenient stacks.

General Handling Machinery

A transtainer is used to move containers from sea vessels onto trucks and trains. A gantry crane, or a straddle carrier, is used to load containers onto rail car and road vehicles. Gantry cranes are mobile and have the ability to shift in any direction, which allows for accurate placement of containers. A grappler lift is similar to the straddle carrier as they have a similar pattern and function. A reach stacker is a type of machinery that has moving arms and beams, which allow them to lift and stack containers.

Modes of Intermodal Transportation

The term railway transit, or piggyback, is used to describe a method when containers are put above a flat or spine car. Road rail transit is a cost-effective alternative for railway transportation where trailers are converted into railway-enabled transports by putting wheels on them. Shipping vessels are used to carry thousands of containers with different types of cargo. A motor carrier, or drayage, is used to move containers or trailers from seaports to railway stations or vice versa. Transportation via barge is called Ro-Ro or roll-on-roll-off freight transport and is a located along rivers that are used for transportation. Lastly, a pipeline is an assortment of pipes that is used for transportation of a liquid or gaseous resource.

Intermodal Transit Advantages

Intermodal transit offers a safe means of transport for cargo as it decreases the handling of the freight and cargo so security is enhanced. Furthermore, intermodal transit only requires one bill of landing as opposed to multiple, which decreases the cost and increases the speed of shipment.

Logistics Regarding Intermodal Transport

3Pl freight brokers are considered a third party logistics service and are increasing in demand; this has been brought on by a decreased concern of how products will be moved as compared to the expense in order to move them.

Issues with Equipment

Fixing damaged containers and carriers is difficult because the equipment is constantly being used. Most freight containers spend their time in the hands of shippers, carriers or receivers. Because of this, an official standard needs to be implemented regarding the handling of containers as well as their maintenance.

The Uniform Intermodal Interchange & Facilities Access Agreement

The Intermodal Association of North America was formed alongside the Uniform Intermodal Interchange and Facilities Access Agreement. It is a standard interchange contract that promotes intermodal productivity and operating efficiencies.

Concerns Regarding Security

Port security has improved after the September 11 th terrorist attack. The attack has greatly affected the intermodal industry because before the incident, security standards hardly existed for the industry.

Proposed Bills Regarding Intermodal Transportation

The H.R. 1817 bill was put in place to lead the Department of Homeland Security in combining the methods used to do background checks on transportation works. The Transportation Security Improvement Act of 2005 was put in place to create 5 different Transportation Security Mangers to implement strict inspection procedures. The Intermodal Shipping Container Security Act mandated that the Department of Homeland Security create security methods for intermodal shipping procedures. The H.R. 173 and H.R. 785 bills provide provisions for building a database that processes cargo related crimes.

Intermodal Chain of Supplies

There are three parties that make intermodal transport chains possible: shippers, intermodal carriers, and receivers. Shippers are the owners of the goods and engage carriers to transport the goods. Intermodal carriers transport goods from the shippers to the receivers. Receivers receive the cargo from the shippers, transported by the carrier at the final destination of shipment and are responsible for possessing the documents.

The Intermodal Cycle

1. The freight is loaded onto the trucks by and at the shippers loading dock.
2. The truck leaves the dock and serves as the first intermodal transportation.
3. The truck arrives at the rail hub where the containers are scanned for processing.
4. The containers are then loaded onto flats, spines, or piggybacks and trailers are fitted with railway wheels.

5. When the trailer arrives at the station hub and is handed off to the receiver.
6. The receivers are the final intermodal transporters and the goods can be transported to their final destination.

Review

Intermodal transportation is expected to grow in the coming years because it has been proven to be the most cost effective method of freight transportation. Currently, most railroads serve as intermodal routes for shipments and companies such as DHL and UPS strongly use piggybacking.

Documents Needed for Shipping

There are three main types of shipping documents classifications: legal responsibility, type of transportation, and method of collection.

BOL or B/L Document (Bill of Lading)

The bill of lading is legal proof that the person scheduled to receive the shipment has done so. There are many bill of lading document variations: through BOL, straight BOL, and order BOL. A through BOL is used for domestic and international shipments when intermodal transportation is involved. A straight BOL is a fixed contract that shows proof of ownership of a particular shipment, to a particular company or person. An order BOL is a negotiable contract that asks the consignee to pay a specific bank once the BOL is received. Next the bank will pay the carrier and the shipment will be made. This method is typically used for international shipments.

Freight Bill

A freight bill serves as an invoice that is presented to the shipper or to the consignee.

Receipt of Delivery

A receipt of delivery is legal proof, to the consignee, that the shipper has delivered a specific shipment. The shipment is complete when the receipt has been sent.

Shipping Terms

Free on Board (FOB) terms are mostly used on domestic transactions. FOB destination, freight collection and allowed are the terms used when the rights of the shipment have been pasted to the consignee, which occurs when the shipment reaches its final location. At this point, the receiver has full responsibility and assumes full ownership of the shipment. The term freight prepaid states that the shipper has full responsibility over the shipment until the consignee receives and pays for it. FOB origin signifies that the title of the shipment is initially given to the consignee at the place of origin. In this case, the consignee has full responsibility over the freight while the shipment is in transit. In the case of a charge back is the same as FOB origin except for the fact that the shipper pays for the freight charges but deducts it from the invoice, in the end.

International Commercial Terms

INTERCOMS are used in international shipping. INTERCOMS standardize the terms used on shipping agreements, they set the rules on how to read the terms mentioned, and they define the specific costs as well as who is responsible for them.

Examples of INTERCOMS

The most important INTERCOMS are as follows: Free alongside shipping (FAS), which gives the consignee full responsibility of the cargo once it is placed on the ship for transport. EXW or EX works, which states that the consignee is liable for all expenses after the cargo leaves the shippers dock. Freight on Board (FOB) states that the consignee is responsible for all expenses once the shipment has been loaded on the vessel. Cost, insurance, and freight (CIF), which states that the shipper is responsible for ocean transport expenses to the port destination as well as the insurance of the shipment. In this case, the consignee has responsibility for the rest of the expenses.

LTL Freight

LTL freight stands for less than truckload and is used when the shipment weighs between 151 and 20,000 lbs. (86 and 9,072 kg). LTL carriers collect freight from different shippers and then consolidate them in enclosed trailers. After this, it is taken to the terminal where it is sorted and distributed. This model states that delivery drivers have specific routes, which enable them to develop a relationship with their customers.

LTL shipping is considered the most efficient method for shippers who have shipments to transport. On the other hand, FTL or full truckload, which is another type of a truck-based shipping method, is the best pick for shippers who have a lot of shipments that can fill up a 48’ or 53’ trailer.

Comparison to FTL Process

FTL carriers operate by providing shippers a trailer, which is then filled by the shippers themselves. Next, the carriers transport it to the stated location. Some FTL carriers deliver to multiple locations, which may be true for grocery stores that hire carriers to deliver shipments to multiple branches of the store.

Business Paradigm for LTL Freight

LTL carriers usually operate on a specific route because multiple shipment pickups occur. Once the shipments have been completed, the driver proceeds to a terminal where each shipment is processed and inspected for damages.

Reasons for Utilizing LTL

The financial aspect of using LTL is its’ biggest advantage because it is inexpensive compared to other methods. Furthermore, LTL shipping offers services that other carriers do not. For example: lift gate, pick-up and delivery, pre-delivery message alerts, and freeze precautions.

Paired LTL and FTL

Shippers with a large quantity of shipments that need to be delivered to multiple locations usually choose an FTL carrier for the first transport portion. The FTL carrier then transports the shipment to an LTL shipper who delivers certain parts to their specific location.

LTL Compared to Parcel Carriers

Parcel carriers accept small shipments of 150 lbs or less and deliver straight to the door of the consignee. LTL shipments reduce the risk of damage to the products because they are handled as a whole, compared to parcel carriers who break large shipments down. Furthermore, parcel carriers tend to have higher tariff rates.

Identical Features of LTL and Parcel Carriers

LTL and parcel shippers principally use loading hubs because they gather shipments on a specific station to process and inspect them. These two methods usually have longer delivery times when comparing them to FTL due to the many transport processes that are involved.

Paired LTL and Parcel Carriers

In some cases, shippers will hire an LTL carrier to transport a shipment to a parcel carrier, which is then broken down to predetermined parcels and will be distributed to specific locations in a region. This method is called zone skipping and it increases risk due to an increase in handling.

Securing Shipment for LTL Carriers

LTL shipments undergo frequent handling, which is why the use of freight pallets, shipping crates, or high-quality cardboard boxes are necessary. Furthermore, LTL shipments are more prone to misplacement and being delivered incorrectly due to the fact that the deliverer has to travel to multiple locations.

Trade Dynamics of LTL

The largest expenses for the LTL method are labor and fuel due to the volatile price of fuel and the demanding nature of the work.

Two-Staged LTL Network

Break-bulk stations are primary terminals and loading stations where shipments unload. They earned this name because the shipments are organized into specific sets so they can be forwarded to the next stage of the LTL network. Next, the broken down shipments are delivered to freight terminals.

Intermodal Shipments for LTL

FTL shipments can access different types of transportations, which is called intermodal transportation and shipping. LTL shippers are sometimes called the resident customers of railway freight and airway service providers. Because of this, they are offered cheaper rates.

Review

An LTL carrier decides on the type of intermodal procedure based on the destination of the shipment, the type of freight, and the deadline.

Contract of 3PL Logistics

Third part logistics, 3PL, and contract logistics are terms used to describe when a company outsources shipping functions. This started in the 1970's when companies wanted to minimize their expenses.

3PL Logistic Variations

There are two variations for 3PL providers: asset-based and not asset-based. Asset-based 3PL focuses on the physical aspect of the supply chain process, such as trucks, warehouses, freight, and planes. Some of the services provided by asset-based 3PL are receiving or outgoing shipping management, distribution of shipments, freight consolidation, and packaging. Non asset-based 3PL focuses on administrative and internal areas of the supply chain process. Some of the services that they provide are auditing and bookkeeping, rate verification, and quoting services.

Contract and Assessment for 3PL

Assessment is the first step before initiating a 3PL contract between the service provider and the company. The initial assessment period focuses on allowing the 3PL to analyze the business paradigm of their customer. The 3PL studies their financial department, technological capabilities, and existing logistic management. When this is completed, the 3PL provider and the company can agree on a time-sensitive contract.

Benefits of Employing a 3PL

3PL personnel are highly informed about the logistic industry and are considered experts that can give advice on any aspect of that field.

Risks Involved with a 3PL

When employing a 3PL, the company takes on risk of losing logistical control because companies can lose sight of important issues.

Review

A large amount of base knowledge and experience is needed in order to become a 3PL provider. You can get experience from the field by studying different areas of the shipping industry and how they operate.

Freight Categorization and Management

In order to categorize freight, one needs to make calculations based on the measurements and density of the freight. This information makes it possible to accurately rate and price the shipment.

Using Freight Categories

Freight brokers are not directly responsible for freight categorization and freight rate determination. Carriers have a large responsibility of freight classification, which includes the computation of tariffs and competitive rates.

Different Freight Categorization Methods

There are two methods for freight classification. One way is to devise their own classification system that will lead to a more simple computation and the other way is to adopt a general classification system that is accredited by many carriers, which is called a third party classification method.

What is the NMFC?

The National Classification Committee formed the National Motor Freight Classification system or NMFC in order to standardize the process of freight quoting and pricing. The NMFC consists of 18 classifications with each one representing a type of product or commodity. The classifications are made based on the product concentration, storability of the product, potential liability, and the handling processes.

Standard Point Location Code

SPLC is used to determine a loading or unloading location. Two-digit SPLC's represent a state, city and county and three-digit SPLC indicate a sub code. The NMFTA distributes SPLC's via a CD and can be ordered through nmfta.org.

Standard Carrier Alpha Code

The SCAC is a numerical identification of a specific motor carrier, which was developed by the NMFTA to regulate carriers. The code is composed of 2-4 letters and is issued to every motor carrier.

Tariffs on Freight Carriers

Tariff computations mainly depend on the freight categories of the shipments that are being handled. It is difficult and time consuming for freight brokers to find freight carriers that have the lowest tariff rates; however, it is imperative that they do so in order match a carrier with a shipper. Import tariffs are usually mistaken for freight tariffs; however, import tariffs are a tax that exporters have to pay when delivering a product into the US.

Review of Tariff History

Tariff rates were created as a result of incidents between shippers and railroad service providers in the 1800's. In 1887, President Grover Cleveland passed the Interstate Commerce Act, which protected shippers and carriers from the dirty methods of pooling, unreasonable rates, and price fixing. This gave rise to the publication of individual tariff rates by carriers. In 1890, the Sherman Antitrust Act was passed to secure the rights of carriers and shippers to a fair and standard tariff procurement process. It gave both parties the ability to file disputes with opposing parties that have been found to be practicing unfair tariffs.

Freight Tariff History

In the past, freight carriers were required to submit their tariff rates to the Interstate Commerce Commission where the agency studied each tariff rate and approved or denied them. However, the Sherman Antitrust Act did not cover transportation corporations, which gave them the ability to set their own tariff rates. Tariff rates, then, were set through the agreement of transportation companies. Motor carriers and household commodity carriers are still required to submit their tariff rates to the Surface Transportation Board or STB, which replaced the ICC.

Household Commodity Shipping

Household commodity shipping carriers are subject to filing tariff rates to the STB because their customers are the consumers that by the commodities, which makes the consumer prone to unfair rates, which impact the price of the good.

Tariff as Protection

Tariffs were made to protect the carrier and the shipper because they outline the rates and prerequisites of the carrier, which helps the shipper understand the business. Furthermore, tariffs give the two parties a common ground for conducting business. However, if a dispute occurs between the shipper and the carrier, they can seek assistance with the Office of Compliance Enforcement where they can file for an application review. The department will study the shipping documents and then issue a written review of the investigation to the shipper.

Freight Tariff Elements

In order for a freight document to be considered complete, it needs to have specific elements: a table of contents, an outline of the tariff participants, a list of commodity rates and exceptions, a map of where the carriers give service, a document that outlines the detailed instructions, and a list of the freight rates.

Utilizing Tariff Rates

Carriers typically use tariff rates for any shipping transactions with a shipper. In turn, shippers need to understand the tariff rate of the carrier to determine how their shipment is being quoted and classified, which should be completed before the transaction occurs.

Review

Tariff documents offer carriers a way to earn money while serving as protection for the shippers before any transactions occur.

Chapter 3

Freight Client Procurement

As a freight broker, your main job is to coordinate shipments. A part of this job entails you to search for actual shipment to transport. Another part would be to search for a suitable carrier to transport the said shipment.

Freight load searching is relatively easy, but time consuming. For starters, you should stop being choosy with the type of load that you are brokering for. After establishing yourself, you can have a choice of whether delineating from one commodity or being a general freight broker.

This part of the manual will help you streamline your methods to decrease the time spent in searching for shipments and carrier. Remember that there are two things to consider: the requirements of the client and the efficiency of your marketing effort.

Generally, there are several mediums for you to start searching for freight loads:

- Direct Contact
- Internet
- Mail
- Searcher's Fee
- Freight Database
- Business Leading
- Backhauling

For you to make your searching efficient, take note of how the certain commodity you are searching for is used. This allows you to estimate the need for this good and make it a basis if it is a possible load for a certain carrier. For example, aluminum materials are periodically needed by hardware manufacturers. This might be a good load for a carrier because it offers a steady amount of delivery at a given period of time. On the other hand, you cannot expect a steady demand for steel surgical instruments and make it a consistent load for a carrier because they are reused and only occasional shipping is needed, which lowers the chances of finding a shipper that ships this kind of good.

Remember that shippers who ship consumable goods have the most consistent delivery times. So expect a food manufacturer to have a steady amount of loads and will need the most consistent and reliable carrier; it is your job to find one if they agree to work with you.

You can also find manufacturers that are just starting to manufacture their goods. Chances are they do not have anyone on their end to search for available carriers that could cater to their needs. This should be a good chance to prove your capabilities and search for the best and reliable carrier for them.

On the other hand, existing manufacturers still continue to search for new brokers even if they have many brokers or agents at their disposal. They do this so that they could search for the best deals and rates that they could find. This is good news for a starting freight broker because they have the chance to secure a steady professional relationship with a company.

Knowing Your Customers

Before actually moving the shipments of a company that is interested in working with you, you have to familiarize yourself with their shipments. You can make yourself a question guideline that could help you extract the right information, which can help you in determining the needs of the shipper. The questions could include:

- Are the shipments raw materials or end-products?
- there a specific condition requirement when transporting them? (i.e., temperature, lighting condition)
- hat is the average weight of the commodity?

Knowing these information and more would help you in many ways. One way would be regarding the negotiations with a motor carrier. Most carriers would ask you a lot of questions to know whether the shipment is suitable for their trucks, flatbeds or trailers.

When you are done familiarizing yourself with your prospective commodity and find it suitable for you, you will be able to start initiating deals with the shippers and carriers. Expert brokers suggest that beginners should initially focus on one type of good. The variety of the shipments would define on your preference but would typically depend on the size, weight, value and destination. However, focusing on one type of shipment could set some limits on your clients.

Most brokers tend to search for listings or Internet databases and they fail to remember their direct contacts with shippers or carriers. If you know someone that manufactures certain products, or needs a steady transportation of certain goods, then you might be able to secure a deal with them. Negotiating with people you know is easier compared to meeting other people to do business with.

If you know someone that owns a carrier or shipping business, you could arrange something for him or her, which benefits you and the shipping company.

Also, keep in touch with your acquaintances that might need shipping services but do not want it at this certain time. Being 'vigilant' of the opportunities that come and go is very important in the brokerage industry. Grabbing and studying opportunity is essential to finding the right match for the shipper and carrier.

Remember the saying "if they call you once, they will call again". This pretty much applies to the brokering industry, because shippers tend to stick with their agents or brokers because they know how he or she operates and that they are satisfied with it.

Traffic managers or shipping supervisors are the personnel of a company that is directly involved with the transportation of their products. He is also most concerned with finding the right carrier and broker to do this service for him. It is important that you keep in touch with these people so you can grab any opportunities that come up afterwards.

Shipment Channels

Generally, most end products are transported to different distribution centers. Break down this specific product and you can come up with several materials; most of them are also transported from different origins. Each of these materials is a potential commodity for transport.

For example, couches are end products that are made from wood, cotton or wool etc. Each of these materials can be shipped from different locations and are gathered in one location for the final assembly of the couch. The couch, which is the final product, is shipped to different locations for distribution to the market. This example is just one of the many goods that can be broken down and analyzed to bring opportunities for shipment and brokering activities. So think of the endless possibilities of what shipment you can match with a certain carrier. Freight brokers who have put up their name in the industry usually have big shippers that have large amounts of shipments every month. The common mistake of new brokers is that they go and rush themselves to securing contracts with large companies. They have no chances against experienced brokers who have their services reinforced with numerous years of experience.

It is best to look into small time companies and manufacturers. Most of these groups offer a steady schedule of shipping requirements. Family businesses usually have shipping requirements that tend to have a relatively small number of destinations. Also, small time companies offer practicality as well as flexibility when talking about the contract setup and the payment procedure. This can't be done with big enterprises because of the standards that they possess and the value of their products.

Mail Market

Direct mail marketing allows brokers to send notifications for several companies to fish for shipping opportunities. The important thing to remember with this method is that you have to narrow down your choices to a few hundred possible companies compared to thousands, likely impossible companies.

Searching on the Internet

The innovative Internet is probably the widest and the most convenient way to search for shipping opportunities. However, many brokers do not realize the full potential of the World Wide Web simply because they do not know how to utilize it.

Most company information and requirements nowadays are available online and it is a great convenience if you just sit back and type search keywords so you could start finding potential clients.

Searcher's Fee

This method of business applies the principle of reward. You can talk to several people or friends that if they find you a shipper that needs the service of a broker or agent, then you will reward them with a certain amount of cash or anything that the person wants.

Most marketing students are very much interested in this type of business approach because they get to experience business activities even if they are outside of the sales aspect of the business. The informant and the broker benefits from this method and it decreases the effort needed on your part to search for available shipments.

Lead Results

The results taken from search databases like salegenie.com are comprised of information regarding numerous companies. You might be wondering why brokers need this type of information; part of being a broker is studying your 'specimen' and it is important that you examine several aspects of the client before actually engaging with it on a contract. Online search results are typically comprised of the following details:

- Employee Population
- Nature of Business
- Location
- Years of Operation

- Annual Sales
- Credit Rating
- Website

These are all valuable details that a broker could ever have. It is up to you on how you analyze this information and how you use them to your advantage. Having this capability at this time is very valuable compared to when people did not have a specific place to search for certain details regarding a company.

Shipping Business Leads

One strategy from the Internet is using Shipping Lead providers. These are websites that sell available shipping opportunities to carriers or brokers. The individual leads are not pricey but careful considerations should be weighed before purchasing it.

Research and background checks are essential when using this type of strategy. It is better to concentrate on a few leads than to burden yourself with overwhelming leads that are not that good.

The advantage of this method compared to just searching the Internet is that the leads are already available and comprehensive search queries are not needed.

Using Past Clients to Form New Leads

Most lead results databases such as the sales genie offer you free analysis of your existing or past clients. Their system analyzes these companies and compares them to their collections and shows you prospective companies that have the same nature of business as your former clients.

These sites also offer contact management systems that help you organize your sales leads and existing customers so you could increase your efficiency.

Targeting Shipping Opportunities

Shipping opportunities or leads can also be found on certain websites where a huge database of companies is present, such as the salesgenie.com which offers these services for brokers, agents or carriers. Sales genie has a large collection of existing companies from different fields of industry.

The opportunity here is that it allows you to focus one aspect of the industry and find the available companies that handle that kind of business. After you have gotten the leads, you can now start contacting those companies to ask if they would need a broker or agent's service.

Another good thing about this type of websites is that it offers you filtered searches to let you narrow your results to few hundred specific companies. Several information regarding different companies is also inputted for reference.

After searching for specific companies, you can still narrow down this search to certain geographic areas where you are planning to work on. If you have an existing carrier that is on standby and is waiting for a load, you can narrow your searches to the location or proximity of this carrier.

Talking to Shippers

In the event that you have to contact a prospective customer, you should perform in the most professional way. You should be direct because it saves time and leaves a good impression. Furthermore, you should be confident and well informed about the business that you conduct.

Cold Call Scenarios

The following is an example of a professional scenario

Customer: Hello, may I speak to the person in charge of transportation, please?

You: Hi my name is ___________ with ABC Trucking Company. We are based out of _______ (the state where you client is from).

Customer: How do I get set up as a carrier with your company?

At this point, the shipper may ask for more details about the company such as trailer type, how many trucks, and lanes. In which case, you should ask for the carrier setup packet. Once you are setup with their company, you can proceed to get more specific information from them. However, note that some shippers may not like to give an abundance of information to a customer that is not approved yet. It is necessary to slowly build your relationship with a potential freight broker or shipper.

It takes time to gain the freight from new customers. By moving more loads on a consistent basis, you will begin to make profits. You will get more chances at their freight and better rates with time. It is important to try to get information about the freight you are shipping and its volume because it you know if you can handle it or not. If you give a shipper your word and are unable to keep it, it is possible that they will hesitate in using your services in the future.

Interviewing the Shipper

You should keep these three keys of success in your mind during an interview with a potential customer: visibility, credibility and dependability. If you are always visible, the decision maker will notice you and he will eventually understand that you are consistent and dependable. After you prove your dependability you will have access more freight.

You will find yourself asking two questions related to the movement of the freight:

> Are there any dedicated lanes that your company needs to cover?
>
> What are they and how frequently do you need coverage?

Dedicated lanes that need to be covered will offer consistent profits to you and your carrier. Successful connections with your clients also lead to more sustainable and profitable business.

> Can I offer my help to move a load or give you a lane quote today?

Try asking for an order. Always remember to offer services that you are able to perform as you might get loads if you simply ask. The better the performance, the more chance you have for additional business.

What Type of Information Do You Need to Obtain from the Shipper?

Every piece of information that you receive from the shipper is important for offering a suitable bid. You should use a checklist when obtaining freight from a shipper.

Some of the below information may not be needed on the first call; nonetheless, the information needs to be obtained. There are some additional questions for specific types of freight and trailers; however, the main important questions are listed below:

Where is the load being picked up?

Where is the delivery location?

When are the pickup and delivery dates?

How many pickups or delivery points are there?

What type of trailer is requested?

What is the type of freight?

What are the detailed dimensions?

What is the weight?

Is tarping required on the load?

Do you have an anticipated rate on this load?

What temperature is required for this load?

Will you reimburse lumper or unloading fees?

Setting up the Shipper's Packaging

Before making the final agreement with your shipper, you should discuss the guidelines, policies and procedures, which must be followed by all involved parties. Problems will occur if any party deviates from the followed procedures:

1. First Contact – You should get your shipper's contact information to send him a test package before establishing a relationship with him.

2. Credit – It highly recommended that the credit of potential shippers be checked before completing any transaction. If you do not use a freight credit service, call your factoring company which will assign a credit limit that you are high recommended not to bypass.

3. Payment Terms – Expected payment terms should be clearly notated with the shipper in the shipper agreement.

4. Freight Quotes – You should obtain a signed and competed freight quote sheet before accepting the load from the shipper, which will provide a clear outline about load details and fees.

5. Completion – You can assign the carrier for dispatch to pick up the load after all paperwork is completed and credit is granted. Next, inform the shipper of the carrier details and confirm loading times to avoid detention charges.

There are forms and agreements that need to be viewed, filled and signed by the shipper prior to starting transacting business with the shippers. These documents are as follows:

- Shipper/Broker Agreement
- Insurance
- IRS Form W-9
- Credit Application
- Operating Authority
- References
- Personal Guaranty

Shipper Resources

There are many shipping firms that dominate the industry. The following section is a list of the leading shipping firms:

Industrial Directories

Macraes Blue Book: the leading industrial search site for buyers and sellers. It is designed for professionals to source their manufacturing, commercial and institutional needs. It contains more than 1 million suppliers and 10 million product listings.

Website - http://www.macraesbluebook.com

Industry Net: a free search engine that contains more than 430,000 manufacturers and suppliers.

Website – http://www.industrynet.com

Industrial Quick Search: a website comprised of product/service specific vertical web categories representing American industrial manufacturers. It is considered to be an industrial manufacturing search directory to help companies find industrial manufacturers.

Website - http://www.industrialquicksearch.com

Thomas Net: a platform designed for sourcing components, equipment, MRO products, facility management personnel, engineers, plants, raw materials, and custom manufacturing services.

Website - http://www.thomasnet.com

Hoovers: a website for searching the world's largest database of company and industry information: a directory of more than 85 million companies and 100 million people that are easily searchable by name, location, or industry.

Website - http://www.hoovers.com

Food & Grocery

The Produce Market Guide: a global marketplace and directory for the produce industry where you can find information about the fresh produce industry.

Website - http://www.producemarketguide.com

The Food World: a directory for producers and suppliers.

Website - http://www.thefoodworld.com

National Poultry and Food Distributors: a website that brings buyers and sellers together and provides a forum to establish long-term business relationships.

Website - http://www.npfda.org

Fruit Growers News: a guide for food and fruit buyers as well as other related industry resources.

Website - http://www.fruitgrowersnews.com

USDA MPI DIRECTORY: a listing of establishments that produce meat, poultry, and/or egg products regulated by USDA's Food Safety and inspection service

Careers in Food: a website where you can browse for thousands of current food industry jobs, including: food and beverage manufacturing, food safety, trucking jobs, technician and many more.

Website - http://www.careersinfood.com

US Poultry Association: the world's largest and most active poultry organization. At this website, you can find producers and processors of broilers, turkeys, ducks, eggs, and breeding stock, as well as allied companies.

Website - http://www.uspoultry.org

Heavy Machinery Freight Links

Mascus: a search engine for companies that provide services for heavy machinery and transport vehicles. Search a list of new and used equipment dealers, spare parts and accessories sellers, repair, transport, rental and financial services in a worldwide directory.

Website - http://www.mascus.com

Tractor House: a directory of used tractor, combines, and all makes of used farm equipment.

Website – http://www.tractorhouse.com

Equipment Trader: a place where you can buy and research new and used heavy equipment online. You can search for thousands of farm equipment, construction equipment, industrial equipment, and trailers that are for sale.

Website - http://www.equipmenttraderonline.com

Machinery Trader: an online directory of new and used heavy machinery for sale from dealers around North America.

Website - http://www.machinerytrader.com

Midwest Grain Producers: a place to promote the shipping and the delivery of specialty grains to consumers.

Website - http://www.midwestshippers.com

Agri-Hay Exchange: a community where buyers and sellers can meet and exchange information as well as an easy way to access and manage their listings.

Website - http://www.agrihayexchange.com

Association of Manufacturing Technology: represents and promotes U.S.-based manufacturing technology and its members who design, build, sell, and service the continuously evolving technology that lies at the heart of manufacturing.

Website - http://www.amtonline.org

Precision Machine Products Association: provides services and support to member companies of the Precision Machined Products Industry.

Website - http://www.pmpa.org

Motor Carriers

There are required steps and information for motor carriers. First, it is necessary to contact the motor carrier to obtain information for a safety check. The information that you need to compile is as follows:

Carrier Set up Package

Start Doing Business - When you start doing business with a new carrier you will need to get them set up in your carrier database; this will require the following information:

FMCSA Contract Authority – The "Authority" or "MC" number of the motor carrier is required to be placed on file on this website. This information can be checked with the following here: http://www.safersys.org/CompanySnapshot.aspx

Insurance: a copy of the motor carriers "Liability & Cargo" insurance is required. You can verify the accuracy and minimum requirements here: http://li-public.fmcsa.dot.gov/LIVIEW/pkg_carrquery.prc_carrlist

IRS W-9 Form: a copy of the carriers IRS W-9 Form is required, which can be downloaded from the following website: http://www.irs.gov/pub/irs-pdf/fw9.pdf

Broker-Carrier Agreement

The Broker Carrier Agreement regulates the freight broker services that are provided by the carrier. The agreement lists the rules operation and helps to prevent back solicitation of your customers.

Company Profile

A company profile needs to be requested from the motor carrier to obtain more information about their capabilities. The profile should have the following information about the carrier: payment information, type of equipment, endorsements, dispatch contacts, operating areas, factoring company, insurance contacts, and emergency contact information.

Carrier Safety Accountability Rating

Compliance Safety Accountability (CSA) is a Federal Motor Carrier Safety Administration (FMCSA) initiative to improve the safety of large trucks and buses and reduce crashes, injuries, and fatalities that are related to commercial motor vehicles. It addresses safety procedures by introducing new enforcement and a compliance model that allows FMCSA and its State Partners to contact a larger number of carriers. The program started in December of 2010 and established a new system for making the roads a safe place for motor carriers and for the public.

CSA 2010 Scores

The CSA score measures the safety record of motor carriers. The higher the scores in any given entity, the worse that carrier's safety is. For example, a score of 80 means that 79% of other carriers have a better safety record.

SMS and Basics

Unsafe Driving is the operation of commercial motor vehicles (CMVs) in a dangerous or careless way.

Fatigued Driving (Hours-of-Service) is the operation of CMVs by drivers who are ill, fatigued, or in non-compliance with the Hours-of-Service (HOS) regulations.

Unsuitable Driver Fitness is the operation of CMVs by drivers who are unfit to operate a CMV due to lack of training, experience, or medical qualifications.

Driving under the influence of controlled substances and alcohol results in the operation of CMVs by drivers who are impaired due to alcohol, illegal drugs, and misuse of prescription or over-the-counter medications.

Improper vehicle maintenance.

Cargo-Related is the failure to properly prevent shifting loads, spilled or dropped cargo, and unsafe handling of hazardous materials on a CMV.

SMS crash indicator is when SMS evaluates a motor carrier's crash history. Crash history is a consequence of a behavior and may indicate a problem with the carrier that warrants intervention. It is based on information from state reported crash reports and identifies histories or patterns of high crash involvement, including frequency and severity.

Responsibilities of Shipper and Freight Broker

Shippers and brokers do not have the responsibility to interpret the CSA scores and make the determination if a carrier is safe to use or not according to the Federal Motor Carrier Safety Administration (FMCSA) statement. However, courts may interpret who holds those responsibilities differently according to each situation.

Carrier Set up Package

After you verify a safety check, you are able to send the carrier the package. The carrier needs to sign and complete the proper forms, which are need to be included with the "Set Up" package. The forms include: Company Profile, Payment Terms, Operating Authority, Carrier References, Surety

Bond, and Broker / Carrier Agreement. In return, the carrier will sign and complete the required forms and return them to you with his paperwork. They are: Broker / Carrier Agreement, Payment Terms, Carrier Operating Authority, Carrier Insurance listing you as a Certificate Holder, Carrier IRS W-9, and Factoring Company Information.

Registry Monitoring Service

There is a very valuable service offered by Carrier411. It easier to judge any interstate motor carrier within 5 seconds and creates custom reports to evaluate all of the carriers track safety ratings, BASIC scores, insurance, authority, out of service (OOS) orders, and freight guard reports. You can register trucking companies through the website: http://www.carrier411.com

Dispatching Your Truck

The following is a list that should be followed to dispatch your truck properly:

1. Make sure you have the required copies of paperwork to transmit to a potential shipper of the carriers such as: Operating Authority, IRS Form W-9 and Insurance Paperwork.

2. Always post your truck on the load boards for the available dates to load.

3. Contact freight brokers, forwarders, or shippers to ask about available loads and to negotiate the rate.

4. You are responsible of checking the credit of the broker or shipper and arranging payment.

5. You will need to fill out the carrier/broker agreement if your carrier is not set up with the shipper for payment. This agreement is filled along with any other associated payment paperwork and returned to the broker along with the carrier's paperwork.

6. It is required to contact the carrier's insurance company and include the broker or shipper as a certificate holder on the carrier's insurance policy.

7. After completing all of the above, you will receive a rate confirmation from the shipper or broker. It is important to review the contents of the rate confirmation for correctness before signing and returning them.

8. Next, you will transfer all information to the carrier for pickup and delivery points and times.

9. Permits and escorts are required for the states to allow the carrier's step deck or RGN trailers to pass through for overweight loads.

10. After the carrier has delivered the commodity, you will receive a faxed proof of delivery from the carrier and then it is required to prepare an invoice to send to the broker or shipper for payment processing.

Backhauling

Backhauling is the process of contacting previous shippers or carriers to do business with you again. Most shippers do not require shipping services one time; most of them have periodic shipping requirements and it is important that you secure yourself for the position of their exclusive freight broker.

For this to happen, you have to make sure that you satisfy their needs up to the single detail that they mention. Having a good impression at the beginning will strengthen your relationship with them and will increase your chances of being contacted by them again.

Having this type of method and with the rest of the mentioned strategies would allow you to form warm shipping opportunities that might turn into real contracts.

A good and recommended strategy for continuing the leads that you have found is to secure a deal with a shipper on one location and search for another deal to the destination of the first deal. This crawling process allows you to expand your business in a specific manner and strengthens your grip in the brokerage industry.

Review

When starting out, it is important that you lower your expectations and decrease your desired details for a lead. However, once you haves started, remember to use the backhauling method to secure contracts from the destination of the shipment, back to the original location or to another destination.

In the future, if you plot your shipment activities in a map, you might form an intricate web of transits to several locations. If you succeed in doing this, then you are on your way to securing yourself a place with the elite brokers.

Procedures for Load Dispatch

As a broker, the moment you have a load where you have agreed on a line haul rate with the shipper, the dispatching commences. It is now time to assign the load to motor carriers. However, before you start dispatching, do not forget to perform all necessary procedures like contract signing, rate sheets, and looking into the motor carrier safety ratings. You will not want to miss this, to save yourself from any financial or legal liability.

There will be several types of forms and agreements that you will encounter when doing the dispatching. To understand them better, we will define them below:

- Proposal – A form that may be used, but is not a prerequisite. It might be in a formal or informal form. Proposals may be done verbally.

- Broker/shipper agreement – This is where the agreement between the shipper and broker is laid out.

- Broker/carrier agreement – This is where the agreement between the carrier and broker is laid out. It is also referred to as the “set-up”. There is only done once with every carrier.

- Load Rate Confirmation Agreement – Also known as “rate information”, “load confirmation” or “rate sheet”, it is the agreement between the broker and carrier for each load taken.

- Fuel Surcharge Chart – This form is attached with the proposal. This is what standardizes the rate between the broker and the shipper. With this form, you can either stick to your standard rate or make adjustments with the fuel surcharge.

- Credit Application – A form that is used once the broker/shipper agreement has been signed. This makes sure that you get paid by the shipper in order for you to pay the carrier.

- Invoice Statement – A statement of account that the broker uses to collect payment from the shipper.

As an added protection, brokers would usually add some legality in the broker/carrier agreement. One of the things that they look out for is the "back-end solicitation clause" or agreement to "non-compete". This prevents the motor carrier from bypassing the broker and contacting the shipper directly for future shipping needs .

Locating a Motor Carrier

The moment the freight broker and the shipper have come up with an agreed line haul rate, the broker then goes to a load board (www.GetLoaded.com), to search for trucks that are waiting to haul another load. In searching for available trucks in the load boards, always look at the distance the truck needs to travel to secure the load.

For example, if a carrier needs to travel 300 miles to be able to get a load that needs to be hauled for 500 miles. He will have to adjust his rate in such a way that it will be able to shoulder the travelling costs for the deadhead 300 miles. Keep in mind that carriers would want to keep their deadhead miles to a percentage lower than 10%.

As a broker, finding an interested carrier to haul a shipment that has a deadhead of 300 miles and another 500 miles to the destination would be hard if you do not get a well-compensated freight rate. Every empty mileage should be accounted for when calculating for the right freight rate.

To solve this dilemma, you may want to follow two simple things:

- Find a carrier that is closer to the load.
- Request a higher freight rate from the shipper.

For those who are working as freight agents, you can always check your carrier database for available trucks within the proximity of the load. On the other hand, brokers should always consider their existing carriers, if any, to move the load for them. If these are impossible for the time being, you will have to start searching for other carriers.

Carrier Consideration

Pre-planning is a procedure done by motor carriers to allow their trucks to be loaded almost all of the time. This dispatch method allows trucks to be readily loaded once their previous load has been delivered. In this industry, time is equivalent to money. The more time you have something loaded on your truck, the more the money flows to your business.

Some loads need to be transported immediately for certain reasons. For a shipper to be able to effectively get a carrier to do this, he should be able to compensate for a competitive freight rate. You, as a broker, need to negotiate this rate so you will not have a hard time searching for an appropriate carrier.

Backhaul loads should always be available for your carriers. A recommended thing to do is to communicate with the consignee of the initial load and ask him if he has a shipment needed to be moved. This helps both the shipper and the consignee, and provides you with a reliable source of shipment as well as a stable freight rate. If one of your carriers is going to deliver a certain load to Los Angeles, California, make sure that you have pre-planned the backhaul load for the said carrier. Contacting shippers in LA will be very important so you won't let your carrier leave the city without a load on its back.

Letting Carriers Know: Dispatch

Aside from personally searching for available carriers to move your available load, you can always post on several load boards, which allows you to sit back and wait for a carrier to reach you via email or phone.

This method is not the primary way of getting a carrier. You must first search for an available carrier because it will speed up the process and prevent the delay of the load. If you've searched all over the directories, you can now start posting on load boards.

Once the load order is posted, you can just wait for a carrier to accept the load as a backhaul or an initial load. Backhauls are loads utilized by carriers to make sure that their trip back to their home is productive.

Looking at a Motor Carrier's Rating

When working with a motor carrier for the first time, you may want to check out their Motor Carrier Safety Rating or their "Snapshot". This is a collection of important details filed with the FMCSA. The information in this file will give you a full detail of how many trucks they operate, how many drivers are working for them, and their overall safety rating.

Together with these documents is the "Out of Service" percentage of the motor carrier. This shows you how many of their trucks were shut down by the Department of Transportation.

Suspension of operation by the DOT may be due to noncompliance with FMCSA guidelines and other regulations that cover the transportation industry.

To help you accurately interpret this percentage, we will provide you with an example. If the Out of Service percentage of a motor carrier is 100%, it might mean that this is a carrier and an operator all-in-one. This means that one person drives his own motor carrier truck and loads, transports and unloads shipments by himself. He might have a 100% Out of Service percentage because he was noncompliant with the regulations and standards, so the DOT cancelled his authorization to operate as a one-man team

Alternatively, if a carrier has operating units of 100 and 3 of his trucks were suspended because of noncompliance; his Safety Rating will reveal a 3% Out of Service percentage.

To evaluate a motor carrier effectively, you will need to know how many units they own. You can check the other details of their company by asking for their motor carrier number and input it on the FMCSA website which caters to searches for carrier safety rating details. Their website is: safer.fmcsa.dot.gov.

While you're doing this, the motor carrier that you are going to work with might be checking your credit rating as well as other feedbacks available that concerns your services as a broker. This is to ensure that his payment will be given in a timely fashion.

Freight Broker Negligence

The decision of Schramm v. Foster court states that the broker has a degree of responsibility of the driver's actions and that the driver is an agent for the shipper and the broker. The court stated that C.H. Robinson Worldwide was negligent in hiring Groff Brothers Trucking, the trucking company that caused the accident. This resulted in a $25,000,000 settlement against the broker and the shipper. Due to the ruling in this case, freight brokers and shippers must be careful when hiring carriers and evaluating trucking company safety records.

Here are some recommendations as to what is expected from the broker:

> Brokers should perform reviews of their carrier contract.
>
> Brokers should pay attention to the types of controls they have over their carriers. Liabilities can arise if their carrier is not an independent contractor.

There are also general guidelines that should be followed by the broker: always create a file for each trucking company to be used and checked regularly prior to loading the trucks, include the carrier's safety rating with the FMCSA, and include a copy of the carrier's operating authorities and insurance filings with the FMCSA.

1. If a carrier has a "conditional" rating, obtain an explanation. Make sure to receive copies of the FMCSA's inspection reports to investigate them and make the proper decision. Ask questions such as, "what are you doing to improve your rating?" Only use carriers that are actively trying to improve their rating.

2. If a carrier does not have a safety rating you must conduct your own investigation into the carrier's record of accidents, FMCSA inspection reports, and driver compliance with hours of service regulations, their compliance with record-keeping regulations, medical exams, and accident reports.

3. Check the FMCSA's Safe Stat records for the carrier's SEA rating. Rating over 75 are considered weak For example, in the case of Schramm v. Foster, a carrier had a 74 rating in their driver safety evaluation area. The court ruled that this was a "marginal one" that "implied a duty of further inquiry".

4. Brokers should not permit their name to be shown on the bill of lading as the carrier under any circumstances. If a shipper is following that practice, request they discontinue doing so immediately.

Broker Confirmation Agreement

After the negotiations with the carrier, you are able to assign a contract that states the agreement between you and the carrier. This is called a Broker Load Rate Confirmation or a Broker Confirmation agreement. As a broker, you have to make sure that before anything moves, the carrier has signed this document.

A load rate confirmation sheet is the legal basis of the payment that the carrier will get and which was negotiated previously. This can be signed personally or it can also be through fax.

Once the motor carrier has successfully delivered the shipment to its final destination, you should be able to receive an invoice from him stating the amount, which was agreed upon the load rate confirmation sheet.

However, there are certain documents that the invoice should be accompanied with. These are the following:

- Load Rate Confirmation Sheet
- Delivery Receipt
- Bill of Lading

All of these documents should be signed duly by the carrier and any other concerned parties. Each document should include the specific details that they require.

This confirmation sheet is used during a court hearing. Disputes on the amount paid are the usual discrepancies between the carrier and the broker. Moreover, the confirmation sheet is used an evidence that a fixed rate was determined by both parties. If the carrier files any disputes, you can always show up in court and present the confirmation agreement as hard evidence that the carrier agreed upon a freight rate. Also, if the shipper initiates any freight claims after the delivery, you should present the confirmation sheet, the Bill of Lading and all other documents to help the shipper in resolving the issue.

After finding a carrier, you negotiate the rate with him. When that is done, you can sign the confirmation agreement sheet. Once that is done, you can dispatch your carrier for the pickup and delivery of the load.

Dispatching Your Carriers

Dispatching is the process of sending off your carriers from his point of origin to the origin of the load to be transported. Before sending your carrier, you have to make sure that important details are given to him as well as specific instructions needed. This information may be the following:

- Contact Number of the Shipper
- Point of Contact
- Physical Address of the Loading Station

Some shippers have a strict schedule in loading and unloading their corresponding shipments. They may ask the carrier or the broker for the pickup number of the truck; this usually is the Bill of Lading number. It acts as an identifier for the shipper with which load should the carrier load on his truck. This allows easier loading and avoids confusions and lost freights.

Furthermore, there are shippers that have a specific loading and unloading time throughout the day. The loading time happens usually in the morning while unloading time usually is in the afternoon. However, schedules may vary depending on the discretion of the shipper.

As a broker, you need to obtain this information from the shipper so you can help your carrier satisfy the responsibilities imposed by the shipper. Forwarding this information to the carrier is easy once you have them, just make sure that you are accurately documenting the details and if possible double check them before the carrier is dispatched.

Make sure that you let the carrier sign the confirmation sheet as well as other documents before sending him on his way. Some instances when these documents were not signed result to the carrier initiating a secret deal with your shipper. This would remove you from the chain of participants and will not give you rights to your commission.

In some instances, you will be rushing to sending your carrier of the road because of the limited time that the shipper needs. When this occurs, keep calm and follow the order of documentation before dispatching the carrier. This saves you from the risks of being a broker and improves your rating as an efficient and timely freight broker.

Monitoring the Carrier

After sending your carrier to the shipper, make sure that you instruct him to contact you on specific events that will occur. For example, you can ask him to call or text you once these activities are done:

- When the shipment is loaded into the truck.
- Every morning during the delivery period.
- During truck stops.
- After the load is unloaded from the truck to the consignee's location.

Remember the acronym G.A.P., which stands for Grab-a-Pen. This means that once the carrier has called you to report the accomplished tasks, you will need to take down some notes regarding the phone call. Some of the details that you need to remember would be the following:

- Who are you talking to?
- Date and time of the call.
- Where is the carrier calling from?
- ETA to the final unloading point.

When a motor carrier is transporting the load for you, you will need to forward specific information to the shipper. This will assure your customer that the load is on its way to its location. However, if any mechanical problems on the truck occur, you should also report this to the shipper so he can adjust the expected time of arrival.

In certain cases where your carrier does not call you at the scheduled times, you will have to call him and remind him of your instructions. You should also consider the time zones of the carrier and the shipper before calling them.

Always observe a professional language when communicating with the shipper or the carrier, or any person affiliated with your work. Some of them would record the calls that they got so they can use these for future reference. Maintaining a positive and professional tone and choice of words would help you build your credibility and professionalism with your affiliates.

Withdrawing or Suspending a Dispatch

Cancelling a dispatch is a very negative activity when experienced by a broker. It will decrease your resources, consume a lot of your time and give some confusion to you and your shipper. This usually happens when you and the carrier have already accomplished the necessary documents to get the activity going, but the carrier suddenly backs off with the load.

Some of the problems faced by the carrier could extend your field. Mechanical issues with the truck are the most common challenges that prompt the carrier to cancel the load for them.

When this happens, make sure that you take note of who the carrier is. Watch out for any repetition of the cancellation and observe for any anomalies with the carrier. If you find anything that smells fishy with the carrier, you should stop working with him.

When a cancellation happens, you will have to search for another carrier that would take place the previous one. If you are not careful, this process will take away some part of your profit and may even result in a deficit.

Asking for Freight Orders in Advance

Inquiring to your shippers for upcoming load orders is a very good strategy for pre-planning. When done successfully, you can book the loads in advance and make a schedule of your loads in a week or if you're lucky, in a MONTH.

Some shippers, on the other hand, have the initiative to inform their freight brokers of future load orders. Most of them inform their brokers or agents a day before the scheduled transport. They typically email or fax the list of future load orders and it is up to the broker to work on getting the suitable carrier for the job.

If you acquired a load order a day or a week before the scheduled transport, you can go ahead and post on the load board database so carriers can see it. The next day would be the most crucial part of the scheduling because once you have settled with a certain carrier, you will have to rush and give him the details so you can dispatch him. This is only suitable if the load has been given to you a day before the actual shipping.

Having advanced load orders is very advantageous to you, but will require a lot of attention and time from you because setting up multiple future loads is very time consuming and draining even if you are just making phone calls and stroking keys on the computer.

Time Zone Differences

In doing your transactions with your customers, you will almost always consider the shipper's time zone. You would not want calling at 12 noon in your place and find out that you are calling at 12 in the morning at the shipper's location; that would be pretty annoying for your customer.

To prevent this, you will have to consider the different time zones in different parts of the world. There will be a point in your career where you will have to call a shipper that is a thousand miles away from where you are. Knowing the time zones would assist you in doing this and would avoid any hassles for you and your shipper.

Pre-Planning for Brokers

Pre-planning is a method mainly used by carriers. However, brokers can also apply this strategy to increase their efficiency and profit. For carriers, their main goal is to plan in advance the loads available on the load board. For brokers, the main goal of your pre- planning is to effectively match the available loads on the load board with the available carriers that you have contacted.

To do this, you will have to determine the current locations of your carrier and if they are available for a load at a specific time. For example, if you have XYZ carrier delivering a load at Chicago next week, you will have to start searching for any customer that needs some carrier services in that same area on the same day or week.

When you do this, you are maximizing the capacity of your carrier and letting the money roll efficiently. By minimizing the dead haul miles of a carrier, you are also benefiting through the commission of freight rates.

After you have found the perfect load located in Chicago, you can now pre-plan this load with your XYZ carrier. Another advantage with this setup is that there is not much document to fill. Why? This is because you have already made a contract or “set-up” with the said carrier. All you need to accomplish is the Load Rate Agreement

Confirmation Sheet and you and the carrier are set to move the load from Chicago.

Daily Work Guideline for a Broker

For your convenience, we have organized a simple guideline to help you manage your time on a daily basis. This lists the steps that you will have to take, to get started in the freight broker industry.

1. Inquire from your existing customers about future load orders that are already available so you could provide them with a carrier even at an earlier time to prevent any hassles.

2. Provide a suggested freight rate. By checking your mileage software and determining the type of load to be transported, you can effectively give a reasonable freight rate to your customer.

3. Search for a motor carrier that would agree to your freight rate.

4. Put up the available load order to a load board database if your existing carriers are not available.

5. If a carrier contacts you, negotiate for the freight rate as well as other details of the shipment.

6. Once the carrier accepts it, accomplish the needed documents and sign accordingly.

7. Check at the FMCSA for the Safety Rating of the carrier to know more about him and his operations.

8. Accomplish a Broker and Carrier agreement if you have not worked with the carrier on previous loads.

9. Send him a Rate Confirmation Sheet so you can be able to authenticate the freight rate agreement between the two of you.

10. When every document is completed, you can now dispatch the carrier to the indicated destination for loading.

11. When the load has been delivered, have the consignee sign the Bill of Lading and let the carrier send you this document.

12. Ask the carrier for the invoice and pay the agreed bill incurred.

13. Send the Bill of Lading and the Invoice to the shipper so that he can pay you for the charges. If you have a factoring service provider, you can send the invoice to them and they will take care of it.

14. Mark the load that you have taken care of as COMPLETED or RECEIVED to indicate that the payment has been made.

15. Mark the load with PAID if you have given the freight rate to your carrier.

16. List the carrier to the existing list of your available carriers so you can have an easy access to their details if you would need their services again.

This guideline should not be strictly followed. At first, you may follow it as it is, but as you gain experience you may streamline the steps so you can be more efficient and effective.

Managing Your Records

Ideally, you may purchase a record keeping software from the Internet so you could easily organize your files on your computer. However, you may also do manual record keeping. To do this, you will have to make five different file divisions.

1. Incoming Shipment
2. Load Orders Currently Being Transported
3. Delivered Goods with BOL but No Invoice
4. Awaiting Payment
5. Payment Received

You can change the names of these divisions but this is the basic structure of a freight broker's record system.

Review

Time management and a good grip on the process of freight brokering are the keys to managing your brokerage well. As you gain experience, you may be able to modify your methods to fit your need, as well as the customer's requirements.

Having a solid professional relationship with your shippers will allow you to slow down from searching for other shippers. You can only take a limited number of shippers but this will be based on the carriers that you have and your personal capacity.

Chapter 3 Summary

Freight Client Procurement

A freight broker's main job is to find clients for whom they can coordinate shipments for and then provide carriers to fulfill those needs. To accomplish this task a freight broker must first gain the confidence of a shipping manager while at the same time have a list of potential carriers to fulfill shippers requirement Freight load searching is relatively easy; however, plan on it being very time consuming. When searching, it is important to remember the client's requirements and the efficiency of the way you market. Shippers of consumable goods require consistent and on time delivery, by providing solid service and meeting these requirements they will entrust you with a steady amount of loads.

Knowing Your Customers

It is important to be familiar with the shipments of a company before doing business with them because it will help you negotiate with the motor carrier. After this step has been completed, you will be able to initiate contracts with shippers and carriers. Experienced brokers suggest that beginners should focus on one type of commodity; however, this method can create limits on your clients.

Looking Around You

Think about your contacts before searching for a carrier or shipper via the web. There is a chance that you already know someone who is looking for a way to transport his or her goods, which could be a good business opportunity for you. Also, keep in touch with contacts that do not currently need shipping services because they could need help in the future.

There is a saying that says, "If they call you once, they will call you again," which holds true for the brokering industry because many shippers like to stick with the same agents or brokers that they have already worked with.

Shipping Channels

Generally, the components that make up most end products are transported to different distribution centers. Break down a specific product and you can come up with several materials; most of them are also transported from different suppliers. An opportunity for a broker exists every time a commodity is shipped. For example, a couch is made out of cotton, wool, wood, metal, and many more products. In order to assemble the couch, each product is shipped from a different location; the coach is assembled, and then transported to its final destination

Mail Market

Direct mail marketing allows brokers to send notifications to companies in order to look for shipping opportunities; you need to narrow down your searches when using this method.

Searching the Internet

The Internet is the most convenient way to search for shipping opportunities because many companies use it to post their information and requirements.

Referral Fee

The referral fee method applies to the reward principle; it states that you will compensate your friends or acquaintances that find a shipment for you that needs to be brokered. You can also ask shippers that you are presently working with if they can refer you to other shippers they may be acquainted with. This is a valuable method because it decreases the effort required on your part to search for available shipments.

Lead Results

Part of a broker's job is to study the companies that they are brokering for. It is important to note information such as employee population, nature of the business, location, and years of operation, annual sales, credit rating, and their website; all of which can be found online databases like salegenie.com.

Shipping Business Leads

A popular online strategy is to use shipping lead providers, which are websites that sell available shipping opportunities to carriers and brokers. It is important to do research and background checks when using this type of strategy because it is better to have a few leads than many leads that are not adequate. This method has an advantage over searching the Internet blind because it only shows leads that are available at that current time.

Using Past Clients to Form New Leads

Many lead result databases, such as salesgenie.com, offer free analysis of your existing and past clients as well as contact management services. The analysis compares companies and shows you prospective companies based on their findings.

Targeting Shipping Opportunities

It is also possible to find shipping leads via websites that have a large database, such as salesgenie.com. Salesgenie.com offers brokers, agents, and carriers a collection of existing companies over a range of industries. This is beneficial because it makes it easier to focus on one type of industry at a time.

Talking to Shippers

When talking to shippers, it is important to make the conversation direct; however, some shippers do not offer information until you have built a strong relationship. You will need to secure information about the freight volume and type once the shipper trusts you.

Interviewing the Shipper

When interviewing with a shipper, it is important to keep three keys to success in mind: visibility, credibility, and dependability. Making yourself visible to the shipper increases your chance of getting noticed, which will lead to access to more freight. Being responsive to the shipper's needs and requirements is the most important factor in getting more business from them and referrals.

What Type of Information Do You Need to Obtain From the Shipper?

You need to collect information from the shipper in order to offer a suitable bid, such as where is the load being picked up, where is the delivery location, the pickup and delivery dates, and how many pickup and delivery points are there? If you do not have this information, or it is incorrect, your bid amount could lead to insufficient profits.

The Shipper's Package

Before finalizing the contract with the shipper, you need to discuss the guidelines, policies, and procedures, which need to be followed by every party involved. You need to obtain the following information from the shipper: contact information, their credit score, and the agreed upon payment terms, and freight quotes.

Shipper Resources

Industrial Resources:

Macraes Blue Book (http://macraesbluebook.com) is the leading industrial search site from buyers and sellers. It is designed so that professionals can source their manufacturing, commercial, and institutional needs. Industry Net (http://www.industrynet.com) is a free search engine that contains a listing of more than 430,000 manufacturers and suppliers. Industrial Quick Search (http://www.industrialquicksearch.com) is an industrial manufacturing search directory that helps companies find industrial manufactures. Thomas Net (http://www.thomasnet.com) is a platform designed for outsourcing components, equipment, MRO products, facility management employees, engineers, plants, raw materials, and custom manufacturing services. Hoovers (http://www.hoovers.com) is the world's largest database of company and industry information with more than 85 million companies that are searchable by name, location, and industry.

Food and Grocery:

The Produce Market Guide (http://www.producemarketguide.com) is a global marketplace for the produce industry. The Food World (http://www.thefoodworld.com) is a directory of producers and suppliers. National Poultry and Food Distributors: (http://www.npfda.org) is a website that brings buyers and sellers together by providing a forum to establish long-term business relationships. Fruit Grower News (http://www.fruitgrowersnews.com) is a guide for food and fruit buyers. Careers in Food (http://www.careersinfood.com) is a database of thousands of current food industry jobs. The US Poultry Association (http://www.uspoultry.org) is the world's largest poultry organization where you can find a listing of producers and processors of broilers, turkeys, ducks, eggs, and breeding stock.

Heavy Machinery Freight Links:

Mascus (http://www.mascus.com) is a search engine for a company that provides service for heavy machinery and transport vehicles. Tractor House (http://www.tractorhouse.com) is a directory of used farm equipment. Tractor Trader (http://www.machinerytrader.com) is a website for buying and researching new and used heavy equipment. Machinery Trader (http://www.machinerytrader.com) is an online directory of new and used heavy machinery for sale from around North America. Midwest Grain Producers (http://www.midwestshippers.com) is a place to promote the shipping and delivery of grains to consumers. Agri-Hay Exchange (http://www.agrihayexchange.com) is a community where buyers and sellers can exchange information. The Association Of Manufacturing Technology (http://www.amtonline.org) represents and promotes U.S based manufacturing technology. The Precision Machine Products Association (http://www.pmpa.org) provides services and support to member companies of the Precision Machined Products Industry.

Motor Carriers

The necessary information to complete a safety check for a motor carrier is as follows:

1. When you start doing business with a new carrier, you will need to set them up in your carrier database, which means that they will need to have their MC number. The MC number can be found here: www.safersys.org/CompanySnapshot.aspx.

2. Next, you will need to get a copy of the motor carriers insurance policy, which can be verified at http://www.irs.gov/pub/irs-pdf/fw9.pdf

Broker-Carrier Agreement

The Broker-Carrier Agreement regulates freight broker services that are provided by carriers.

A company profile that lists their capabilities, payment information, type of equipment, endorsements, dispatch contacts, operating areas, factoring company, insurance contacts, and emergency contact information should be requested from the motor carrier.

Carrier Safety Accountability Rating

Compliance Safety Accountability is a Federal Motor Carrier Safety Administration initiative to improve the safety of large trucks and buses. It highlights safety procedures by introducing new guidelines that allows FMCSA to enforce the safety rules on carriers. The CSA score measures the safety record of motor carriers; the higher the score, the worse that particular carrier's safety is. You should use only carriers that have a CSA score that is considered low (generally 60 or less) to transport your shipper's commodities. You need to verify carriers CSA score prior to contracting with them to transport your shipper's product. The carrier then needs to complete the forms included with the "Set-Up" package, which include: company profile, payment terms, operating authority, carrier references, surety bond, insurance certificate and the broker-carrier agreement.

Registry Monitoring Service

Carrier411.com offers a registry monitoring service that makes it easier to understand interstate motor carriers. Furthermore, it creates a custom report to evaluate the carrier's safety ratings, BASIC scores, insurance, authority, out of service orders, and freight guard reports.

In order to dispatch your truck properly, you need to have all of the required paperwork to transmit such as the operating authority, IRS form W-9, and insurance paperwork. Next, make sure that you have posted your truck on the load boards for its available load dates. Third, contact freight brokers, forwarders, and shippers to inquire about available loads. Fourth, check credit scores of the shippers and carriers. Next, you will need to fill out the carrier-broker agreement forms if your carrier has not been set up with the shipper. When doing so, you need to contact that carrier's insurance company in order to include the shipper as a certificate holder on the carrier's insurance policy. When this has been completed, you will receive a rate confirmation from the shipper, which needs to be reviewed for accuracy. Once confirmed, you can transfer all of the information to the carrier for pickup and delivery points. After the carrier has delivered the commodity, you will receive proof from the carrier, which is required to prepare the invoice.

Backhauling

Backhauling is the process of the return trip of a vehicle, as a truck, transporting cargo or freight, especially when carrying goods back over all or part of the same route. Ask the shipper if they have a shipper in the area of the final that might be shipping a commodity back there way. This method is used because frequently, carriers require service on a regular basis to gain another load from one destination to another so that they can keep from traveling to a destination and returning with less loads and incurring travel time (known as Deadheading) without a load to cover expenses and ultimately make a profit. Usually the broker will search for a load nearby where the carrier drops the load he is hauling for the carrier and he can then gain an extra load while traveling back to his destination.

Review

When first entering the business, it is important to not have high expectations. It will take time to establish contacts that will provide consistent freight contracts. After you have become an established broker, it is a good idea to plot your shipment activities on a map so that you can look for more contacts in those areas for backhaul loads as well as moving freight on further routes.

Procedures for Load Dispatch

The moment that you have an agreed-upon load and rate, as a broker, is when the dispatching commences; this is the time to assign the load to a motor carrier and to perform all necessary procedures like contract signing and looking at the motor carrier's safety ratings. Dispatching activities require many forms and agreements: Proposals, which may be informal or formal and are not a prerequisite. The Broker-Shipper Agreement, which is where the agreement between the broker and the shipper is laid out. The Broker-Carrier Agreement, which is where the agreement between the carrier and broker is defined and is only necessary once. The Load Rate Confirmation Agreement, which is also called rate information sheet. This is the agreement between the broker and the carrier for each individual load. The Fuel Surcharge Chart, which is a form attached to the proposal. It is a standardization of the rates between the broker and the shipper. The Credit Application, which is a form that is used once per broker-shipper agreement and ensures that you get paid. The Invoice Statement, which is a statement of account that the broker uses to collect payment from the shipper.

Locating a Motor Carrier

Once the freight broker and the shipper have agreed on a line haul rate, the broker can go to a load board (www.getloaded.com) to search for trucks that are waiting to haul a shipment. You can also look in the area of the shipper for prospective shippers. Shippers also have a list of shippers that they will not use do to previous experience, so it's best to ask if they have such a list and avoid those carriers.

Carrier Consideration

Motor carriers use pre-planning to allow their trucks to be constantly loaded and keep deadhead miles to a minimum. This allows them to keep their trucks loaded and earning once their previous load has been delivered. Try to have backhaul loads available for your carriers which will keep them happy and available for your loads. This can be accomplished by communicating with a consignee from the initial load and asking if they have a shipment that needs to be moved, which helps the shipper, the broker, and the consignee.

Letting Carriers Know: Dispatch

As a broker, you have the opportunity to post on load boards. This method allows carriers to contact you; however, it is not the primary method of finding carriers. Once the load order is posted, you have the option to wait for a carrier to accept it as an initial load or as a backhaul. It is always best to have a carrier in mind when posting a load. Remember to look for a backhaul load as carriers use it ensures that the commute back is productive.

Looking at a Motor Carrier's Rating

Before working with a motor carrier for the first time, you should study their Motor Carrier Safety Rating, which is a collection of details that shows how many trucks they operate, how many drivers work for them, and their overall safety rating. This rating also shows how many of his or her trucks were out of service, due to compliance by the Department of Transportation. To effectively evaluate a motor carrier, you also need to know how many units they own, which can be found at safer.fmcsa.got.gov.

Freight Broker Negligence

The Schramm vs. Foster court case states that the broker has a degree of responsibility over the driver's actions. Because of this ruling, freight brokers and shippers need to be educated when hiring carriers by performing review of the carrier contract and by knowing what types of controls they have over the carrier.

Broker Confirmation Agreement

You can assign a contract once you have negotiated with the carrier, which is called the broker confirmation agreement. A load rate confirmation sheet, which is the legal basis of the payment for the carrier, also needs to be signed. Once the motor carrier has delivered the shipment, you will be able to receive an invoice from him that states the amount of the service. At this point, you will also receive the load rate confirmation sheet, the delivery receipt, and the bill of lading. At this point the carrier is due the agreed upon amount less your commission. You now can present the final documents for payment from the liable party or from Factoring Company.

Dispatching Your Carriers

Dispatching is the process of sending the carrier from their point of origin to the location of the shipper with the load that needs to be transported. Before they can be dispatched, you need to exchange information such as the contact number of the shipper, the point of contact, and the address of the loading station.

Often times, you will feel the need to rush the carrier because of the limited time that the shipper has. Do not try to pressure the carrier into moving any faster than they are as they want the contract to be performed as quickly as you do. In this case, stay calm, remain professional and follow the order of the documents before dispatching.

Monitoring the Carrier

It is important to instruct the carrier to contact you about specific events once they have been sent to the shipper. For example, you should be notified when the shipment is loaded onto the truck, every morning during the delivery period, during truck stops, and after the load has been unloaded from the truck. You will need for forward information to the shipper when a motor carrier is involved so that the shipper is aware of the load's location

Withdrawing or Suspending a Dispatch

Canceling a dispatch decreases your resources, consumes your time, and causes the shipper to be confused. This can occur due to the carrier backing out of a load, which can be the result of mechanical problems with their truck. When this situation happens, you will have to find a new carrier to take the place of the old one, which may result in loss of profits. Also make note of this failure as you will want to evaluate further contracts with the carrier.

Asking for Freight Orders in Advance

Pre-planning can be accomplished by asking your shippers about upcoming loads and results in having a schedule with less downtime. If you are able to acquire a load order a day in advance, you have the option to post it on a load board database so that other carriers can view it, which is very advantageous to you but can be time consuming. This also allows you to keep carriers loaded and happy with your service.

Time Zone Differences

Brokers work in the shipper's time zone, which means that you have to consider different time zones in order to do business with them.

Pre-Planning for Brokers

Carriers prefer pre-planning; however, brokers can apply this method to increase efficiency and profit. For brokers, the main goal of pre-planning is to effectively match the available loads on the load board with the carriers that you are in contact with. In order to do this, you need to know the current locations of your carriers and if they will be available at the given time. This will allow you to minimize the deadhead miles of your carrier.

Daily Broker Work Guide

In order to get started in the freight broker industry, we recommend that you follow these steps:

1. Inquire from your existing customers about future load orders that are available so you can provide them with a carrier.
2. Provide a suggested freight rate. By checking your mileage software and determining the type of load to be transported, you can effectively provide a reasonable freight rate.
3. Search for a motor carrier that agrees to your freight rate.
4. Post load orders to a load board database if your existing carriers are unavailable.
5. Negotiate the freight rate and other details of the shipment if a carrier contacts you.
6. Once the carrier accepts the details, fill out the needed documents and sign accordingly.
7. Check the FMCSA for the Safety Rating of the carrier to learn more about his operations.
8. Accomplish a Broker and Carrier agreement if you have not worked with the carrier before.
9. Send the carrier a Rate Confirmation Sheet so you are able to authenticate the freight rate agreement.
10. After all documents have been completed; you can dispatch the carrier to the destination for loading.
11. After the load has been delivered, have the consignee sign the Bill of Lading and the carrier will send you the document.
12. Obtain the invoice from the carrier and pay the agreed bill incurred.

13. Send the Bill of Lading and the Invoice to the shipper in order for you to receive payment.
14. Mark the load that you have taken care of as COMPLETED or RECEIVED to indicate that the payment has been made.
15. List the carrier to the list of available carriers so that you have an easy access to their details in the event that you need their services again.

Managing Your Records

Ideally, it is best to purchase record keeping software so that you can easily organize your files; however, you can also accomplish this task manually with five different file divisions: incoming shipments, load orders currently being transported, delivered goods with BOL with without the invoice, load orders awaiting payment, and load orders with received payment. The FMCSA requires brokers to keep records for a period of no less than three years.

Review

Having excellent time management skills as well as a good understanding of the freight brokering process are key in managing your brokerage. Furthermore, securing healthy, professional relationships with your shippers will help you reduce the time that you spend looking for new ones, which means you will have more time to spend on securing shipments.

Chapter 4

Freight Charges

In the past, beginning brokers often had a hard time in initiating their own freight rates because there was not an existing way to actually compute for it. However, because of the experience of many people with the shipping industry, they were able to device applications or utilities that allow carriers, and brokers to automatically compute for their freight charges.

CarrierDepot.com is a website that gives brokers or carriers an opportunity to calculate for certain freight rates depending on the type of transportation and the nature of the shipment. However, experts have found that experienced carriers are more reliable when it comes to quoting freight rates compared to computer-based computations. This is due to the fact that the market continuously shifts and changes and its unpredictability becomes a disadvantage for online utilities.

Before searching for the rate of a specific shipment, you have to obtain some information. The first one would be the type of trailer that your customer needs. This would chiefly depend on the type of shipment needed. Frozen chickens would logically need a cold trailer which is also called a reefer. Flatbeds are usually used for heavy materials, which cannot be used with a freight container. Alternatively, they could also be partnered with freight containers if needed.

The second important detail that you have to know would be the distance of the point of origin to the shipment's destination. This variable is important because it determines several expenses that the carrier or the shipper has to handle to reach the final destination.

CarrierDepot.com helps brokers in this aspect of freight charge computation. It allows you to view the average rates for different locations from different origins. Take note that the website only shows the average pricing of several destinations; you can always create your own rate and negotiate it with your clients. However, if the company you are brokering for has a list of the destinations of their products from past carriers, then you would have an easier time in estimating and computing for a good price. This list would typically have 4 useful information:

- Origin of the shipment
- Destination of the shipment
- Freight rate
- Number of shipments per month

Expenses for Carriers

Knowing the expenses incurred by shippers is not just enough for you to understand the whole concept of freight rates. It is equally important that you get an idea on how much the carriers need to deliver the goods and earn money for themselves.

The shipper’s expenses largely vary with the carrier’s because the two of them are from two separate industries. Studying each of them would take time and this is just done by carriers. As a broker, you would only need some points before understanding the side of motor carriers. Lastly, it is important to note that even if shippers have their so-called “shipping budget”, carriers will still dictate the final rate for the load. Why? This is because of the fact that they have more knowledge with how much it is going to take to transport the load from its origin to its final location.

General Idea

You cannot fully explain the costs of carriers without citing an example. So in this section, we will provide you with an example that would outline the expenses needed for motor carriers.

Generally speaking, carriers dictate the freight costs. However, several factors often come into play especially when one or two factors shift to different points. These factors would include:

- Fuel Charge
- Fuel Tax
- Labor
- Administrative Expenses

The most problematic factor in this list would be fuel charges. We all know how much the industry of oil and fuel affects every part of any industry. Fuel serves as the food for their vehicles and without it, they can't operate.

Freight rates are measured per mile. This is because most motor carriers operate in interstate transits and miles would be the ideal measurement for their travels. However, some contracts consist of payments per hour or per hundredweight. To better understand the rate that they are being offered, they have to convert the measurements into mileage.

The following sections will provide you with useful information regarding the different expenses that comprise the freight rate of a carrier. Examples will be provided so you can have a better understanding of how they are applied.

Line Haul Rates

Line haul rate is the cost of transporting a specific shipment from its origin to its final destination. Converting this to a per mile unit is very easy and is shown here:

If a shipper agrees to pay a carrier a line haul rate of $2,700 in a 1,600-mile distance from the origin to the destination, you will just have to divide the rate with the distance.

$2,700 divided by 1,300 miles is $1.67 per mile. This would be the payment that you will get once you accomplish a distance of one mile. This might look huge but other charges are still accommodated with the existing line haul rate.

Truck stops also have accompanying costs of $50-$100 per stop. If you have 3 truck stops for this specific load, then you will need to add about $75 per stop, which is $225.

Other fees are also incurred like when a flatbed needs a tarp to cover the shipment. This would add about $100 to your total line haul rate.

Adding all of the extra charges to the line haul rate would result to this:

$2,700 + $225 +$100 = $3,025 as a total line haul rate.

There are many other possible additional fees that a carrier would charge and these are just some of them. When giving a quote to a shipper, take into consideration the carrier's side and how he would react to such rate. Take into consideration every detail of the shipper's requirement so you can work on the complete estimate of the cost of the specific shipment.

Fundamental Expenses for Motor Carriers

You will notice that the basic rates of motor carriers do not fluctuate regularly even if the fuel costs are unpredictable, which is due to the fuel surcharge that is added to their line haul rates.

Fuel Surcharge is an additional expense that is added to the line haul rate to secure the carrier's payment even if the fuel costs rise. Computing a carrier's per mile rate is based on the trucks' efficiency, fuel cost, the driver's salary, as well as other fixed expenses. For example:

Current Fuel Cost = $2.40 per gallon
Truck Efficiency = 4 miles per gallon
Driver's Salary = 40 cents per mile

To know the fuel cost per mile, you have to divide the Current Fuel Cost with the Truck's Efficiency.

Fuel Cost per Mile = $2.40 / 4
= 0.6
= 60 cents per mile

Then, to get the basic operating cost of this truck, you will have to add the Fuel Cost per Mile and the Salary of the driver per mile. This is the operating expenses and it does not include any fixed costs like the toll way fees, highway taxes, insurance payment etc.

Basic Operating Cost
= 60 cents + 40 cents
= $1

The next step would be to add the additional fixed expenses that a carrier may be paying per month. Some of the examples of these would be Truck Lease Payment, Trailer Fee, and Insurance Fee. We will provide some examples of these payments but costs may still vary from one carrier to another.

Additional Fixed Expenses:
Truck Lease = $2,700 / month
Trailer = $600 / month
Insurance = $500 / month

In order to pay for this, the carrier has to distribute this to his target mileage, which is also measured on a monthly basis. The average target mileage of a carrier would be 10,000 miles per month.

Additional Fixed Expenses per mile:
$2,700 + $600 + $500 = $3,800 per month
$3,800 / 10,000 miles = $0.38
= 38 cents per mile

To get the minimum total line haul rate from this carrier, you will have to add the operating cost to the fixed costs.

Minimum Line Haul Rate
= Operating Cost + Fixed Expenses
= $1 + $0.38
= $1.38 per mile

Remember that $1.38 per mile is just the minimum of the line haul rate. For a typical carrier, he might make it at $1.50 per mile to add some profit to the line haul rate.

Deadhead Mile Costs

Deadhead miles are the mileages that a carrier covers without an actual load or shipment in its truck. This usually occurs when the next load is still miles away from the drop off point of the previous shipment. Every carrier aims to minimize this expense because it takes away some of the profit.

Before several advancements in the technology and software development occurred, deadhead miles usually had a 15 to 25 percent of the total transportation activity of a truck. However, the presence of software and gadgets that allowed drivers to pick the nearest load and find the fastest and shortest route minimized the deadhead miles.

Deadhead miles are usually shouldered by the carrier. However, there are three circumstances where a shipper has to pay for the deadhead miles.

- Non-use: this happens when a shipper orders for a truck to pick up a load but sudden changes discontinued the deal.

- Time sensitive: the deadhead miles in this situation usually come from the urgency of the shipment. The shipper would usually voluntarily pay extra because of the urgency.

- Specialized: there was no other truck that could accommodate the load and you will have to travel far away from the loading point.

Review

Knowing how much the carrier needs to pay for allows you, as a broker, to successfully quote a reasonable price for the shipper. This price should benefit the shipper and the carrier. Computing for fuel surcharges and other expenses helps the carrier. Without the fuel surcharge, carriers are prone to deficits at times when fuel costs are moving.

Shipping Regions and Lanes

There are many considerations when determining the freight rate of a certain load. One of this would be the population of the shipment destination. This sounds irrelevant but take note that the higher the population, the more the opportunity for a better shipping opportunity when on the outbound aspect of the shipment. The carriers experience in this aspect is the presence of a higher rate when they are inbound to the highly populated area. After the shipment has been unloaded and is taken care of, another load can be accommodated from the same area where the first shipment was dropped; but this load usually has a lower rate compared to the first one. This offsets the expenses and charges from the first haul and balances it with the second one.

Another aspect to consider is the distance of the destination. Long distance deliveries have much better rates compared to short ones. This happens because when a carrier is driving for a long period, it takes away other opportunities from other shippers to be accommodated. Also, the cost of administrative arrangements and processes to get another shipment is decreased when a long trip for a shipment is expected.

If these two aspects are combined, you will have a better chance of securing a good shipping rate. For example, if your destination is Oceanside, which is in California and your origin is somewhere in Texas, you would expect a higher cost rate when inbound to Oceanside. You could offset this by accepting lower rates when departing to the final location, which is Oceanside, California.

Even though we have a lot of tips in this manual, experience is always the key towards learning the best ways to compose your freight rates. As you start, you may want to get yourself a map to plot your existing shipping origins and destinations, which allows you to record your rates for those areas and also helps in choosing which place you should concentrate on.

Variables Dictating Freight Charges

Because of many financial factors, freight rates may shift from different degrees. Factors like the supply and demand of fuel, or even the shipments, may affect the freight rate of a carrier. However, a general rule is to retain the freight rate as is for 30 days if the fuel costs do not radically change. In cases where the economy is steady and consistent, the base rate of the carrier is usually left the same, but the variable charges like fuel surcharges are computed independently because of the volatility of fuel costs.

Bad Freight Rates

As a beginning freight broker, you may meet several shippers that have low freight rate expectations because of financial constraints. You will have to deal with these shippers and accept their freight rate just to earn their trust. Most of the shippers that demand low freight charges are experiencing economic problems and sooner or later, will bounce back and regain a more competitive freight rate for carriers.

Building trust with several shippers is important. Enduring the low freight rates of some of them would build your rating as a broker. If you succeed in finding the right carrier for them, you will certainly earn their trust. However, it could be a challenge for you to find a willing carrier to deal with a low freight rate; but these types of carriers are still present in the industry today.

So how do you tell a good freight rate from a bad one? This is determined by several factors, but will mainly be decided through comparison with other shipping loads. If you have encountered the same shipments from another shipper then you will most likely be able to estimate the expected freight cost from the present shipper.

Some factors like the weight and destination of the shipment count in determining if a freight rate is low. In some cases, you will need to find a carrier for a heavy shipment that should be delivered in a very populated city that has a lot of narrow roads and crowded places. The expected freight rate for this type of load should be relatively high, but some shippers need to offer lower freight rates just because they do not have the right amount of money to pay for a higher one.

Carriers also consider their safety and liabilities before accepting these types of loads. Imagine driving a big truck with a heavy load in a crowded city that is full of other vehicles. That would be quite problematic for the driver and would pose a serious risk of liability if the load is damaged during the transit.

Another situation where a freight rate is considered unfavorable is when a load has to be delivered in a rural area. These districts usually have a low population of industrial companies or factories that would need a carrier's service. It is a gamble for the carrier if he delivers the load and leaves empty handed. With this situation, you and the carrier can haggle for a higher rate, because there is a risk that your carrier may not be able to load freight after delivering the inbound order.

It would be a challenge for a freight broker, especially a beginner, to find a carrier that is willing to transport these types of loads with lower freight rates. However, once you have succeeded with this type of transaction, you can gain a lot of credits from it.

Review

Try not to be too picky with your customers. As a beginner, you have to deal with as many customers as you can. Your aim in the beginning of this profession is to build your name with a good work history, so do not expect good deals.

When you have worked with a shipper that has low freight rates for multiple times, don't quickly decide to drop the work relationship and stop accepting orders from him. You are still not aware of what brings money to you and what rips your pocket. In time, you may be able to determine what type of shippers do you deal with that brings the biggest money to your business.

However, refrain from working with low freight rates in consecutive deals. Making contracts with these types of freight loads from time to time won't hurt you, but a constant low freight rate may not be the best thing for you at the end.

Freight Rate Bargaining

There are certain rules that a broker could learn from when starting out in the business. We have tried our best to compile these simple rules to help you understand the concept of freight rate bargaining.

Proposing a Freight Rate

It is a standard activity to send, email or fax a letter to a shipper that requires a carrier to let him know that you are interested in the available load.

This letter usually contains a statement that conveys your interest to the posting regarding the need for a carrier. You will have to market yourself and your services as a broker as well as the services offered by your carrier. An overview of your freight rate should also be stated on the letter, as well as the terms and conditions of doing business with you.

In order for you to know the usual rates of specific shipments, you will have to search for similar loads and determine the rates that they were transported with. This is also an important step to provide your shipper a reasonable rate.

After receiving the letter, the shipper will call you if they are interested in working with your carrier. This is a critical part of your business because it could make or break your prospective deal with the shipper. Most of the shippers would go into the specifics of the load and will ask you for the root. Most negotiating brokers have a technique when dealing with a shipper. After the shipper has given the details of the shipments, the broker will ask to give him some time to think about the rate for the load. He will usually ask for 30 minutes, and he will call back at exactly 30 minutes. This is a good practice for a broker because it will prove the integrity of your business as a trustworthy broker.

What to Ask

During the phone call, it is vital that you extract the important details regarding the shipment that you are discussing with the shipper. The number of questions does not matter; what matters is the type of question that you ask.

Essential Questions during Negotiation

1. Where is the origin of the shipment/s?
2. What does the freight/s comprise of?
3. What kind of truck/s do they need?
4. Are there any special arrangements that they want to have?
5. Is it for LTL freight transport?
6. How many shipments are there?
7. What is/are the destination/s of the shipment/s?

Once all of these questions have been answered properly, you can ask them to give you time to assess the details and come up with a report of how much the freight rate could be.

During this period, you can research on other freights with similar details and compare their freight rates. Fortunately, beginners could use many price utilities such as truckloadrate.com

Bargain Everything

Shippers vary in their approach when doing business with brokers and carriers. Most of them ask for a standard rate, but some would tend to haggle for a more reasonable price.

In general, a carrier will not transport a freight that would not give him a decent amount of profit. This should be the mindset of a broker when bargaining with a shipper. During the process, estimate how much you could offer in such a way that any carrier would accept the load.

Again, BARGAIN EVERYTHING, if this is possible then you should go and do it. Every part of the total rate should be well thought of before settling with the amount of the shipper. Fixed expenses and operating costs should also be taken into consideration because these are the fundamental expenses that a carrier is going to pay for.

Multiple Shipping Loads

During the phone call, you can ask the shipper whether the shipment is just a onetime deal or if he is planning to ship more in the future. If yes, you can give him a volume discount. This is a percentage that is deducted from the total shipment of multiple loads at a specific time.

This is offered to shippers as a way of gratitude in doing business with you at a constant schedule and multiple loads. The discount percentage may be up to you, but make sure that it is not large enough to discourage carriers from loading the shipments. Also, you can arrange a contract with the shipper that he will let you take care of multiple shipments in a specific timeframe like 20 loads per month or so.

As a businessman, you and the shipper would understand the concept behind bulk shipments and discounts. However, you have to keep the discount at a safe rate. Most would have a maximum of 8% discount. At this rate, carriers can still take the load without hurting a large percentage of their profit.

For example, a shipper agrees to let you handle 50 shipments in one month and agree on a bulk freight rate of $85,000. You can go and offer him with a discount of 8%; slashing $6,800 off the total freight rate and leaving $78,200 as the final freight rate. This might not seem too big compared to the total price, but for a shipper's point of view, $6,800 is enough to provide the salary of two of his employees. That's the concept of discounts and bulk deals.

As a broker or agent, you will still be earning despite the cut from the total freight rate offer. If you work as an agent and is commissioning at 7% per transaction, you can earn $5,474 a month. As a broker commissioning at 14% per deal, you can earn $10,948. Despite the cut, you can still earn a big amount of money. Plus, you are guaranteed of a strong relationship with the shipper because of the money that you have saved for him.

Earning the trust and impression of the shippers is vital because this would let them keep coming back to you for shipping activities. In the future, it could provide you with a steady supply of load orders and you will just have to search for appropriate carriers to transport it.

Shipper-Carrier Difference

There is a huge difference with the interests of your two customers: the shipper and the carrier. The shipper wants to close a deal that has the lowest freight rate. On the other hand, the carrier wants a deal that has the highest freight rate.

Carriers will compute for their expenses down to the single penny. Why? This is because they are the ones that actually experience paying different expenses just to get the shipment to the destination. Most of them would have mastery with computing for their base rates and will just add the additional expenses when needed.

Here is a classic example.

You have an available shipment and are contacting ABC Carriers to offer the load to them. The origin of this shipment would be loaded from Dallas, TX and will be unloaded in Wichita, KS which estimated at around 550 miles.

The carrier computes for the total costs and presents you at a freight rate of $1.60 per mile. If you multiply this with the total mileage, you will get a total of $880.

As a broker, you are to put some percentage of this freight rate so you can guarantee a profit.

> $880 * 15% = $132 recommended commission
>
> $880 + $132 = $1,012 total recommended freight rate

This rate would be presented to the shipper for confirmation. Most of the time, they will bargain for a lower rate. This would be the tricky part. If your stated freight rate is $1,012, the shipper might ask you to slash $100 off it to make it $912.

You have to ask yourself where that hundred dollars is going to be taken away. Would it be on your commission? If you do that, you'll leave yourself with $32 as your earnings. Obviously, that is not good.

Remember that you have to make both parties happy with the final rate. You should not decrease or increase the rate to benefit only one party. The solution would be to contact your carrier and ask him to cut $50 to his proposed rate. Then call your shipper and ask him if you could cut $50 instead of $100. A little bit of reasoning could be added to these statements so that you could make both parties agree with you.

Negotiations need some persuasive skills on a broker's part. Some logic and wit can also be added so you could find the right words to say to your clients; avoiding any misinterpretations while negotiations are ongoing.

It is also important to remember that a broker primarily dictates the freight rate. You can increase or decrease it as need, but with the consent of both parties.

Prepaid Freight

In the past, one could not ship out freight using a prepaid method of payment. It was thought of as something way too crazy to pay for freight that has not yet been delivered. Most shippers are used to having a line of credit with their freight broker. However, two giant freight companies – UPS and FedEx, were able to change this.

Both FedEx and UPS deliver large and small parcels using a prepaid system. There is no way that you can ship items through these companies and ask them to send you the bill later. That simply won't happen. Nothing is delivered unless payment has been made, or you work for a company that has an automatic credit card billing structure with them.

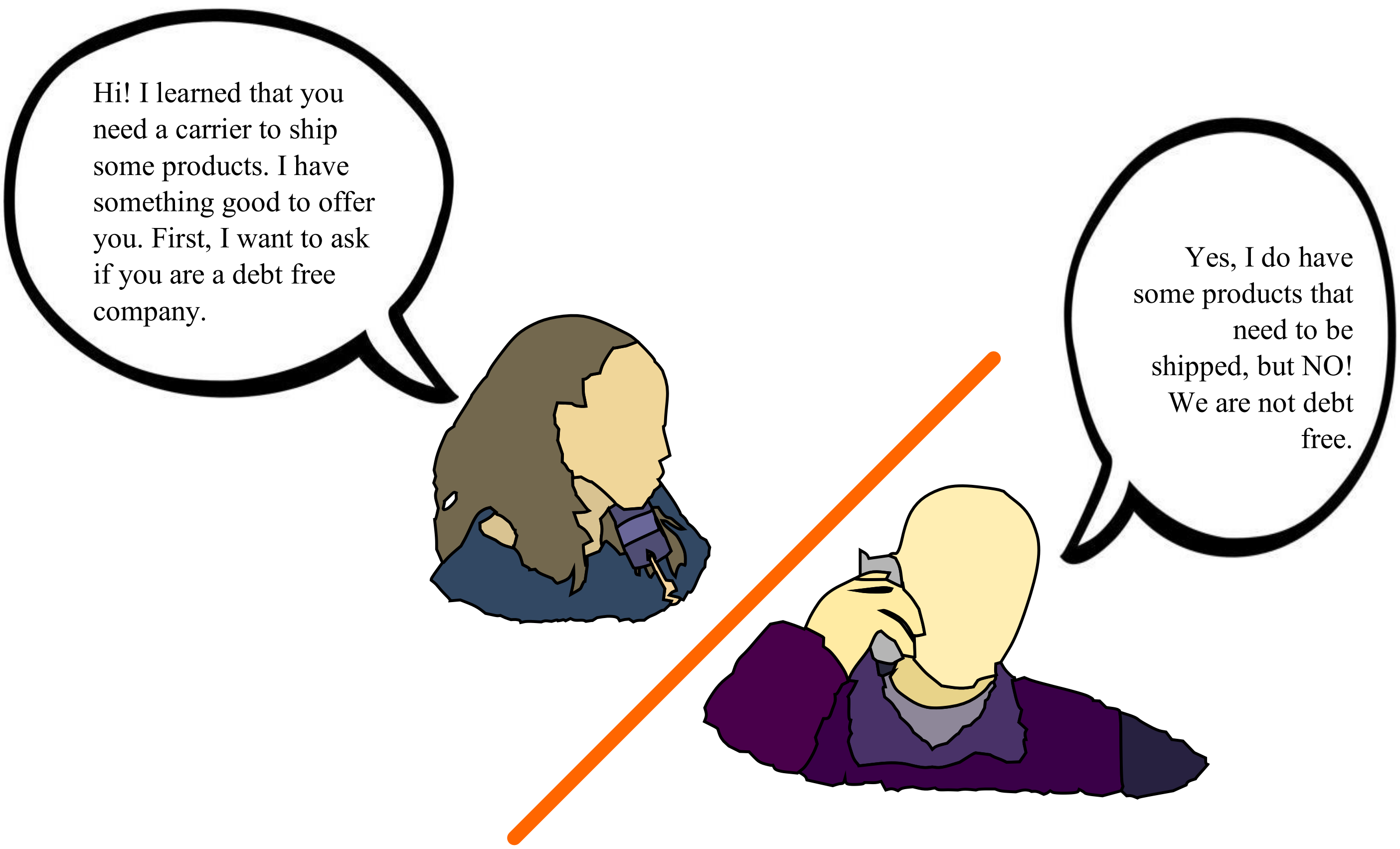
Well you might think that we cannot compare the business that these two companies do with the business that freight brokers deal with. They move small to large boxes of freight, while freight brokers move truckloads of freight. Nevertheless, we are still talking about logistics and the processes involved are very much the same.

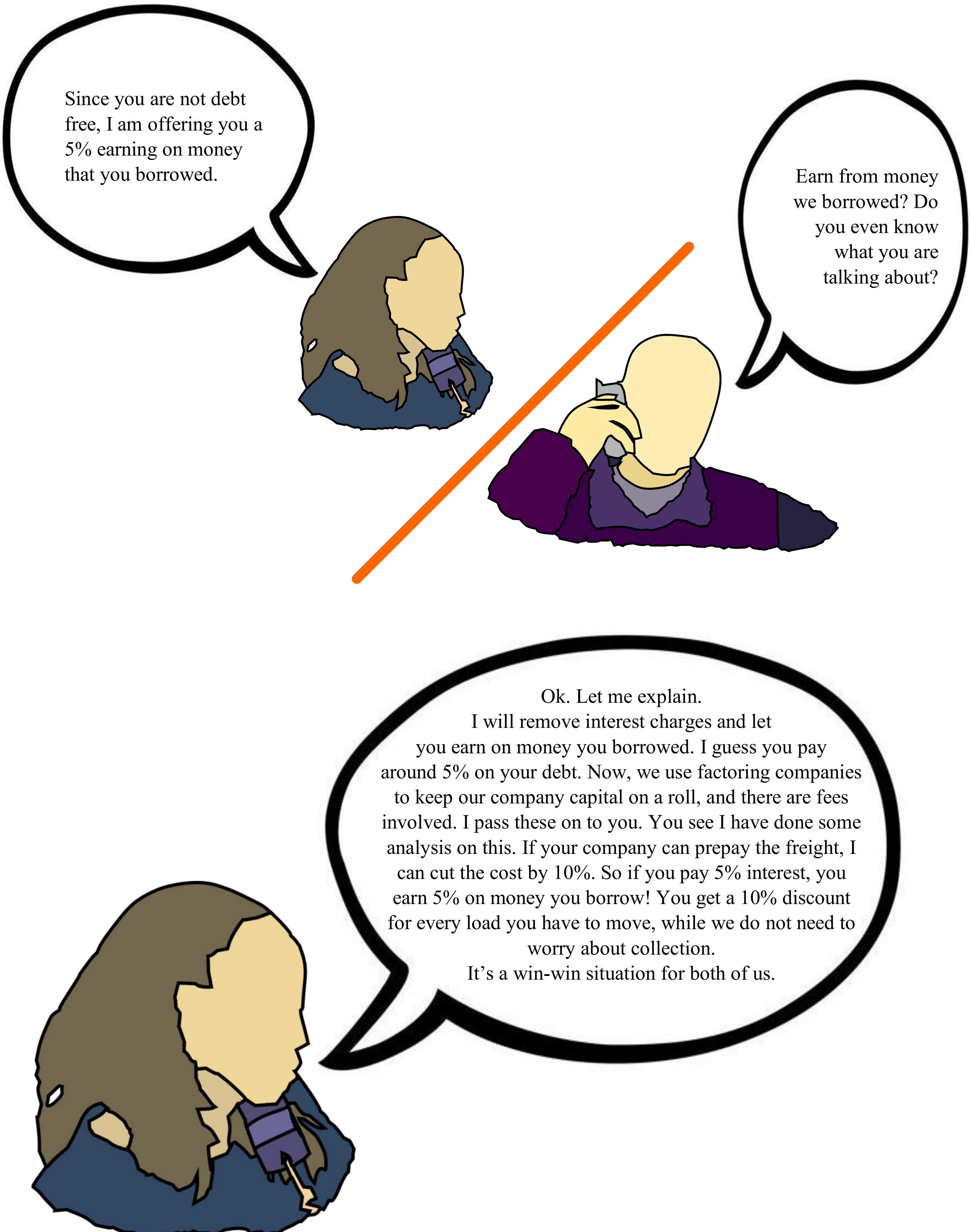
Approaching a shipper using the prepaid system can be tough, but it can be done. After all, this will benefit you in several ways:

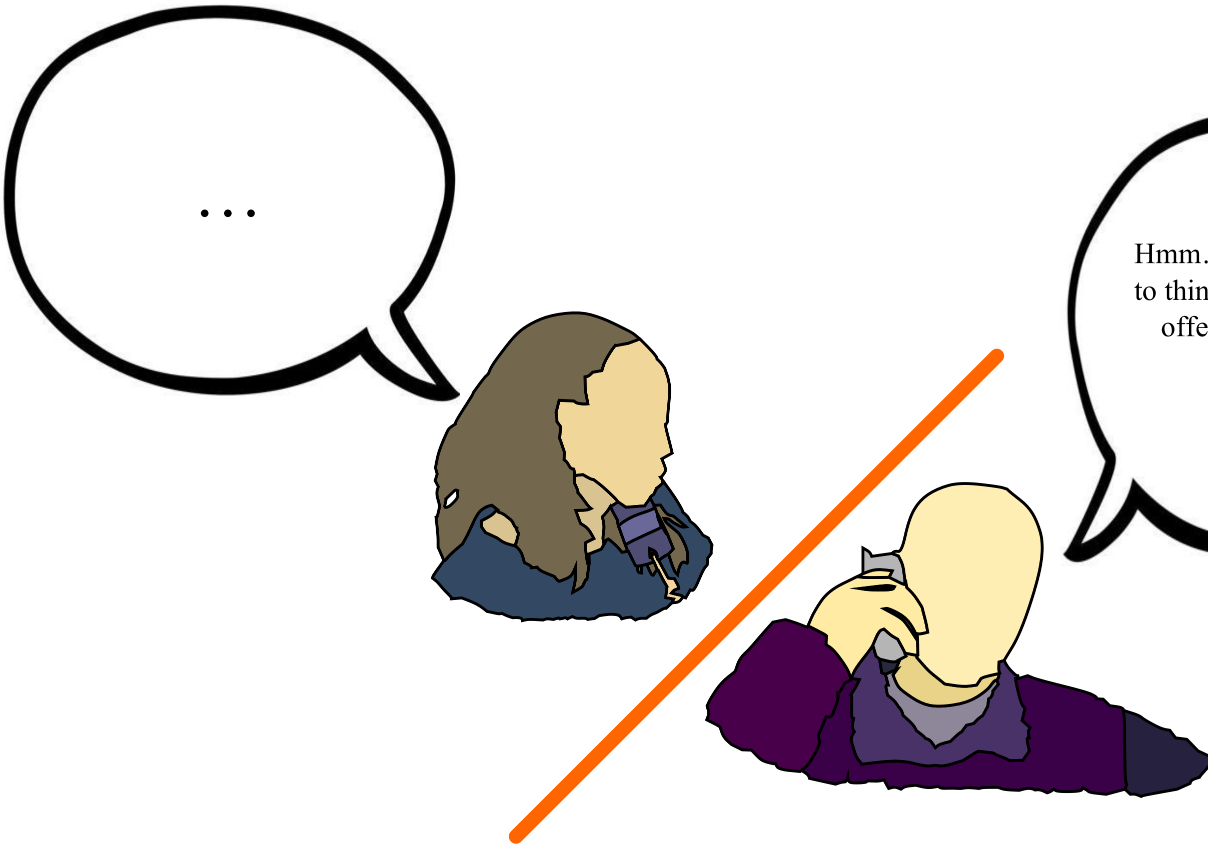
- Guaranteed payment (no need to go back and forth for collection)
- No need to pay factoring fees
- No need to do a credit check
- You can pay the carriers immediately
- Get a quick pay discount from carriers (a strategy you can use to get back some money you might lose from the discount offered to the shipper)
- Earn interest on the shipper's deposit

Once you spot a prospective client, prepare yourself for negotiation. You need to know what you must say, in order to convince the shipper to prepay for the freight. Also, never forget the most important rule.

Sample Approach:




Since you are not debt free, I am offering you a 5% earning on money that you borrowed.
Earn from money we borrowed? Do you even know what you are talking about?
Ok. Let me explain. I will remove interest charges and let you earn on money you borrowed. I guess you pay around 5% on your debt. Now, we use factoring companies to keep our company capital on a roll, and there are fees involved. I pass these on to you. You see I have done some analysis on this. If your company can prepay the freight, I can cut the cost by 10%. So if you pay 5% interest, you earn 5% on money you borrow! You get a 10% discount for every load you have to move, while we do not need to worry about collection. It's a win-win situation for both of us.


. . .
Hmm… I will love to think about your offer. Let me get back to you.

At this point, do not expect an immediate positive response. The shipper might still be a little confused with your offering and trying to weigh the circumstances. However, this is advantageous for your part as the broker. You are simply offering something that can help the shipper save on the cost of his loads. The moment the shipper calls you and agrees with the proposal you have presented, try to determine the amount he is willing to prepay by calculating it against the amount of freight that needs to be shipped. This simply means that you will predict how much freight this shipper will need to ship on a daily basis. Multiply that by 20 business days in a month. That amount will be the total amount of the initial deposit you will require the shipper to prepay.

The shipper will most likely want to see your broker license, certificate of insurance, and proof of bond. What you need to do is take the money and deposit it immediately to your business checking account. You have to set this money aside. During unforeseen circumstances, either you or the shipper may want to terminate the contract, and you may need to refund part of the prepaid money. A piece of warning, taking advantage of this method of payment is considered a federal offense.

Once you get a lot of your shippers comply with a prepaid method, you are making a wise business move. No need to use factoring companies and no need to go back and forth trying to collect payments from shippers.

Charges for Oversized Loads, Reefers, and Expedited Shipments Oversized Loads

Every one of us is familiar with oversized loads. We often see a big sign at the back of the truck carrying the load, or there would be a vehicle in front of the truck, and for some, one vehicle in the front and one in the back – carrying the sign "Oversize Load". Oversized loads often use a flatbed, step deck, or an open trailer. Carriers need to acquire trip permits to carry the load. If the load is to travel across multiple states, state permits will accumulate and can become costly. Here are the dimensions to look out for:

- The load is over 8 feet wide
- More than 53 ft. long, or hangs in the rear of the trailer
- Has a Gross Vehicle Weight of over 80,000 lbs (including the load)

As a freight broker, you are responsible for determining if the load requires permits from each state that the load will be traveling on. The carrier is the one should order the permits. Always keep in mind that this is a wider and a heavier load. Therefore, you have the right to take on a higher rate, which can be up to four times more than the standard rate. Remember that it is also more difficult to find carriers for oversized loads. So there might be a need to offer the carrier a higher pay too.

There will always be the first time to encounter an oversized and heavy load and you do not know what price to bid on it, you have two choices: Do not accept the load or negotiate with a co-broker who is more experienced. This will save you from the trouble of bidding a low price and not being able to find a carrier who would be willing to haul the shipment.

The good news is that it is easy to locate carrier companies that cater to these types of loads. Known companies like Daily Express, ATS Sureway and Landstar Carrier Group specialize in heavy and oversized freight. Unless you feel comfortable, just give this information to your shipper. The shipper will appreciate that you are just being honest with them.

Reefers

Refrigerated trucks need more fuel for transporting load. The refrigeration unit on the truck runs on fuel. Adding 20 to 40 cents/mile to the standard rate will compensate for the cost of fuel on the reefer. Do not forget to also include a stop-off pay, since most reefers tend to have multiple stops.

Expedited Shipment

Expedited shipments will require an additional driver on the truck in order for it to keep going 24 hours a day without stopping. Putting an additional person on the truck to handle the driving will also mean additional expense for the carrier. When negotiating expedited shipments, make sure your rate is comparable to a reefer load. If you are using a reefer and the shipment is also expedited, determine your rate per mile appropriately.

Review

Learning how to negotiate a better fee cannot be done overnight. Nevertheless, as you do it every day, you will learn various strategies. Remember that your negotiated price will determine your profit. Then again, always keep in mind that everything is negotiable.

Fuel Surcharge Rate

Because of the volatility of the cost of fuel, carriers tend to set a standard and safe level on their freight rate. This ensures them that despite the rise of fuel costs, they will still profit from their deliveries.

The Actual Fuel Price is based on the National Average Fuel Price. This varies from region to region. This information is posted and updated by the Energy Information Administration every Wednesdays.

Most trucks used by carriers can consume a gallon of fuel after covering 5 miles of road. The average base fuel price for a carrier is at a range of $1.10 to $1.20, this is the basic price and the fuel surcharge cost is added to this value.

For sample purposes, we will use a base fuel cost of $1.15. To determine the fuel surcharge per gallon, we will show you a series of computations using these examples.

Actual Market Fuel Price = $2.80
Carrier Base Fuel Price = $1.15
Average Mile per Gallon = 5 Miles
Fuel Surcharge per Mile = (Actual Market Fuel Price – Carrier Base Fuel Price)/Average Mile per Gallon
= ($2.80 – $1.15)/5 miles
= $0.33 or 33 cents per mile

As a broker, once you have accepted the fuel surcharge rate, you will have to add it to the line haul rate and your brokering commission rate. For this example, we will use a line haul rate of $1.60 and a broker commission of 15%.

Total Freight Rate = Line Haul Rate + Broker Commission + Fuel Surcharge Rate
= $1.60 + (0.15 * $1.60) + $0.33
= $2.17

This is the Total Freight Rate that you will present to the shipper and the carrier. Any negotiations from there would raise or lower this rate. However, you will have to make sure that the adjustments in the rate will not affect your commission in a very crucial way, or else you will end up with minute or no profit at all.

The fuel surcharge rate usually stays stable for 30 days. If you have a solid relationship with your shipper, negotiations for the fuel surcharge rates may be easy

NOTE: Make sure that you stay truthful with the payments that you make for carriers. Some brokers have been suspended when carriers discovered that the actual fuel surcharge rate was being kept by the brokers.

Transparency with Payments

To establish your brokering services as a credible business, you will have to observe transparency with the payments that you make for your carriers. Every expense made during the trip should be indicated on the rate confirmation sheet because this will serves as a legal-binding document for you and the carrier. Aside from the rate confirmation sheet, the invoice sent to the customer needs to include the costs plus the fuel surcharge rate so he can understand the breakdown of the payment that you require from him.

Your Trucking Company Name Here
Your Address
Your City, ST 00000
000-000-0000

LOAD CONFIRMATION

CUSTOMER:	GHI Customer Company			**LOAD DATE:**	08/30/05
LOAD#:	00000009			**LOAD TIME:**	5:00 PM
CUST PO#:	PO900	**SCHED#:**	S900	**DEL DATE:**	09/22/05

STOP: 1 **BL#:** BL9000 **DRV:** Bill D. Jones

UNIT: U1 **TRAILER:** T1 **CHASSIS:** C1

	*** ORIGIN ***	*** DESTINATION ***
NAME:	ABC Customer Company	DEF Customer Company
ADDR:	123 Oak Ln	456 Elm Rd
CSZ:	Phillipsburg, NJ 08865	Dallas, TX 75221
PHONE:	908-111-1234	214-222-1234
CONT:	Attn: Mary Smith	Attn: Tom

FREIGHT	QTY	WEIGHT	MILES	AMT
Furniture	20.	0.	1475	$1,500.00

SIGNATURE(S) for STOP: 1

CARRIER: ______________________________ **DATE:** ____________

CUSTOMER: ______________________________ **DATE:** ____________

STOP: 2 **BL#:** BL9000 **DRV:** Bill D. Jones

UNIT: U1 **TRAILER:** T1 **CHASSIS:** C1

	*** ORIGIN ***	*** DESTINATION ***
NAME:	DEF Customer Company	ABC Customer Company
ADDR:	456 Elm Rd	123 Oak Ln
CSZ:	Dallas, TX 75221	Phillipsburg, NJ 08865
PHONE:	214-222-1234	908-111-1234
CONT:	Attn: Tom	Attn: Mary Smith

FREIGHT	QTY	WEIGHT	MILES	AMT
Hardware	10.	0.	1475	$500.00

SIGNATURE(S) for STOP: 2

CARRIER: ______________________________ **DATE:** ____________

CUSTOMER: ______________________________ **DATE:** ____________

TOTAL AMOUNT: $2,000.00

COMMENTS:

Photo courtesy of http://www.cpipro.com

Chapter 4 Summary

Freight Charge

In the past, it was difficult for new freight brokers to set their own freight rates because there was not an existing way to compute it. However, now there are applications and utilities that allow carriers and brokers to automatically compute freight charges due to the experience of many people in the industry. One such application can be found at http://www.truckstop.com. This website gives carriers and brokers a way to calculate certain freight weights and connects the carrier to the load. The application will allow this to be done in real time and instant giving both the shipper and the carrier the advantage of moving freight quicker.

Before searching for a specific shipment rate, one has to obtain information pertaining to the load such as the type of trailer required and the distance from the point of origin to the shipment's destination.

Expenses for Carrier

It is important to understand the expenses incurred by shippers and carriers, which vary between the two of them due to the fact that they are from two separate industries. Shippers have a "shipping budget" and Carriers having fuel cost and maintenance that effects the line haul rate. It is important to note that carriers dictate the shipping rate in the end because they have more knowledge in relation to getting the load to its final destination and utilize the equipment to get it there.

General Idea

Carriers, more or less, dictate freight costs along with the cost of fuel, the tax on fuel, the cost of labor, and administrative expenses. Fuel is the most problematic freight cost as it is ever changing and taxes vary state to state. Carriers operate in interstate transits where miles are the ideal measurement of travel; however, some contracts are paid per pound or per hundredweight.

Line Haul Rates

The term line haul rates refers to the cost of transporting a specific shipment from its origin to its' final destination. The cost needs to be converted into a per mile unit, as in the example shown here: If a shipper agrees to pay a carrier a line haul rate of $2,700 in a 1,600-mile trip from the origin to the destination, you will need to divide the rate by the distance. $2,700 divided by 1,600 miles is $1.69 per mile.

Fundamental Expenses for Motor Carriers

Motor carriers basic rates do not fluctuate regularly because of the fact that they have an added fuel surcharge to their rates. A fuel surcharge is an additional expense that is added to the line haul rate to secure the carriers payment even if fuel costs rise. A carriers per-mile rate is based off of the trucks efficiency, fuel cost, the drivers salary, insurance premiums and other fixed expenses.

Deadhead Mile Costs

The term deadhead miles refers to the miles that a carrier covers without a shipment in the truck, which can occur when the next load has not reached the drop off point from the previous shipment. Before recent innovations, deadhead miles usually accounted for 15-25% of the total transportation activity; however, this figure has been greatly reduced due to software that is prevalent in the industry.

There are three circumstances where a shipper is responsible for deadhead miles:

- Non-use, which occurs when a shipper orders a truck to pick up a load but sudden changes, cancel or delay the shipment.

- Time sensitive, which is when the deadhead comes from the urgency of the shipment. In this situation, the shipper voluntarily pays extra because of the urgency.

- Specialized situations, which occur when there is only one type of truck to accommodate the load.

Review

Knowing the costs for the carrier helps you, as the broker; successfully quote a price for the shipper. The price needs to benefit the shipper and the carrier, as well as accommodate you.

Shipping Regions and Lanes

There are many considerations when determining the freight rate of a certain load such as the population of the shipping destination because the higher the population, the more opportunities there are for a better shipping rate. Another consideration is the distance of the destination; longer distance deliveries have better rates compared to shorter deliveries.

Shipping lanes are determined by the location and traveling of the carriers threw out the United States. Each interstate from one location to another location can be considered a shipping lane.

Variables Dictating Freight Charges

Due to many financial factors such as the supply and demand of fuel and shipments, freight rates shift. However, there is a general rule stating that freight rates should remain constant for 30 days if fuel costs do not drastically change. It is worth noting here that loads with a line haul distance of 300 miles or less generally will have a higher per mile rate to compensate for carrier expense in that equipment and operator are tied with docks at both ends of the shipment in nonproductive time.

Bad Freight Rate

As a beginning freight broker, you will meet many shippers that have lower freight rate expectations due to financial constraints. In this case, you might have to accept their freight rate in order to earn their trust. Telling a good freight rate from a bad one is mostly done through comparing rates of other shipping loads but also through the weight of the shipment and the destination. Carriers consider their safety and liability before accepting risky loads and their rate reflects this.

Review

As a beginner, it is important to not be picky when choosing your customers and their rates. You need to focus on building your name and obtaining a good work history. Overtime, you will learn which shippers to stick with, and which ones to let go of.

Freight Rate Bargaining

There are certain rules that a broker needs to learn when starting out, which have been provided for you in the following sections.

Proposing a Freight Rate

Sending a letter to a shipper to let them know you are interested in an available load is standard. The letter contains statements that convey your interest in the shipment, your terms and conditions, and an overview of your freight rates. You need to search for similar loads and determine their rates before predicting the rate for the specific available shipment. After receiving the letter, the shipper will call you if they are interested in working with your carrier.

What to Ask

During the phone call, it is essential that you obtain the important details regarding the shipment. You need to ask questions such as: what is the origin of the shipment? What is the freight comprised of? And what type of equipment is required? After you have obtained these details, take time to assess the details and correctly compute the rate. When doing so, you can use websites like http://www.truckstop.com to research other freight rates.

Bargain Everything

When doing business with a broker or a carrier, most shippers ask for a standard rate while some like to bargain for a better rate. Generally, carriers do not transport freight that does not bring them a decent profit, which should be the mindset of the broker when bargaining with a shipper.

Multiple Shipping Loads

During the phone call, it is important to ask the shipper if the shipment is a one-time deal or if they are planning to ship more in the future. If they plan to ship more in the future, you should offer to assist in those shipments. Be prepared to offer a volume discount, if requested or it helps to gain the shippers future shipments and as a form of gratitude for doing constant business with you the broker. Earning the shippers trust is vital because it gives them a reason to continue to give you more business as a broker and provides you with a constant supply of orders.

Shipper-Carrier Difference

Your two customers, the shipper and the carrier, have different interests. The shipper wants to close a deal with the lowest freight rate while the carrier prefers a deal with a higher freight rate. Carriers compute their expenses down to the exact penny because they pay different expenses with each shipment. Brokers need to have strong negotiating skills to make the transaction run smoothly.

Prepaid Freight

Prepaid freight was unheard of until FedEx and UPS made it possible. These two companies deliver large and small packages, only through the prepaid method. This method is beneficial to both parties because it offers guaranteed payment, the elimination of factoring fees and a credit check, the carriers get paid immediately, there is a quick pay discount from carriers, and you can earn interest on the shippers deposit.

When using this method, it is not necessary to prepay for the shipment in full; one can pay a portion, which will be deducted from the total cost of the transaction.

Charges for Oversized Loads, Reefers, and Expedited Shipments

Oversized loads can be seen in commute with an “Oversized Load” sign, a vehicle in the front of the truck, and oftentimes a vehicle in the back. These types of loads often use a flatbed, step deck, or an open trailer and require a trip permits for each state that it is traveling through, which needs to be paid by the carrier. Oversized loads are loads that are over 8 feet wide; more than 53 feet long, or have a gross vehicle weight of over 80,000 pounds. As a broker, you can charge a higher rate for an oversized load because of the size and permits required; however, often times, you will need to pay the carrier more as well.

Reefers are refrigerated trucks that require more fuel for transporting the load because the refrigeration unit runs on fuel. Expedited shipments require an extra truck driver in order to keep the truck moving 24 hours a day, which means an additional expense for the carrier.

Review

Learning how to negotiate more favorable rates takes time and experience.

Fuel Surcharge Rate

Fuel Surcharge Index.org is a collaboration between the shipping and trucking community. It allows users to accurately calculate the fuel surcharge rate for a load based on the daily fuel prices along a route. Gone are the days of basing a fuel surcharge rate on a regional or national fuel price average calculated weekly. With Fuel Surcharge Index, shippers and carriers can get the exact fuel surcharge. Fuel Surcharge Index is an easy to use system that creates fairness and simplifies fuel surcharge calculations. It offers neutrality for shippers and carriers, low-cost of administration, verifiable/auditable data and a direct link to the day and route of a load.

Transparency with Payments

In order to establish your broker service as a credible business, you will need to observe transparency with the payments that you make for your carriers. Every expense during the trip needs to be documented on the rate confirmation sheet as well as the invoice sent to the customer.

Chapter 5

Freight Broker Factoring

To understand the concept of freight broker factoring, we will have to discuss the dilemma experienced by brokers when payments are involved.

After a load is delivered, the carrier will expect you to give him his corresponding payment promptly. Some carriers expect a payment for not less than 30 days after the delivery of the shipment.

You, on the other hand, are expecting a prompt payment from your shipper after you have submitted the invoice to them. However, shippers will usually pay a broker or an agent before or after 30 days of the delivery.

So if you take a look at the situation carefully, the broker needs to have a working capital to pay the carrier promptly because the payment from the shipper will not be available until after around 30 days.

This list will give you a brief rundown on how the invoice works within the Shipper-Broker-Carrier process.

1. Customer hands the Bill of Lading to the Driver
2. Driver transports the load to the consignee.
3. Driver sends the BOL to the carrier after the consignee signs it.
4. Carrier sends the BOL to the Freight Broker.
5. The Broker pays the carrier.
6. The Broker delivers the invoice of costs and the BOL to the Shipper.
7. Shipper pays the Freight Broker

Two Types of Factoring Companies

Generally, there are two types of Factoring Companies: recourse and non-recourse. In Recourse Factoring Companies, they will hold a certain amount of the designated payment until your shipper pays them with the full payment. The portion of this payment is exclusive of the percentage of the factoring company's service fee charges.

For example, a Recourse Factoring Company has a service fee of 5% of the intended payment from the invoice. Additionally, they will also hold 10% of the remaining 95%. This means you will only get the 85% in advance to pay your carrier for his services. The 10% will be given to you after the shipper has successfully paid the factoring company.

Additionally, interest fees will be deducted from to 10% withheld amount for as long as the shipper is not paying the factoring company. So the longer the shipper delays the payment, the more money you are going to lose; and the more money the factoring company will absorb.

On the other hand, Non-recourse Factoring Companies do not withhold any part of your expected payment. They will only take their service fee percentage and will give you the rest of the payment.

Factoring Companies take the biggest risk of a deficit from their accounts in cases where the shipper does not pay them. This is dissimilar to the Recourse Factoring Companies who will deduct certain portions of the withheld amount until the shipper pays them.

As a general safety rule, always go for Non-recourse Factoring companies. This ensures you the payment that you would need to pay the carrier, as well as the commission that you were supposed to get. This would be regardless of whether the shipper pays the factoring company or not.

Freight Bill Factoring

If a company advances funds to a business client on their account receivables, they expect to receive payment from the client's customer or account debtor. However, if the customer does not pay the invoice, the factor can demand payment from the client with recourse factoring. If the factor does not assume the credit risk with recourse, factoring should be used because it is generally less expensive. A factor may also demand less control and have fewer requirements pertaining to systems and customers. If their customers do not pay the invoice, they must repay the advance along with any fees to the factor. A factoring company will generally charge back any delinquent invoices to the business after 90 days, depending on the terms of the agreement.

The factoring company takes the risk of bad debt is situations of non-recourse factoring. The factor will go after the customer or account debtor for payment on delinquent invoices. The factoring company will generally check credit on account debtors and handle the collection and bookkeeping functions; they tend to underwrite the creditworthiness of the client's customers more than the client itself does. While the client may not have to refund the advance to the factor if a customer does not pay for credit reasons, they are liable for payment disputes involving the product or service itself. The use of non-recourse factoring is the most popular type of factoring arrangement. Overall, non-recourse factoring accounts for about 85% of transactions with full recourse factoring making up about 10%. The final 5% is a blend of the two with partial recourse to the client rather than a loan. Factoring is primarily structured as an outright purchase of accounts receivable on a non-recourse basis. This enables factors to say yes to cash advances on creditworthy invoices when traditional banks say no to business loans.

Factoring and Working Capital

Freight Broker Factoring Companies are working capital providers for brokers who do not have the right amount of working capital to pay their carriers. This is a risky business for factoring companies but is also profitable for them. Plus, freight brokers directly benefit from this service because they are able to pay their carriers as soon as possible.

The process of gaining the service of these companies includes giving the invoice of the specific load to the factoring company. The company will process this invoice and will take the risk of giving you the payment for the said load so you can pay the carrier.

The factoring company will take care of the collection of the payment from the shipper. This saves you time in processing the payment and you can put the saved time to other priorities like organizing the next load or finding other shippers.

There would be a slight difference between the invoice process of the regular payment method and with the factoring services.

1. Customer hands the Bill of Lading to the Driver
2. Driver transports the load to the consignee.
3. Driver sends the BOL to the carrier after the consignee signs it.
4. Carrier sends the BOL to the Freight Broker.
5. Freight Brokers sends the BOL and Invoice to the Factoring Company
6. Factoring Company pays the Freight Brokers
7. Freight Brokers pays the Carrier
8. Factoring Company receives the payment from the Shipper

Compensating for the Factoring Fee

As discussed, Factoring Companies charge brokers by cutting a percentage from the payment that they will give you. Some of them charge 5% or lower. Although it might seem relatively small, every penny counts when doing business.

One way to compensate for this loss is to offer your carrier a quick payment if he agrees to cut the invoice charge by a certain percentage; usually the cut would be up to 5%.

The advantage of this agreement for the carriers is that they are guaranteed of a quick payment; instead of waiting for the shipper to forward the money to the broker and waiting for the broker to pay them.

The principle behind this technique is that the quicker you pay the carrier, the more they are willing to cut some percentage from their part. However, if you take longer to pay them, you may have a hard time asking for a reasonable payment cut percentage.

This strategy is not exactly meant for earning additional cash. Instead, its goal is to equalize or decrease a deficit of your earnings from the factoring fee. For example, if your factoring fee was at 5%, and your carrier has agreed to a payment cut of 4% for a quick payment, then you're already saving 4% of your earnings and just paying a percent for the factoring fee.

It is very unethical and unwise to turn this into a profitable strategy because if the carrier finds out that the factoring fee is just below the cut that you gave him, then he can withdraw from doing business with you.

UCC Filing by Factoring Companies

As mandated by law, Factoring Companies need to submit a UCC once a freight broker has accepted their contract agreement by signing it.

The Universal Commercial Code is a document that is a legal evidence of you being in a contract with a specific Factoring Company. This prevents abusive brokers to apply for factoring services with different companies to use it as a money laundering strategy.

As a broker, it is necessary for you to review the contract before signing it. This will make you aware of the provisions under it and will save you any future risks and potential liabilities.

Review

For brokers that do not have the sufficient amount of working capital to pay their carriers, factoring is recommended. However, it is also logical to know that not all of your shippers are candidates for factoring their payments. If you have a shipper that is consistently paying you at an earlier date compared to others, it is imperative that you do not submit this customer's payment to a factoring company. It is very unreasonable for you to cut 5% or more from your profit due to factoring fees if the shipper is willing to pay you quickly.

Handling the payments, instead of submitting them for factoring is very much dependent upon the payment dates of your shippers. Lastly, remember that factoring is only used at times when your shipper is not able to give your prompt payment for you to pay the carrier quickly.

Payment Methods Used in Freight Brokering

Knowing the various payment options that you can offer for both your shipper and carrier is essential. With today's technological advancements, freight brokers should remain up-to- date with useful payment options for the business. Although we still see a few people who prefer to send checks through the mail, with everybody going wired and online, there is no reason not to choose the faster yet safe way of wiring money.

As a broker, you need to be familiar with these payment systems. We have laid out these systems here:

ACH

ACH or Automated Clearing House transactions is used to pay the carriers or collect payments from shippers. All you need is a bank account for your business that needs to be provided to the carrier. You will also need to get information on the bank account of your shipper so you can schedule an ACH debit based on the amount you have agreed upon. Aside from getting and providing bank accounts, you will need to provide and get the bank routing number. Check the bank account number that is written at the bottom of your check, next to that is routing number for your bank.

ACH is a very convenient way to pay. Both you and your clients do not need to go to the bank physically to send or get payments. Just log into your online banking account and initiate the transactions. Also, you can check if payment has been made online.

EPS

EPS or Electronic Payment Systems is the transfer of funds using payments systems like payment cards and express codes. It is basically the driver of the truck who needs to be funded in the workflow. Driving through the interstates, these drivers will need money to refuel the truck, pay toll fees and buy food while travelling. While the motor carrier may provide them with an advance payment for their job, the freight broker can also provide a cash advance to the motor carrier.

Fuel Card

Fuel cards or payment cards are basically controlled by the motor carriers. They provide these cards to the truck drivers, but motor carriers have to choose a card that is widely accepted by gasoline stations. Carriers have to remember that if their drivers have problems with using their cards for refueling, there might be delays and problems with the goods for delivery.

Express Codes

Both the freight broker and the carrier benefit from fuel networks. If a freight broker needs to send a quick payment, all he has to do is get online and login to the payment system. After specifying the amount he wants to send to the carrier, there will be a 3% quick pay fee deducted. Then an express code number is issued. Using this code, any driver can go into a truck stop that is within the payment system network. Once the driver provides the unique lengthy express code, he receives the cash immediately. The driver may also opt to receive only a portion of the cash that was issued, and just claim the remaining amount next time he needs it, using the same express code.

Credit Cards

Take note that freight brokering is considered a high-risk account. So when you apply for a merchant account with merchant processing banks in order to process credit cards, you will be given a certain monthly limit for allowed transactions. It may take up to around 3 months, before the merchant-processing bank increases it. Obviously, you will want a higher limit to process freights that are costly.

Merchant processing banks are not similar to regular banks. A credit card transaction works in a way that when you use a client's credit card to pay for your services, the amount is debited from the client's account. Then it will take around 3 to 5 business days for you to see the amount transferred into your business checking account. It is the merchant processing bank that processes the transfer.

Now, these merchant processing banks will also charge you with every credit card transaction made. The usual charges incurred are the discount rate and standard transaction fee. The discount rate is a fixed percentage that will be based on the amount of the transaction. The standard transaction fee is a consistent fee charged per transaction, regardless of the amount. In general, the discount rate is at around 2%. It would be best to inquire about all the fees before you start accepting credit cards as a mode of payment.

Cellphone Credit Card Reader, POS Terminal or Virtual Terminal

Once you have set up a merchant account, you have three tools to use for accepting credit card payments. The first one is the cellphone credit card reader that you can use if you have an iPhone's, iPad, I Touch or Droid phone. It is so handy that you can take it anywhere you go.

The second tool is the POS or Point of Sale terminal. This is the machine that you normally use when you check out in stores using your debit or credit card.

The third tool is the virtual terminal. You just have to login online to your merchant account, then input all the necessary information like the name, type of credit card, credit card number, expiry, and validation code. The credit card validation value is a 3 or 4 digit code that is normally found at the back of the card (except for American Express – located in the front)

POS Cellphone Card Reader Virtual Terminal

Payment System Integration Software

To properly monitor any payments sent and received by a freight broker, it is necessary to find a software that allows for the integration of the three most popular forms of payment used by trucker drivers, carriers and freight brokers: EFS, T-Check and ComChek. The software should automatically note of any cash advances that you would usually need to send when truck drivers need money for refueling their vehicles.

Payment Methods Used for Freight Agents

Freight brokering companies or independent freight brokers who have freight agents working for them, should familiarize themselves with the use of Comchek. A payment card like Comchek is an all on one system. All you need is to do, is log into your account and manage all the payments you need to send for your respective agents. Once the agent's card is funded, they can immediately transfer it to their personal bank accounts.

This payment system is also recommended for paying motor carriers who regularly haul for the shipments you broker. Just contact the payment system and have a payment card made for your carrier. It is easier to pay your carriers this way.

Factoring Receivables with Payment Cards

Factoring companies started using a payment card system mainly to provide convenience for carriers. Nevertheless, freight brokers have seen how efficient this system was that they have also started opting to receive payment through cards for invoices they have sent to factoring companies.

Receiving payments from factoring companies with a payment card can work well for individual carriers. The moment they send their Bill of Lading to a factoring company, their payment card receives a credit, which they can use for making fuel purchases and others.

However, brokers who use Comchek for their factoring receivables, will have to go through the process of transferring the money to their bank account, then make another transfer from the bank account to their primary Comchek account, to be used for paying agents and motor carriers. In order to avoid the long process, brokers can opt for receiving payments directly to a checking account.

How to Recover Incurred Fees

One of the things that freight brokers probably despise with all the payment systems available, is having to pay for fees. It is the price we pay for the convenient ways to pay and get paid. Nevertheless, there is a way to recover these incurred fees and that is by passing it to the carriers. Now carriers will not be pleased with this, but if you offer them quick pay settlements, then they might go for it. The idea is to pay the carrier ASAP but ask for a certain discount in exchange for doing so.

Checking Credit Ratings

Any type of business where term payments are involved, puts the business owner at a risk. While it is imperative for the broker to have a good credit rating to get a good impression from motor carriers, checking on the credit rating of clients and potential clients is also a must-do. It is necessary to do a check every now and then with the clients that you have been working with, to avoid unwanted disputes.

Line of Credit and the Freight Agent

As a freight agent working for a broker, you will have to stick only with the line of credit that the broker issues to a shipper. If the shipper should go over the credit limit, inform your broker about it, or transfer the load to another broker. In this scenario, the agent will feel the benefit of working for more than one broker. Just remember not to make decisions on going over the line of credit for the shipper. Otherwise, you will be responsible for any unpaid accounts.

Selecting What Line of Credit to Provide

A freight broker is responsible for deciding on what line of credit to provide their customers. It is important to do a credit check before you make this crucial decision.

Finding a client where you are assured to always get prompt payment is very essential to your business. Your business cannot survive if all your shippers are not capable of paying on time, or worse not paying at all. You have to pay the carriers too, and any delays or failure to do so, will also destroy your company's credit rating.

Before providing a company with a credit line, you need to check on the corporate credit profile and financial references. While the amount of credit you provide for a company is dependent on what you decide upon, keep in mind that you need to find a balance between the availability of loads from that client and their respective credit rating.

Even if you find a very large company that needs to ship more than 100 loads a month, you will realize that a company that gives you only a few loads per month but has a very credible credit rating, can provide you with peace of mind. A hundred loads is nothing if you are unable to collect payments for the freight. The safest thing to do is ask the company what their average monthly load requirement is, and take only 30% of that total number.

In cases when you already have a customer and you suddenly feel you are having difficulty collecting payments, try to make another investigation. It helps to be on the lookout, as you would want to avoid not getting paid with a number of delivered freights in the future.

Acquiring a DUNS Number for your Freight Brokering Business

Dun and Bradstreet (D&B) is a company that licenses information for any company in the United States, which can be used for credit decisions. A Data Universal Numbering System (DUNS

Number) is what D&B uses to identify every business entity. You can get the number for free simply by visiting their website: http://www.dnb.com/us/.

Please note that D&B will not be able to provide your credit rating unless they get a report from someone or your company purchases a Credit Builder from them. As a broker, you will need to pay a free and supply D&B with your credit references. D&B will go through with the validation of these references.

Aside from D&B, you can also use Experian Business, BusinessCreditUSA, TransUnion, and Equifax Business. However, if you have plans of transporting any freight from the US government, make sure you have a DUNS number. It is a requirement when you do business with the US government.

As a broker, you have to be aware that when you make a post on a load board, the carriers will see your credit rating. Motor carriers also use this as their reference when they are trying to look for brokers who can provide them with a load, because it is also important that they get paid. If your broker credit rating is low, then carriers might prefer other companies over you. Although Trans Credit supplies most load boards with a list of broker credit ratings, these data are pulled from different resources and D&B can be one of them.

Dun & Bradstreet Paydex

The companies' paydex score is the business equivalent to a credit score. Knowing a company's paydex score is one of the most important factors from a business standpoint because it will help you gain the knowledge you need to grow your business.

The definition from Dunn & Bradstreet of The D&B PAYDEX® Score is "D&B's unique dollar-weighted numerical indicator of how a firm paid its bills over the past year, based on trade experiences reported to D&B by various vendors. The D&B PAYDEX Score ranges from 1 to 100, with higher scores indicating better payment performance."

Payment Patterns

100	Payment details may state that payments are received prior to date of invoice (Anticipated).
90	Payment details may state that payments are received within trade discount period (Discount).
80	Payment details may state that payments are received within terms granted (Prompt).
70	Indicates that the payment is 15 days beyond term.
60	Indicates that the payment is 22 days beyond term.
50	Indicates that the payment is 30 days beyond term.
40	Indicates that the payment is 60 days beyond term.
30	Indicates that the payment is 90 days beyond term.
20	Indicates that the payment is 120 days beyond term.
UN	Unavailable

The payment details section can also include the following comments regarding payment patterns:

Antic: which means that payments are received prior to date of invoice (Anticipated).

Disc: which means that payments are received within trade discount period (Discount).

Ppt: which mean that payments are received within terms granted (Prompt).

Slow: which means that payments are beyond vendor's terms.

For example, "Slow 30" means payments are 30 days past due.

Ppt-Slow: which means that some invoices are paid within terms and others are paid beyond terms.

(#): indicates the line where it appears in the listing.

For example, (004) means it is the fourth experience listed.

Business References for Small and Large Corporate Accounts

It is sometimes difficult to find credit ratings for businesses, as compared to individual consumer ratings. That is why business references are very vital. The way this works is you ask for some references from a company where your potential client has a line of credit. Make sure that the business reference can provide you with a credit history that is recent and being actively used at least in the last 12 months. A few months of good feedback from a reference may not be enough to prove that your potential customer is a company with good credit standing. Hence, you will need to look into at least a 12- month period.

For large corporate accounts, a financial statement and letter of credit from their bank may be your best source of information. A letter of credit is not easy to acquire from banks, as they will be required to submit proper business documents and a copy of their business tax returns.

As a broker, while it is your responsibility to properly discern with whom you should extend credit to, there are customers who may be displeased if you do not provide them with a sufficient line of credit. You can provide flexibility by increasing their line of credit, provided that the amount is paid within a certain number of days. The more you do business with the customer, the more you prove how efficient they are in paying their debts. This way, you increase their credit line and even the terms. Do not exceed 30 days though.

Brokers also need to pay carriers and a term beyond 30 days may put you in a situation where you may run out of funds to pay your carriers. Then again, there are factoring companies out there.

Review

Checking credit ratings is not just an important business procedure to undertake, but an imperative measure to protect your business from losing money to customers who are unable to pay their debt. You would not want this to happen, especially when you are just starting your business.

Chapter 5 Summary

Freight Broker Factoring

There is a dilemma that Freight Brokers face when payments are involved, after a load is delivered you are expected to pay the carrier within 30 days, however the shipper has 90 days to pay you. This means that the broker needs to have working capital to pay the carrier.

Two Types of Factoring Companies

There are two types of factoring companies: Recourse and non-recourse. Both recourse and non-recourse factoring companies charge a service fee, which is a percentage of your payment. Recourse factoring companies hold a certain amount of the payment until the shipper pays them in full. Non-recourse factoring companies are the opposite; they do not withhold part of your expected payment, for obvious reasons, non-recourse factoring companies are the preferred choice for Freight Brokers.

Freight Bill Factoring

If a company advances funds to a client, they expect payment from the client's customer. However, at times, the company does not receive the payment, the company can then demand payment under recourse factoring. If they have not assumed credit risk with recourse, factoring becomes the best option because it is generally less expensive. Factoring companies take on bad debt risk in situations of non-recourse.

Factoring and Working Capital

Freight Broker factoring companies are working capital providers for Brokers who do not have a sufficient amount of working capital to pay their carriers, this is a risky but profitable business. In order for a Freight Broker to obtain the assistance of a factoring company, they must provide them with the invoice of the specific load. The factoring company then takes care of the collection of payment from the shipper, which saves you processing time.

Compensation for the Factoring Fee

Factoring companies earn profits by charging the Broker a percentage of the payment that they will be giving you, which is usually around 5%. One way to make up for this fee is to offer the carrier a quick payment if he agrees to reduce the invoice charge.

This is an advantageous deal for carriers because they are guaranteed a quick payment. The principle behind this method is that the quicker you pay the carrier, the more they should be willing to reduce the fee.

UCC Filing by Factoring Companies

As required by law, factoring companies need to submit a UCC filing once a Freight Broker has accepted their contract. UCC stands for Universal Commercial Code and it is a document that provides evidence of a Broker agreement with a factoring company. Also, the document prevents against money laundering on the Freight Broker's part.

Review

Factoring is recommended for Freight Brokers that do not have access to sufficient working capital funds. However, there are times when factoring should not be used.

For example, if your shipper consistently pays you at an earlier date compared to others, you should not use a factoring technique.

Payment Methods Used in Freight Brokering

Recent technological advancements have made, it easier for payments to be expedited and flow more efficiently. Brokers now have many options such as: ACH, EPS, Fuel Cards, Express Codes, Credit Cards, Cell Phone Credit Card Readers, and Payment System Integration Software.

ACH stands for Automated Clearing House transactions: they are used to pay carriers or collect payments from shippers. In order to use this method, all you need is a bank account for your business, which you will provide to the carrier. In order to complete the transaction, the carrier will need to know the bank routing number.

EPS stands for Electronic Payment System: it is the transfer of funds using payment systems like payment cards and express codes. This method is frequently used for truck drivers, as they need funds to pay for fuel as they travel from state to state.

Motor carriers usually control fuel cards. They are provided to truck drivers and are used in the same manner as EPS's.

Express Code: the Broker and the carrier by setting up a fuel network. They allow the Broker to send a payment via the internet, which their truck driver can access at any truck stop within the payment network.

Credit Cards: banks view Freight Brokering as a high-risk activity, so it is important to remember that merchant accounts will have a monthly limit that can be difficult to increase. Note that Freight Brokers have to obtain a credit card from a merchant-processing bank, which differs greatly from a standard bank. One difference is that they charge you for every transaction that is made. After setting up a merchant account, you will be able to accept payments using three different tools: cell phone-credit card readers, POS terminals, and virtual terminals. The cell phone-credit card reader can be used if you have an iPhone, iPad, Droid Phone, or an iTouch. A Point of Sale terminal (POS) is the machine that you use when checking out at the grocery store. A virtual terminal can be used by logging into your merchant account, verifying all of the needed information, and sending the funds.

Payment system integration software allows one to properly monitor payments sent and received by Freight Brokers.

Payment Methods Used for Freight Agents

Freight Broker companies, as well as independent Freight Brokers that have employed a Freight Agent, need to familiarize themselves with Comchek, which is a payment card. Comchek allows you to send and manage payments for your agents. This method is also recommended for paying motor carriers that regularly move shipments for you.

Factoring Receivables with Payment Cards

Factoring companies began using payment card systems to make it easier for carriers. However, brokers are beginning to see how efficient the system is and are using it to receive payments for their invoices. Receiving payments from factoring companies with a payment card works well for individual carriers, because the moment that they send their bill of lading to the factoring company, the carrier will receive the credit on their payment card.

How to Recover Incurred Fees

Almost all available payments systems charge a fee, which is the price we pay for convenience. However, we can recover this fee by passing it on to the carrier by asking for a discount in return of prompt payment.

Checking Credit Ratings

Term payments create risk for the business owner. It is important for everyone involved in the transaction to have a good credit card rating.

Line of Credit and the Freight Agent

Freight Agents need to stick with the one line of credit that the Broker has issued to the shipper. It could be necessary to find a different shipper if they exceed the line of credit.

Selecting What Line of Credit to Provide

Freight Brokers make the decision as to what line of credit to provide to their customers. In order to make an educated decision, Freight Brokers need to perform credit checks on every party involved. Before providing a credit line to a company, the Broker must perform a check on the corporate credit profile, as well as their financial references.

Acquiring a DUNS Number for your Freight Brokering Business

Dun and Bradstreet is a company that licenses financial information for companies in the US. The information that they provide can be used for credit decisions and can be accessed at http://www.dnb.com/us/. D&B cannot provide you with your credit rating unless they have received a report from someone.

Aside from D&B, your company can use Experian Business, Business Credit USA, TransUnion, and Equifax Business. However, if you transport freight for the US government, you will need a DUNS number.

D&B Paydex

A company's paydex score is the equivalent to a credit score and is important information if you are looking to grow. The definition from D&B of The D&B PAYDEX® Score is D&B's unique dollar-weighted numerical indicator of how a firm has paid its bills over the past year. This is based on trade experiences reported to D&B by various vendors. The D&B PAYDEX Score ranges from 1 to 100, the higher score will indicate a better payment performance.

Business References for Small and Large Accounts

Finding credit ratings on large businesses can be difficult, which is why many people use business referrals. Obtaining business referrals can be accomplished if you ask for a reference from a company where your potential client has a line of credit. When doing so, confirm that they will be providing you with a recent credit history.

For large corporate accounts, a financial statement and letter of credit from their bank may be your best source of information. A letter of credit is not easy to acquire from banks, as they will be required to submit proper business documents and a copy of their business tax returns.

Review

Checking credit ratings is vital for the health of your business. Knowing potential customer's credit ratings can help protect your company from doing business with someone that is unable to pay their debts.

Chapter 6

Types of Brokering

The three types of brokering are standard, double, and co-brokering. These are carried out in the same manner, but are different in how the process is employed.

Standard Brokering

Standard brokering is the type of brokering that we have been talking about since the beginning of this manual. It is where a broker acts as a middleman between the shipper and the carrier. The broker gets paid by the shipper and gives payment to the motor carrier. The difference from the payment received from the shipper and the payment given to the carrier is the commission that you get as a broker.

Double Brokering

Double brokering is when the broker goes into an agreement with another broker who will manage the shipment of the customer.

Co-Brokering

Co-brokering is actually similar to double brokering. The only difference is that both parties are aware that there is double brokering involved. We may call this double brokering that is done in a smarter way.

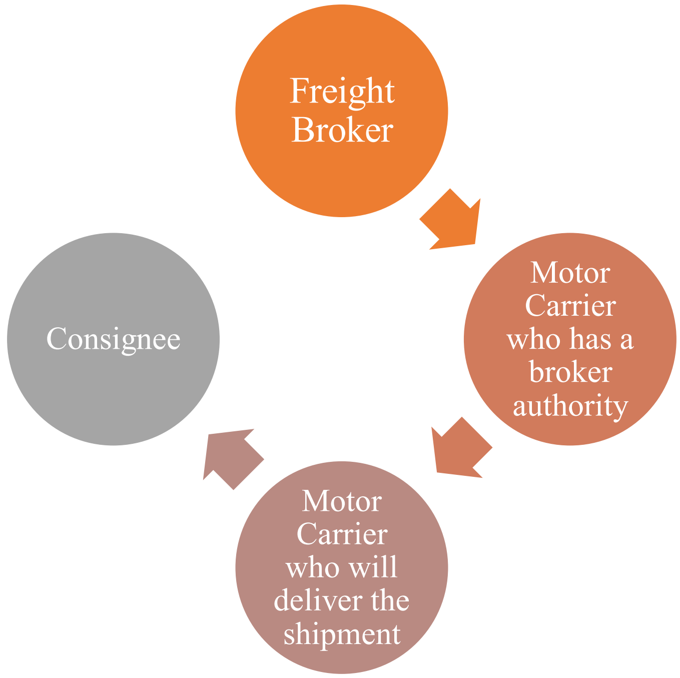
What You Need to Know About Double Brokering

Double brokering is legal, but a broker has to be very careful as there are a lot of legal complications involved which may be very difficult to get away from, and even some of the most experienced lawyers in the field of transportation may find it difficult to deal with.

Brokers who are new to freight brokering usually resorted to double brokering, as it is difficult to find a customer base when they are relatively new. The load boards become their friend as it is what they use to try to find loads from their fellow freight brokers who are willing to get their help find a carrier. Take note that this type of brokering is becoming really popular in the freight brokering industry.

Motor carriers also do double brokering. They are motor carriers who are also licensed brokers, so they are able to pass the load to other carriers. However, they should make sure that the Motor Carrier Authority is issued for a different MC number, and the Broker Authority to another MC number. They should not use the same MC number.

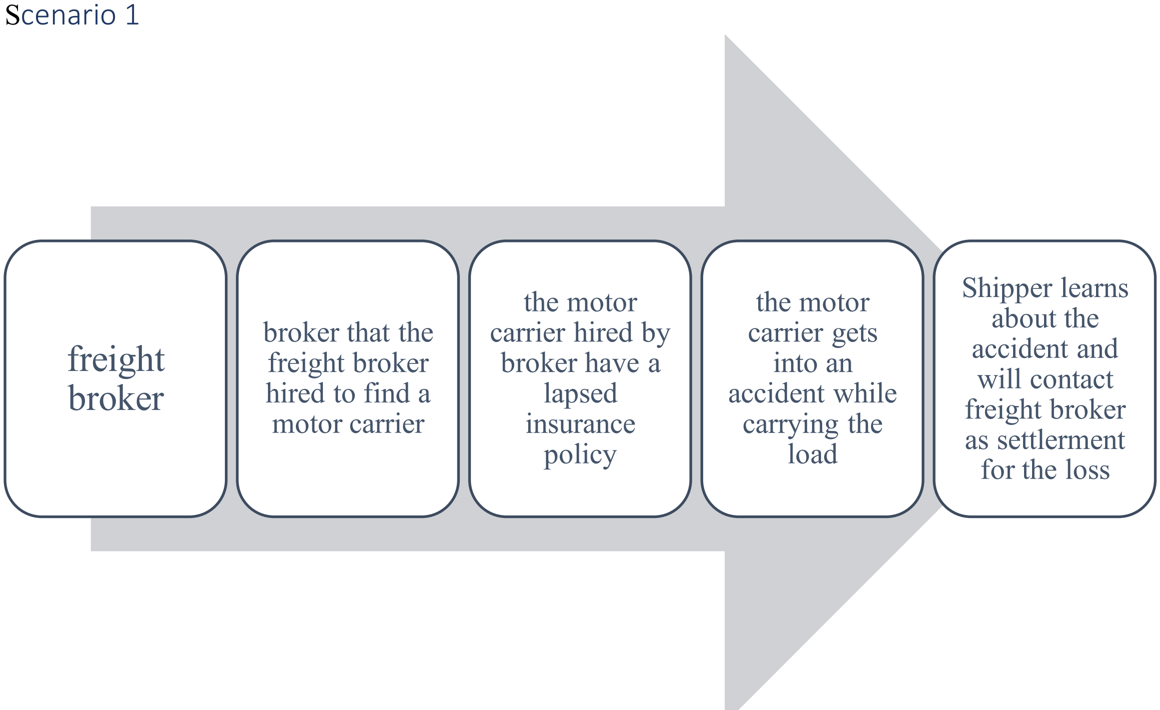
Illustration of Double Brokering



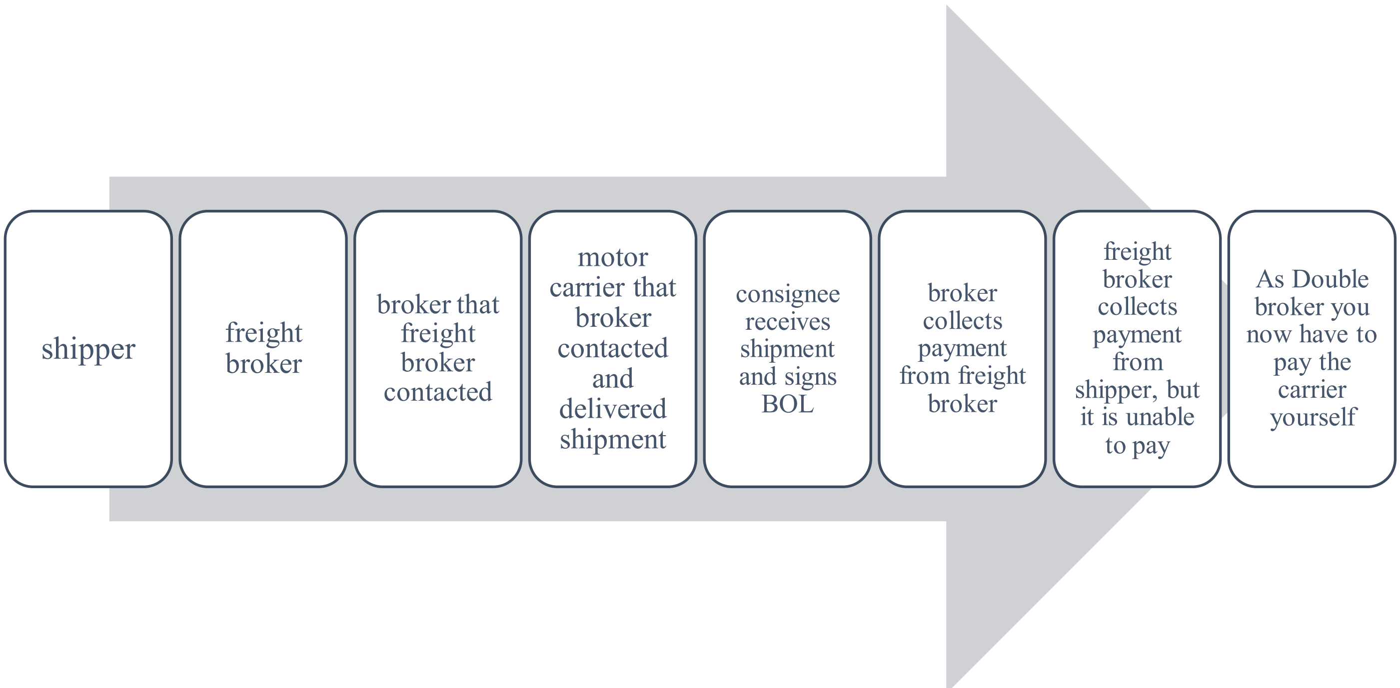
Risks Involved in Double Brokering

Double brokering involves a lot of risks. One minor flaw in the required paper works can result in a very big problem. Below are sample illustrations of problems that may arise when double brokering is involved.

Scenario 1



Scenario 2


shipper
freight broker
broker that freight broker contacted
motor carrier that broker contacted and delivered shipment
consignee receives shipment and signs BOL
broker collects payment from freight broker
freight broker collects payment from shipper, but it is unable to pay
As Double broker you now have to pay the carrier yourself

Risk of Back-end Solicitations

One situation that a freight broker would not want to happen is when somebody steals a loyal customer. It is difficult to get and maintain shippers, and double brokering loads will allow other brokers to get to know your shippers. Even if you have a Back-end Solicitation Agreement signed, there are brokers who will find a way to grab clients away from your company. Situations like these may not be very obvious, and this can mean a loss in revenue for the original brokering company that the shipper utilized.

When the Need of Co-Brokering Arises

As a broker, you should be prepared to take on any type of shipping requirements from your customers. There will be instances when your customer may need to ship products that have unique requirements, but you as a freight broker cannot possibly broker it as you do not have the proper authority. An example of this would be a need to ship goods to Canada and store it in a warehouse.

A Freight Forwarder is what you will be looking for if you need some warehousing. They have the authority for brokering, as well as putting the goods in a warehouse facility. An ordinary motor carrier cannot take this load as they do not also have the proper authority to do so.

Review

No matter how you protect your business from any liability, there is no absolute guarantee to avoid it. Nevertheless, you may be able to reduce the risks by avoiding any chances of getting involved in double brokering. Try your best to have your own customer base. When brokering a load, always have a verbal and written agreement with your carrier that they should only take your available shipment if they are in status as "Motor Carrier". Meaning, even if they have a broker authority, they must not pass the load to another carrier.

In cases when co-brokering may be something unavoidable, you still have the option to decline the load. Just make sure you inform the shipper of your problem, so he understands that it has nothing to do with the services that you offer.

Double Load

Double loads give a broker higher earnings, but is only possible if two or more loads need to be transported in one place or proximity. It can also be possible if one load is along the same route with the other. This type of load is rare though, so every freight broker should take advantage of it when the opportunity is presented. Open trailers are usually used for this type of loads.

The fact that we have discussed double brokering in this chapter, brokers should never get it confused with a double load. They are totally different from each other. Double load, as the name implies, is when one broker transports two loads on one truck.

Facts to Consider When Using Double Loads

A broker cannot take advantage of an opportunity to take on double loads if he is not familiar with the commodity that needs to be shipped. Among the things that a broker needs to know are the weight and dimension of the commodity, to be able to identify what type of trailer needs to be used. Every truck has a load capacity and you would not want to overload one. The usual capacity is from 45,000 to 48,000 lbs. Aside from load capacity, each truck has different lengths. Flatbed trailers are usually 48' long, although there are now 53' flatbeds and step decks.

Before entertaining the idea that a commodity may be entered as a double load, the broker has to determine where it needs to be shipped. A double load may only happen if the load that is at the bottom of the truck is delivered last and the load that is on top needs to be delivered first. Meaning, the final destination of your carrier should be where the bottom load goes and destination for your top load is just somewhere along the way towards your final destination. Then of course, you need to know if the bottom load can handle the top load. This simply means that your top load may be place on top of your bottom load without damaging the bottom load.

It may be handy to keep a list of your motor carriers' equipment's, to immediately determine if their trucks can handle your shipper's load requirements. You need to do this as a broker, in order to determine which carrier and what type of truck you will need with every single shipment you will be brokering.

How to Negotiate Double Loads With a Shipper

Shippers will always look for ways to save on the cost of their shipments, while brokers will look for ways to earn as much as they could as they negotiate the loads. If you have a shipper who has two loads and wants to have it loaded as a Full Truck Load (FTL) to save on shipping costs, you need to start strategizing as a broker. If loading the shipments into an FTL is not possible, the next thing your shipper would want is to use two Less Than Truckloads (LTL) for each load. As a broker, it can be possible to tell the shipper that you will need to haul the goods individually. You can convince the shipper by explaining to them that most carriers have hauling capacities and it is just impossible to haul the two shipments in one truck or do an LTL. This will also serve as your protection, in case you are unable to find a single truck capable of hauling the two loads. You will then have to hire two separate trucks, but at least the shipper already has it covered.

Convincing Motor Carriers to do a Double Load

While it is the aim of the shipper to save on shipping cost, the broker and motor carriers need a reasonable compensation for the services they offer. When negotiating a double load with a motor carrier, make sure that you provide a reasonable compensation for it. Do not pay the carrier for two loads. Instead, use the "per mile" basis for compensation and pay for the additional stops that the truck needs to do. This will let you earn more, while keeping your carrier satisfied with the pay. Below is an example strategy:

1st load

Origin: Boise, ID
Destination: Albuquerque,NM
Distance in Miles: 937
Weight: 17,000 lbs
Length: 24 ft
Shipping Rate: $2000
Broker commission: $300
Payable to Motor Carrier: $1700

2nd load

Origin: Boise, ID
Destination: Carlsbad, NM
Distance in Miles: 1210
Weight: 15,000 lbs
Length: 26 ft
Shipping Rate: $2300
Broker commission: $345
Payable to Motor Carrier: $1955

In the example above, the 1 st and 2 nd load can come from a single shipper, or if you are just too lucky, it may come from two different shippers coming from the same origin and needs to be delivered to almost the same destination. Either way, as a broker, you have the option to earn a total commission of $645 for the two loads. However, if you are a clever broker, you will see an opportunity to earn more by hauling the two loads in a truck.

Here is what a broker can do:

- Go to the load boards and post the two loads as a single load (it will not matter if each load has a separate Bill of Lading)

- Offer a reasonable per mile rate to the carrier (pay for the “stop off” – the stop to unload the 1 st load)

- Using the example above, this is what you will post on the load boards:

What to Post in the Lead Boards

- Origin: Borse, ID
- Destination: Carlsbad, NM
- STOP OFF: Albuquerque, NM
- Weight: 32,000 lbs
- Length: 53 ft
- Miles: 1210
- Shipping rate: $2,300
- Carrier pay: $1955 + $250 (stop off) = $2205

With the rate that you offered the motor carrier, you are paying only $250 instead of $1700 for the first load, simply because you got it paid as a "stop off". Now it's time to do the Math:

Amount Invoiced for Shipper – 1 st Load: $2000 plus 2 nd Load: $2300 equals $4300

Amount Payable to Carrier - $2205

Broker Earnings - $2095

Originally, you would have only earned $645 if you chose to haul the two loads separately. You can use the additional earnings of $1450 to recover from previous loads where you did not do so well.

Invoicing a Double Load

Before anything, when you book a double load, always make sure that you remind the carrier that you need to have the two Bill of Ladings signed. The absence of a signature will not guarantee that the load has been delivered, and should not be paid. Nevertheless, drivers may make mistakes and forget their obligation of having the Bill of Lading signed. Should this happen, you will need to make necessary verifications with the consignee and the shipper before making payment.

Every freight broker has a different system for issuing invoices. When a double load is used, the broker has to issue two invoices. Some details that may be obvious in the invoice, can be attributed to facts like the motor carrier's name, date of shipment, and how many loads the broker has had for that year.

Example:

1st Load – Pro# MF110712-065-A

2nd Load – Pro# MF110712-066-B

In the example above, MF stands for the motor carrier's name – Mercer Freight. Then 110712 indicates the date when the shipment was loaded. The number 65 and 66 means it was the 65 th and 66 th load the brokering company dispatched for that year. The letter "A" refers to the first part of the double load and "B" refers to the second part of the double load.

Your Bill of Lading may have two pro#s, as the motor carrier will also issue their own to keep track of their trucks and drivers.

Freight Lumper

A freight lumper is the term referring to a driver assistant. It is the dockworker that helps in loading and unloading trucks. They are usually independent for-hire workers. Shippers and consignees hire their own lumpers to help in loading and unloading trucks. It is not expected that the truck drivers themselves would load and unload their shipments. They also need to take a break and it is during the loading and unloading of their trucks that they get some rest.

As a freight broker, you need to familiarize yourself with two terminologies: Driver Unload and Driver Assist. Driver unload is the term used when the driver will need to unload a truck and when needed, itemize the load for storage. Driver assist is the term used when the driver has to help in the loading or unloading of the truck. For both these activities, the motor carrier should get compensation.

Usually, carriers will allow their drivers to do driver unload or driver assist if they want to earn extra money. For cases when motor carriers are owner operators and refuse to act as a lumper, the operator needs to hire and compensate lumpers for loading and unloading the truck.

It is also the freight broker's responsibility to gather information from the shipper if the load you are brokering is a Driver Unload or Driver Assist. Pass this information to your motor carrier, as you would not want to make a driver upset if they arrive to load or unload the truck and find out that they cannot take a little nap and will need to help in the loading and unloading process.

How to Compute Lumper Rates

Determining the lumper rate will depend on how much work is needed. The more work, the higher the rate should be. In a situation like this, a broker does not get involved. It is the carrier or the driver who will negotiate with the lumper. However, when you confirm with the shipper that the load will need a Driver Unload or Driver Assist, make sure that the shipper provides an additional payment of $100 to $200 for the shipment. The broker will pass this payment to the carrier to cover the expenses incurred to pay the lumper.

The Hundredweight (CWT)

CWT is the acronym for hundredweight. C stands for Centum and Wt for weight. The hundredweight is the unit of measurement used by freight brokers for computing freight charges. Some types of shipments cannot be calculated on a "per mile" basis, simply because it is affected by factors like the weight, density and value of the goods being shipped. When this happens, the broker should look into the value of the goods and measure it on a "per unit" basis. This is what a hundredweight is.

The United States uses the standard system for hundredweight, and also recognizes short hundredweight (100 lbs). We utilize a standard short ton of 2000 lbs. A freight broker needs to familiarize himself with this standard of measurement, simply because there would be times when a shipper would want to haul heavy commodities where they have a lower margin for profit. In situations like this, they prefer to pay using the Hundredweight, instead of a per mile basis. A hundredweight is equal to 100 lbs.

How a Hundredweight Affects a Motor Carrier

Each individual truck needs to be registered with a Gross Vehicle Weight (GVW) and the usual allowable weight is 80,000 lbs. This weight is the total weight of the whole truck, trailer and the shipped materials loaded on the truck. There are some states that allow up to 100,000 lbs, but this will also depend on the total number of axles of the truck. If you are about to dispatch a load that should travel from one state to another, and you are not familiar with their limits, it is better to stay safe and stick with a GVW of 80,000 lbs.

Shippers who use the hundredweight will need to get details like the "tare weight" of the truck. This is the total weight of the truck and trailer without the load, or also called as the "empty weight". A gallon of diesel weighs around 7lbs. You need to inform your shipper about this, as you would not want the truck getting a traffic citation for being overweight.

Computing a Hundredweight

To make it easy to understand how to compute the hundredweight, let us create a situation. A carrier who is hauling by the hundredweight, needs to calculate the line haul rate on a per mile basis.

Say for example his truck and trailer has a total weight of 29,000 lbs, he can carry a load of up to 51,000 lbs (because the allowed max weight is 80,000 lbs). For the 51,000 lbs load, the shipper is willing to pay $900 and for the carrier to take on a 500 mile trip. The shipment 51,000 translates to 510 units of hundredweight.

$$\$900/510 = \$1.76 \text{ mileage rate}$$

Hundredweights are not calculated based on how many units is being transported. The shipper also needs to take into account the number of miles that the motor carrier needs to travel for the load to be delivered. As the middleman in this transaction, it is your obligation to ask the carrier "How much can you scale?", then try to figure out how many gallons of fuel the carrier might need for transporting the load. For a heavily loaded truck, it usually ends up to just 5 to 7 miles per gallon. With fuel prices going up and down regularly, you will need to negotiate a fairly reasonable price where both parties are satisfied. Do not forget the driver wage that the carrier has to shoulder.

Chapter 6 Summary

Types of Brokering

There are three types of brokering: standard, double, and co-brokering, which are carried out in the same manner but have a different process.

Standard Brokering

Standard brokering is the type that has been referred to in this manual until this point. It is where the Broker is a middleman between the shipper and the carrier. The Broker receives payment from the shipper and then pays the motor carrier, the difference is the Broker's commission.

Double Brokering

Double brokering occurs when the two Brokers enter into an agreement with one another, but the terms are hidden to the agenda and the 2nd Broker will arrange the shipment for the customer. In most cases this is considered illegal.

Co-Brokering

Co-brokering is similar to double brokering with the difference that in double brokering, both parties are aware that double brokering is involved.

What You Need to Know About Double Brokering

Double brokering is legal, but comes with many legal complications. Many new Freight Brokers start by partaking in double brokering, so that they can build their customer base. Motor carriers can also partake in double brokering.

Risks Involved in Double Brokering

Double brokering is very risky; one mistake in the paperwork can result in a major issue.

Risk and Back-End Solicitations

Double brokering can lead to a customer becoming someone else's because it allows another Broker to get to know your shipper. Back-end solicitation agreements are put in place to protect the Broker from losing their customer. However, many Brokers can find a way to get around it.

When the Need for Co-Brokering Arises

Freight Brokers need to be prepared to take on any type of shipments. There will be times when you will have to deny a shipment because you do not have the proper authority to carry it out. This situation can make it easy for the shipper to find a new Freight Broker, which means you will lose future business as well.

Review

Liabilities are unavoidable in certain situations. However, it is important to reduce the risk by eliminating any possible complications. For example, when brokering a load, have a verbal and written agreement with the carrier that will prevent them from finding a new Broker or passing on the load.

Double Loads

Double loads provide Brokers with higher earnings, but can only be done when two or more loads need to be transported, or when one load is along the same route as another. Double brokering is not the same thing as a double load; doubles loads are when a broker transports two loads on one truck.

Facts to Consider When Using a Double Load

In order to take on a double load, the Broker needs to be familiar with the commodity that is being shipped, as well as the weight of the shipment, the dimensions, and what type of trailer is required. Before entertaining the idea of a double load, the Broker needs to know where the load is going. Furthermore, a double load can only happen when the load at the bottom is being delivered last and the load on the top is being delivered first, which means that you need to know if the bottom load can handle the top load.

How to Negotiate Double Loads With a Shipper

Shippers will look for ways to save on the cost of their shipments, while brokers look for ways to earn as much as they can on their loads. This means that you two will have to negotiate in order to come up with a reasonable agreement.

Convincing Motor Carriers to Do a Double Load

You need to provide a reasonable compensation to the motor carrier for a double load when negotiating for it. However, do not pay the carrier for two loads. Instead, use the "per mile" basis for compensation and pay for the additional stops that the truck will make.

Invoicing a Double Load

A double load requires two bills of lading. If a bill of lading is missing a signature, it should not be paid because it could signify that the load was not delivered. Every freight Broker has a different system for issuing invoices. When a double load is used, the Broker has to issue two.

Freight Lumper

A freight lumper is a driver's assistant or dockworker, which helps with loading and un loading the truck. Freight Brokers need to familiarize themselves with two terminologies: driver upload and driver assist. The term driver upload is used when the driver needs to unload a track. Driver assist is used when the driver has to help in loading or unloading the shipment. In both of these cases, it is necessary to provide compensation to the motor carrier.

How to Compute Lumper Rates

Lumper rates depend on how much work is needed; the more work, the higher the pay. However, this is not the Broker's decision and they should not be involved.

The Hundredweight (CWT)

CWT is the acronym for hundredweight; C stands for Centrum and WT for weight. Hundredweight is the unit of measurement used by Freight Brokers for calculating freight charges. This method is used when shipments cannot be calculated at a per mile basis due to factors such as weight, density, and the value of the goods. When this occurs, the Broker should base the cost on a per unit basis, which is what hundredweight is.

How a Hundredweight Affects a Motor Carrier

When using the hundredweight system, each truck needs to be registered with a gross vehicle weight. Most states allow 80,000 lbs, which includes the weight of the truck, the trailer, and the weight of the materials that are being transported.

Computing a Hundredweight

Hundred weights are not calculated by how many units are being transported, nor are they calculated by how many miles are traveled. However, it is your job, as the freight Broker, to determine how many miles per gallon the motor carrier gets, which will impact the hundredweight rate.

A carrier who is using the hundredweight system needs to calculate the line haul rate on a per mile basis.

Chapter 7

Broker Bond and Carrier Insurance

The agency responsible for enforcing operational guidelines in the freight industry is the Federal Motor Carrier Safety Administration (FMCSA). The purpose of its existence is to provide a standard for safety, to make sure all parties involved do not get involved in a financial calamity by requiring them to have the right insurance and bonds.

Freight Forwarder Requirements

There is a point during the transition of your shipment when Freight Forwarders take hold of the freight for shipment physically. This is why Freight Forwarders and Third Party Logistics 3PL brokers need to have their own cargo liability insurance. A bond is not required for these forwarders if they have no intention to broker any part of the shipment. If they do, then they should get a bond.

Motor Carrier Insurance

Motor carriers are required to secure and maintain the proper insurance before they are given a Motor Carrier Authority. The type of insurance should match the type of authority the carrier applied for, together with the types of commodities that they are willing to transport.

Requirements for Trucks with a Gross Vehicle Weight Rating (GVWR) of less than 10,000 lbs:

1. $300,000 (Bodily Injury and Property Damage) – For transporting general non-hazardous commodities.

2. $5 Million (Bodily Injury and Property Damage) – For transporting Class A or B explosives, Poison Gas (Poison A) or highway route controlled quantity of radioactive materials.

Requirements for Trucks with a Gross Vehicle Weight Rating (GVWR) of 10,000lbs or more:

1. $750,000 (Bodily Injury and Property Damage) – For transporting general non-hazardous commodities.

2. $1 Million (Bodily Injury and Property Damage) – For transporting hazardous commodities, except class A & B explosives.

3. $5 Million (Bodily Injury and Property Damage) – For transporting hazardous materials that are listed by the FMCSR in Title 49 CFR 173.403.

Looking at the insurance requirements for motor carriers that carry hazardous materials, it is also highly suggested that freight brokers review the requirements for dispatching a HAZMAT load, prior to dispatching it.

Different Types of Insurance Coverage for Motor Carriers

Freight brokers need to familiarize themselves with the required insurance for motor carriers. It is a broker's responsibility to make sure that the carrier has the right coverage by identifying it in their certificate of insurance. These carriers may have the following types if insurance coverage:

- Primary liability – Covers damages or injuries to other people that can result from an accident with the truck.

- Cargo insurance – Covers the cargo being transported by the carrier in case it gets lost or damage while being transported. This amount should be clearly established in the bill of lading or published tariffs before any shipment moved.

- Physical damage – Covers the truck itself in case it gets into an accident, catches on fire, gets stolen, gets vandalized or any other types of destruction. This is also referred to as the "full coverage"

- Occupational accident coverage – Covers the owner-operators with medical benefits in cases of work-related accidents, injury or death.

- Non-trucking liability (for bobtail trailers) – Covers an owner-operator who is leased to a motor carrier. The truck is only covered when it is not under a dispatch or pulling a trailer. Once the truck is under a dispatch or pulling a trailer, the primary liability coverage comes in.

- General liability – Uses a broad protection for incidents like injury while using products and services, damages to the property and equipment, etc.

Generally, motor carriers are covered with a $100, 000 cargo liability. However, if you have a customer who needs a higher coverage because they are shipping highly valuable commodities, it may become difficult to find a motor carrier willing to take the freight. It is best to set the minimum requirements with the shipper.

Make it a standard operating procedure to have the carrier fax their Certificate of Liability Insurance before you begin any dispatch. Verify that it has enough coverage. Ifit is a very expensive item, ask your shipper for the amount of Cargo Liability they need. If HAZMATs are involved, double check if the carrier's Primary Liability Coverage is sufficient.

Freight Broker Insurance

Freight agents work under a freight broker, and are therefore not required to have insurance. The freight broker that a freight agent works for is responsible for being compliant with an insurance policy and freight broker bond. Before a freight broker obtains a Broker License, it is a requirement to procure a $75,000 surety bond or trust fund. Freight brokers however, are not yet required to obtain a cargo and general liability insurance.

The surety bond serves as a protection for those that the freight broker engages business with. If you entered a contract with a carrier and failed to pay, they have the right to file a complaint towards your bond. Although this is something that you would not want to happen, if the FMCSA will rule against you, then you are in danger of having your broker authority revoked.

A freight broker's insurance policy protects the broker in unexpected events like when a carrier and its insurance company might not take responsibility for an insurance claim. There are so many possibilities for this to happen, it can be due to a dispute for some negligence, not enough coverage or a lapse on the payment. There are four types of insurance that a broker can obtain:

- General Liability – Covers any liability that is not covered by the cargo or auto liability. Situations like causing injury to a third party while unloading the shipment. A defense coverage is provided and a lawyer will be assigned by the insurance company for defending the broker, but if found liable, the insurance pays for the settlement based on the policy.

- Contingent Auto Liability – Covers for any accident, bodily injury, property damage or death that might happen to the carrier that the broker has contracted. A defense lawyer is also provided to defend the broker in case of legal disputes. Settlements that both parties may agree upon will also be shouldered by the insurance (only amounting to the policy limit), if the broker/forwarder is proven liable.

- Contingent Cargo Liability –Covers for the loss or damage on the commodity transported by the carrier, in the event that it is not covered by the carrier's primary policy. Assistance is also provided for collecting claims from carriers and their insurance provider. Legal costs of lawsuits are also covered.

- Errors and Omissions Insurance – E&O covers for any damage or financial loss on the part of the shipper which resulted from an error or omission made by the broker. This usually happens when a time-sensitive shipment was not delivered on time. This can incur a loss for the customer and may also result in the customer losing a valuable consignee. If the broker made the mistake of sending the shipment to the wrong address, then he becomes liable.

Contingent Liability Insurance vs. Surety Bond

Knowing that a surety bond is required before operating a freight brokering business, most brokers ask the question: "Why can't I just use my surety bond and skip the contingent liability insurance?" The two are entirely different. Your contingent liability insurance protects you from any liabilities. The surety bond on the other hand, protects those that you do business with, like a shipper failing to send payment for a delivered shipment, where the broker needs to pay the carrier.

The Advantage of Getting a Contingent Liability Insurance

Although freight brokers are not legally required to obtain a contingent liability insurance, we would highly recommend that you get one for your freight brokering company, to protect you from any unforeseen events that may come your way. Even if a broker carefully examines the insurance policy of the carrier, there are some things that might happen and will make them thankful they are covered with a contingent liability insurance:

- A carrier that you have worked with for several loads is taking your dispatch. You become lax as you have already checked his insurance certificate several times and you know it is not yet expiring. You have not worked with the carrier for 3 months and now you are hiring him to haul a load. While taking a break, part of the cargo was stolen. While you are thinking that the carriers' cargo liability insurance will take care of it, you discovered that the policy is lapsed because of non-payment. You will be glad that you have a contingent cargo liability that will take care of it for you.

- Carrier is covered by insurance but his load flies off the truck and hits several people. The insurance company refuses to pay the claim and insist that someone was negligent for not securing the load. Although it is not the broker's fault, he can be found liable in the end and it is the contingent auto liability insurance that takes care of this.

Checking for a Lapsed Insurance Policy

While it can be easy to check on what type of insurance coverage your motor carrier carries, the most important thing to look out for is a lapsed insurance policy.

Fortunately, it is not a difficult thing to do. There are online monitoring services that you can use and it is handled automatically by these websites. Carrier411 is one good website that offers this type of service. If you use their service, you can print out a “due diligence certificate”, that will stand as your proof for reviewing the policy of your carrier.

You might also want to check Registry Monitoring Insurance Services Inc. (RMIS). Aside from a carrier insurance tracking, they also offer insurance verification, contingent cargo insurance. DOT reporting, and Claims Assistance. The good thing with this is that it has the capability of being integrated into broker software. That makes the jobs of the broker easier.

Review

After going over the discussion in this chapter on broker bond and carrier insurance, it is now clear that the only way to protect your brokerage from liabilities is by getting a contingent liability insurance. Without it, you may also limit your income potential, as shippers tend to stay away from brokers that do not have this type of protection.

Chapter 7

Broker Bond and Carrier Insurance

The agency responsible for enforcing operational guidelines in the freight industry is the Federal Motor Carrier Safety Administration (FMCSA). The purpose of its existence is to provide a standard for safety, to make sure all parties involved do not get involved in a financial calamity by requiring them to have the right insurance and bonds.

Freight Forwarder Requirements

There is a point during the transition of your shipment when Freight Forwarders take hold of the freight for shipment physically. This is why Freight Forwarders and Third Party Logistics 3PL brokers need to have their own cargo liability insurance. A bond is not required for these forwarders if they have no intention to broker any part of the shipment. If they do, then they should get a bond.

Motor Carrier Insurance

Motor carriers are required to secure and maintain the proper insurance before they are given a Motor Carrier Authority. The type of insurance should match the type of authority the carrier applied for, together with the types of commodities that they are willing to transport.

Requirements for Trucks with a Gross Vehicle Weight Rating (GVWR) of less than 10,000 lbs:

1. $300,000 (Bodily Injury and Property Damage) – For transporting general non-hazardous commodities.

2. $5 Million (Bodily Injury and Property Damage) – For transporting Class A or B explosives, Poison Gas (Poison A) or highway route controlled quantity of radioactive materials.

Requirements for Trucks with a Gross Vehicle Weight Rating (GVWR) of 10,000lbs or more:

1. $750,000 (Bodily Injury and Property Damage) – For transporting general non-hazardous commodities.

2. $1 Million (Bodily Injury and Property Damage) – For transporting hazardous commodities, except class A & B explosives.

3. $5 Million (Bodily Injury and Property Damage) – For transporting hazardous materials that are listed by the FMCSR in Title 49 CFR 173.403.

Looking at the insurance requirements for motor carriers that carry hazardous materials, it is also highly suggested that freight brokers review the requirements for dispatching a HAZMAT load, prior to dispatching it.

Different Types of Insurance Coverage for Motor Carriers

Freight brokers need to familiarize themselves with the required insurance for motor carriers. It is a broker's responsibility to make sure that the carrier has the right coverage by identifying it in their certificate of insurance. These carriers may have the following types if insurance coverage:

- Primary liability – Covers damages or injuries to other people that can result from an accident with the truck.

- Cargo insurance – Covers the cargo being transported by the carrier in case it gets lost or damage while being transported. This amount should be clearly established in the bill of lading or published tariffs before any shipment moved.

- Physical damage – Covers the truck itself in case it gets into an accident, catches on fire, gets stolen, gets vandalized or any other types of destruction. This is also referred to as the "full coverage"

- Occupational accident coverage – Covers the owner-operators with medical benefits in cases of work-related accidents, injury or death.

- Non-trucking liability (for bobtail trailers) – Covers an owner-operator who is leased to a motor carrier. The truck is only covered when it is not under a dispatch or pulling a trailer. Once the truck is under a dispatch or pulling a trailer, the primary liability coverage comes in.

- General liability – Uses a broad protection for incidents like injury while using products and services, damages to the property and equipment, etc.

Generally, motor carriers are covered with a $100, 000 cargo liability. However, if you have a customer who needs a higher coverage because they are shipping highly valuable commodities, it may become difficult to find a motor carrier willing to take the freight. It is best to set the minimum requirements with the shipper.

Make it a standard operating procedure to have the carrier fax their Certificate of Liability Insurance before you begin any dispatch. Verify that it has enough coverage. Ifit is a very expensive item, ask your shipper for the amount of Cargo Liability they need. If HAZMATs are involved, double check if the carrier's Primary Liability Coverage is sufficient.

Freight Broker Insurance

Freight agents work under a freight broker, and are therefore not required to have insurance. The freight broker that a freight agent works for is responsible for being compliant with an insurance policy and freight broker bond. Before a freight broker obtains a Broker License, it is a requirement to procure a $75,000 surety bond or trust fund. Freight brokers however, are not yet required to obtain a cargo and general liability insurance.

The surety bond serves as a protection for those that the freight broker engages business with. If you entered a contract with a carrier and failed to pay, they have the right to file a complaint towards your bond. Although this is something that you would not want to happen, if the FMCSA will rule against you, then you are in danger of having your broker authority revoked.

A freight broker's insurance policy protects the broker in unexpected events like when a carrier and its insurance company might not take responsibility for an insurance claim. There are so many possibilities for this to happen, it can be due to a dispute for some negligence, not enough coverage or a lapse on the payment. There are four types of insurance that a broker can obtain:

- General Liability – Covers any liability that is not covered by the cargo or auto liability. Situations like causing injury to a third party while unloading the shipment. A defense coverage is provided and a lawyer will be assigned by the insurance company for defending the broker, but if found liable, the insurance pays for the settlement based on the policy.

- Contingent Auto Liability – Covers for any accident, bodily injury, property damage or death that might happen to the carrier that the broker has contracted. A defense lawyer is also provided to defend the broker in case of legal disputes. Settlements that both parties may agree upon will also be shouldered by the insurance (only amounting to the policy limit), if the broker/forwarder is proven liable.

- Contingent Cargo Liability – Covers for the loss or damage on the commodity transported by the carrier, in the event that it is not covered by the carrier's primary policy. Assistance is also provided for collecting claims from carriers and their insurance provider. Legal costs of lawsuits are also covered.

- Errors and Omissions Insurance – E&O covers for any damage or financial loss on the part of the shipper which resulted from an error or omission made by the broker. This usually happens when a time-sensitive shipment was not delivered on time. This can incur a loss for the customer and may also result in the customer losing a valuable consignee. If the broker made the mistake of sending the shipment to the wrong address, then he becomes liable.

Contingent Liability Insurance vs. Surety Bond

Knowing that a surety bond is required before operating a freight brokering business, most brokers ask the question: "Why can't I just use my surety bond and skip the contingent liability insurance?" The two are entirely different. Your contingent liability insurance protects you from any liabilities. The surety bond on the other hand, protects those that you do business with, like a shipper failing to send payment for a delivered shipment, where the broker needs to pay the carrier.

The Advantage of Getting a Contingent Liability Insurance

Although freight brokers are not legally required to obtain a contingent liability insurance, we would highly recommend that you get one for your freight brokering company, to protect you from any unforeseen events that may come your way. Even if a broker carefully examines the insurance policy of the carrier, there are some things that might happen and will make them thankful they are covered with a contingent liability insurance:

- A carrier that you have worked with for several loads is taking your dispatch. You become lax as you have already checked his insurance certificate several times and you know it is not yet expiring. You have not worked with the carrier for 3 months and now you are hiring him to haul a load. While taking a break, part of the cargo was stolen. While you are thinking that the carriers' cargo liability insurance will take care of it, you discovered that the policy is lapsed because of non-payment. You will be glad that you have a contingent cargo liability that will take care of it for you.

- Carrier is covered by insurance but his load flies off the truck and hits several people. The insurance company refuses to pay the claim and insist that someone was negligent for not securing the load. Although it is not the broker's fault, he can be found liable in the end and it is the contingent auto liability insurance that takes care of this.

Checking for a Lapsed Insurance Policy

While it can be easy to check on what type of insurance coverage your motor carrier carries, the most important thing to look out for is a lapsed insurance policy.

Fortunately, it is not a difficult thing to do. There are online monitoring services that you can use and it is handled automatically by these websites. Carrier411 is one good website that offers this type of service. If you use their service, you can print out a "due diligence certificate", that will stand as your proof for reviewing the policy of your carrier.

You might also want to check Registry Monitoring Insurance Services Inc. (RMIS). Aside from a carrier insurance tracking, they also offer insurance verification, contingent cargo insurance. DOT reporting, and Claims Assistance. The good thing with this is that it has the capability of being integrated into broker software. That makes the jobs of the broker easier.

Review

After going over the discussion in this chapter on broker bond and carrier insurance, it is now clear that the only way to protect your brokerage from liabilities is by getting a contingent liability insurance. Without it, you may also limit your income potential, as shippers tend to stay away from brokers that do not have this type of protection.

Chapter 7 Summary

Broker Bond and Carrier Insurance

The agency that enforces operational guidelines for the freight industry is the Federal Motor Carrier Safety Administration. They provide a safety standard, which requires all parties involved to have the proper insurance and bonds in place.

Freight Forwarder Requirements

Freight forwarders and 3PL brokers need to have their own cargo liability insurance because there is a point when they physically have the freight. However, they do not have to obtain a bond unless they intend to broker part of the shipment.

Motor Carrier Insurance

Before given a Motor Carrier Authority, motor carriers are required to secure and maintain the proper insurance, which needs to match the type of authority that the carrier applied for. Motor carriers that transport hazardous materials need a special type of insurance. Furthermore, it is suggested that freight brokers review the requirements for HAZMAT loads prior to dispatching them.

Freight brokers also need to familiarize themselves with the required insurance for motor carriers because it is their responsibility to ensure that the carrier has the appropriate type of coverage.

Freight Broker Insurance

Freight agent's work under a freight broker, which means that they are not required to secure insurance. Freight brokers are required to obtain the correct type of insurance as well as a surety bond of $75,000. A freight broker cannot apply for their broker license until they have secured the Surety Bond and necessary filings.

Surety bonds serve as protection or insurance for parties involved with the freight broker. Furthermore, a freight broker's insurance policy protects them against unexpected events such as negligence and a lapse on a payment. There are four types of insurance that a broker can obtain: general liability, contingent auto liability, contingent cargo liability, and errors and omissions insurance, each of which serves a different function.

Contingent Liability Insurance vs. Surety Bond

Contingent liability insurance and surety bonds are completely different. Contingent liability insurance protects you from liabilities where a surety bond protects those that you do business with.

The Advantage of Getting Contingent Liability Insurance

Contingent Liability Insurance is not a legal requirement for freight brokers; however, they are vital when it comes to protecting them from unforeseen events. For example, you hire a carrier that you have not worked with for three months. You have checked their insurance certificate several times and are ready to hire them. The carrier accepts the load but while taking a break, part of the shipment was stolen. In this case, the carriers cargo liability insurance should take care of it but that is when you find out that their policy expired. In a situation such as this, your contingent cargo liability insurance will come in handy. We recommend Josh Hancock for insurance for brokers. His website

Checking for Lapsed Insurance Policy

When looking at a motor carriers insurance policy, the most important aspect is checking if it has lapsed. Fortunately, this is not a difficult task thanks to online monitoring services such as carrier411.com. Carrier411.com allows you to print a "due diligence certificate," which is proof to the carrier that you have reviewed the policy. Another place you can check for updated information on motor carriers insurance policies is Registry Monitoring Insurance Services Inc. RMIS offers insurance tracking, insurance verification, and contingent cargo insurance. RMIS Website

Review

Obtaining contingent liability insurance is the best way to protect you, as a broker, from unforeseen events. Furthermore, many shippers tend to only do business with brokers that have this type of insurance, which means that you could be missing out on business opportunities if you do not obtain it.

Chapter 8

Freight Claims

It is usually the shipper or the consignee who will file for any claim for damage or lost freight. Accidents are unavoidable, even if the freight broker takes all necessary precautions to haul every shipment carefully. Although claims for damage or lost freight does not happen frequently, every freight broker needs to be prepared when it does occur.

Obtaining a copy of the carrier's insurance certificate is the responsibility of the broker, and this must be done before you sign the Broker/Carrier Agreement. There are four important documents that a broker needs to obtain from the carrier before allowing them to haul a load:

1. Carrier Authority
2. Carrier Insurance Certificate
3. Form W-9
4. Rate Sheet

The carrier has to specify in the Broker/Carrier Agreement contract, that the broker and the shipper are held harmless for any claims or acts of omission. This will take the liability off from the broker and put it into the broker. The carrier is the one who will be handling the goods being shipped and is therefore the one who should be liable for any damages that the broker has no control of.

Driver Responsibilities for Claims

Drivers are given instructions by carriers to carefully inspect every item loaded into the truck for any damages, to protect them from any liability issues. The driver is responsible for taking note of any OS&D (Overage, Shortage, or Damage) before any material is loaded into the truck. Failure to do so, will make them responsible for it. In case a driver notices an OS&D, it is important to have it noted in the bill of lading and have it witnessed and signed by the shipper. This is the only safe instance for a driver to accept or load damaged freight.

Broker's Responsibilities for Claims

The broker, being the middleman in this business, should be responsible for giving any contact information needed by the shipper or carrier in case they need to resolve a claim. Even if it is not insurance that is responsible for settling the claim, as a responsible broker, you need to help your customer and be available for mediation.

The one thing that you have to remember, insurance companies run a business, and the last thing they want to do is pay a claim without even investigating. Expect them to hire adjusters to investigate. Cooperate during the investigation and provide them with necessary information to help your customer get the settlement they need. In the event that the insurance policy is lapsed and the freight is not covered by a claim, a broker can use the contingent cargo insurance.

There are several factors that govern the way freight claims are handled. The shipper's tariff, carrier's tariff, the obligations specified in the Bill of Lading, and any special negotiations. Sometimes, the State, Federal and International laws may be applied, depending on the type of shipment involved.

Three Types of Freight Claims

Freight claims can occur then the freight is mishandled during shipment, stolen, or taken to the wrong destination. When a freight uses LTL, there is a higher risk for damage or loss to take place, as these are handled several times by several people. Let us discuss the three types of freight claims:

1. Freight Damaged in Transit - As the name implies, this is a claim for damage on a freight that occurred during transit, or while the freight was still under the care of the carrier. Any visible dents on the shipping container or the freight itself that is not contained in a box, is an evidence of damage. Spoiled perishable items are also classified as damaged in transit. Any freight that is also damaged as a result of the carrier's negligence on keeping the required agreed temperature while the item is transported (Wines for example), falls under this category. Damages are noted on the Bill of Lading by the consignee upon the delivery of the shipment.

2. Freight Lost in Transit -This covers freight that may be in a truck when it is hijacked, also any freight that might have been stolen on the way while the driver was not paying attention. Another situation that is covered by this type of claim is shipment that is delivered to the wrong address and the driver fails to deliver the goods within a reasonable amount of time. Even if the freight was not lost "literally", income may be lost because of the delays. Say for example a shipment of frozen turkey arriving a day after Thanksgiving Day.

3. Concealed Damage - This covers freight that may look physically ok while they are inside the containers, but is damaged once the items are unpacked.

How Damaged Freight is addressed

Motor carriers need to know that a consignee has the option of rejecting an entire load of freight if it is very obvious that the freight has major damage. If this happens, the driver needs to contact his carrier company. The carrier needs to inform the broker and shipper of the situation and from there, provide instructions to the driver on what to do with the shipment. If there should be any repacking and re-routing involved, additional freight charge needs to be computed and the broker needs to determine who will pay for the charges.

For minor damages, the consignee can accept the freight but needs to note any damages on the Bill of Lading. Motor carriers need to instruct their drivers on what to do if the consignee claims damage. The driver should get sufficient information and as much as possible, ask the consignee to take pictures and provide a copy to the driver. This will serve as evidence when claiming for damages from the insurance company.

Freight claims may be filed by the consignee or the shipper. This depends on the F.O.B (free on board) designation, and any other contract signed by both parties where the responsibility for the freight is stated. The F.O.B. designation helps in pointing who is accountable for the shipment while it is in transit. Being the freight broker who might be in the middle of the two parties, you need to read and understand the Bill of Lading and figure out who you will offer your assistance to.

How to File a Freight Claim

When a freight claim is filed, there is no specific format needed. However, important data must be present to be able to make a legal claim:

- Identification of the shipment - Includes the date the shipment was taken, date of delivery, carrier's Pro#, shipper's number, vehicle number, and detailed description of freight.
- Indicate the type of damage (visible, transit, or concealed)
- Original or a certified original copy of the Bill of Lading
- Proof of payment for the freight bill
- Loading/unloading sheet reports
- Photo evidence
- Driver's Temperature Reports (for temperature controlled freight)
- Reasonably priced estimated amount of loss
- A formal demand for payment
- Identify the claimant - the person who is liable for the freight during transit

After this information is filed, a claim should be made with the carrier immediately. This should meet the specific time frame that is set out within the carrier's tariff. In cases when there are several carriers involved during the shipment, a claim that is filed on the originating or final carrier, is considered as a claim filed to all the carriers involved. In cases like this, a claim is filed by a carrier in the chain of the delivery to another carrier, without the shipper being involved directly.

Processing a Freight Claim and Investigation

A freight broker is required by law to acknowledge the receipt of a freight claim within 30 days. Otherwise, it can result to some fines and penalties and the freight broker losing the claim by default. So when you receive a claim, make sure that you assign a particular internal tracking number and take note of the claimants tracking number, if there is any.

An investigation usually follows, to determine the merits of the claim. After the investigation, a decision will be made regarding the dispute. Claim investigations follow the procedures that are laid out by the NMFC "Principles and Practices" for Investigation of Freight Claim, not unless your insurance company follows a different requirement. All the terms and conditions laid out in the Bill of lading, tariff and contracts should be included.

The amount of time that you should put in a freight claim should be minimal, unless you become a freight forwarder or 3PL broker. You certainly have other things to do that need your attention if you want to stay in business.

Review

As a freight broker, it does not matter who is at fault for the loss or damage that is being claimed, what you should be more concerned about is having a strong relationship with your business partners and that said, the processing of any claim will be faster

The moment you get a notice of a claim, immediately file the notice with your carrier. Time is a very important element. The sooner they are aware of the matter, the more time they have to gather pertinent date to smoothen the process of the settlement.

Maintaining a good relationship and knowing both your shippers and carriers will help you avoid or keep freight claims at a minimum. Provide assistance when you see that your customers need it. Your attitude towards your customers will be the reason why they want to keep doing business with you.

Chapter 8 Summary

Freight Claims

The shipper or the consignee, are responsible for the filing of claims related to damages or lost freight. Instances such as these do not happen frequently; however, they are unavoidable, which is why freight brokers need to be prepared.

Freight brokers need to obtain a copy of the carrier's insurance certificate before they sign the Broker/Carrier Agreement. After that, the broker needs to also obtain the carrier authority, the carrier insurance certificate, the W-9 form, and the carrier's rate sheet.

Driver Responsibility for Claims

Drivers are instructed to carefully inspect every item loaded into their truck for damages. The driver is responsible for noting any overage, shortage, or damage within the load; failure to do so lands on themselves. If a driver does find an OS&D, they need to have it noted on the bill of lading, which needs to be signed by the shipper.

Broker's Responsibility for Claims

During claims, the broker is responsible for providing contact information to the carrier and the shipper. When there is a claim, every party needs to be aware that insurance companies will investigate via an adjuster. When dealing with an insurance adjuster, it is important to comply in order to get your customer the settlement that they deserve. If an insurance company is lapsed and the freight is not covered by a claim, a broker can use their contingent cargo insurance.

Three Types of Freight Claims

Freight claims may become necessary when freight is mishandled, stolen, or taken to the wrong destination. There are three different types of claims: freight damaged in transit, freight lost in transit, and concealed damage.

Freight damaged in transit is the term used when damage occurs during transit as well as when the freight is under the care of a carrier. In this case, only spoiled perishable items and dents on shipping containers apply.

Freight lost in transit covers situations such as when freight is stuck in a hijacked truck, when freight is delivered to the wrong location and the driver fails to deliver it to the correct one in a timely manner, and when it is stolen.

Concealed damage claims consist of ones in which the freight looks okay but is actually damaged internally.

How Damaged Freight is Addressed

Consignees have the right to deny freight that is damaged. In this event, it is the driver's responsibility to contact their carrier company and then the carrier's responsibility to inform the broker and provide instructions for the driver. In the end, the broker needs to decide on who bares the charges. If there are minor damages, the consignee can still accept and note them on the bill of lading.

The consignee or the shipper can file freight claims; however, this depends on the F.O.B. destination and other contracts signed by both parties.

How to File a Freight Claim

Filing a freight claim does not involve a specific format, however, there is a lot of information that needs to be obtained such as: identification of the shipment, indication of the type of damage, a copy of the bill of lading, proof of payment for the freight bill, loading/unloading sheet reports, photo evidence, the driver's temperature report (for temperature controlled freight), a dollar amount for the estimated loss, a formal demand of payment, and to identify the claimant.

Processing a Freight Claim and Investigation

A freight broker needs to acknowledge the receipt of a freight claim within 30 days. If they do not, they will be faced with fines and penalties as well as the broker losing the claim by default. An investigation follows after the broker acknowledges the claim. This investigation determines the merits of the claim and then a decision will be made.

Review

As a freight broker, it does not matter who is at fault for the loss or damage of the claim; instead, they need to have a good relationship with their business partners, which will ensure efficiency when filing the claim.

Chapter 9

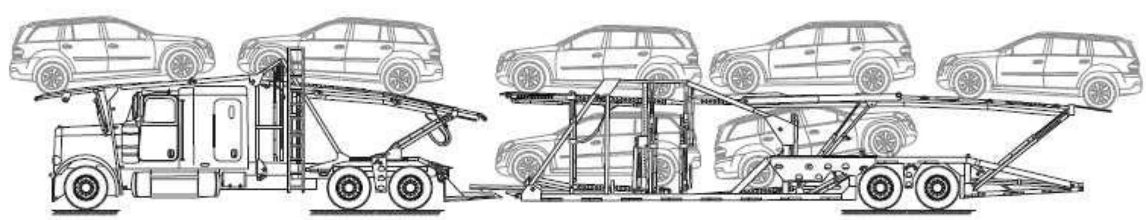
Types of Trailers

A trailer is generally an unpowered vehicle pulled by a powered vehicle. Commonly, the term trailer refers to such vehicles used for transport of goods and materials. There are many types of trailers, and they vary according to the type of the cargo they carry. Each type of trailers provides the maximum carrying capacity, safety and stability for the cargo it carries. In the following we will discuss the general types of trailers and their specifications.

Auto Carrier

Auto Carriers are tractor-trailers designed to carrying and transport cars, vehicles, trucks, vans and generally different types of automobiles. These tractors transport vehicles among manufacturing plants, stores, distributors, port …etc.

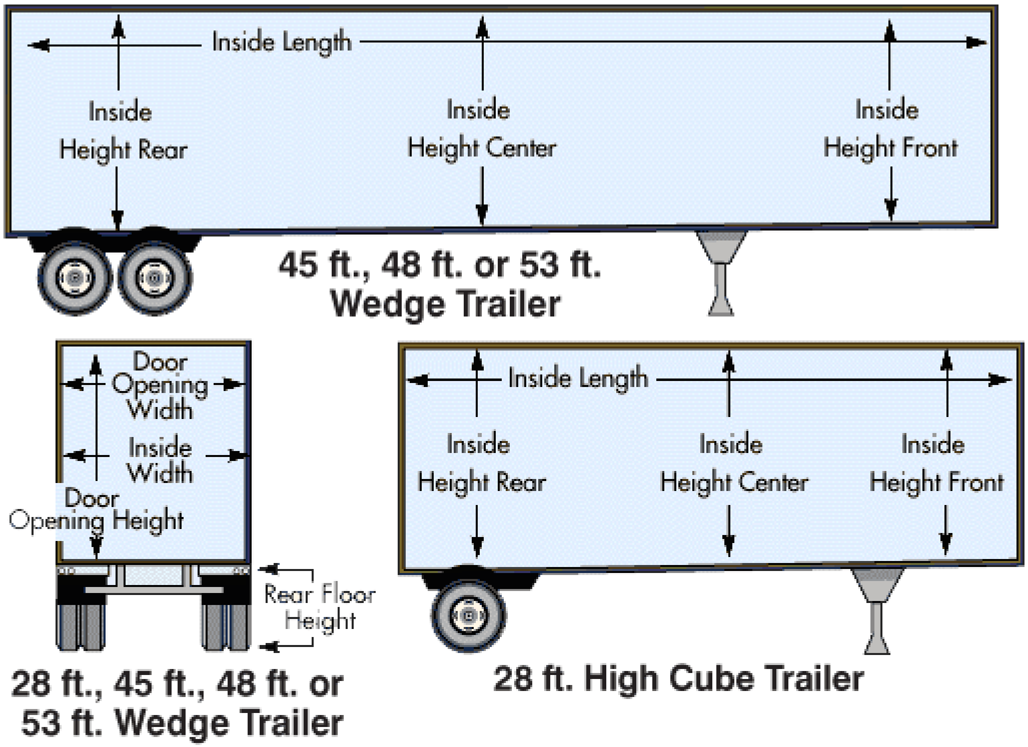
VARIATIONS



Open commercial car carrier trailers typically have a double-decker design, with both decks subdivided into a number of loading and storage ramps that can be tilted and lifted independently of one another with hydraulics. An American commercial car carrier typically fits between 5 and 9 cars, depending on the car size and trailer model. Capacity is limited by an 80,000 lb. weight cap according to U.S. road vehicle law.

Dry Van Trailer

Dry vans are the most common type of freight trailers hauled by commercial trucking companies. Dry vans are the "box" type trailers used to transport general commodities, furniture, industrial materials, cleaning materials, goods …etc.



There are several subtypes of dry vans as well. A curtain side van is a type of dry van with sides made of heavy fabric. You can move the curtains, allowing easier loading while protecting the load from the elements better than a flatbed trailer might. Refrigerator vans, commonly called reefers, are another type of dry vans that will be discussed later.

Refrigerated Trailers

Refrigerated Trailers (can be called Reefers) are similar to dry van trailers in that they are enclosed, and are loaded from the rear of the trailer. These types of trailers however can be temperature controlled. They can keep freight being transported frozen or chilled. In the same case, if the weather outside of the trailer is freezing, and the freight must not freeze it can keep the temperature inside the trailer controlled as desired. This type of trailers is usually used to transport food and produce such as: meat, fish, vegetables, milk, fruits …etc.

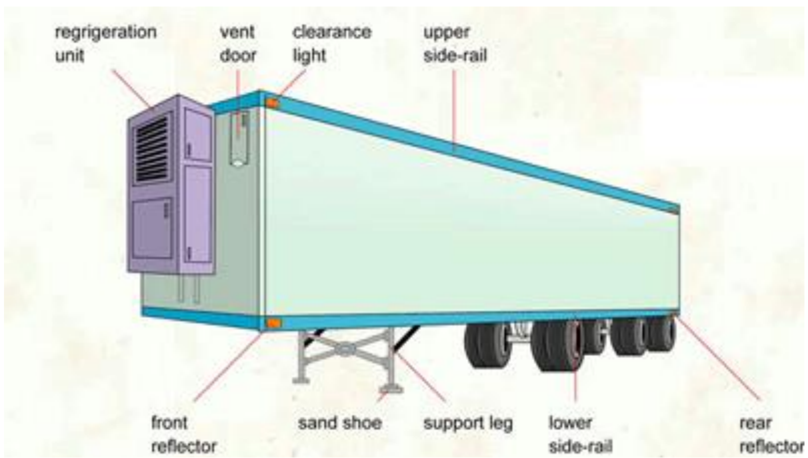
Max. Freight Weight 42,000-45,000lbs

Max. Freight Dimensions Main Deck

Length - 48 or 53 ft.

Width - 8ft. 2in.

Height - 8ft.



Precautions and Procedures

Refrigerated Freight requires special precautions and procedures followed by both freight brokers and consigners. The nature of shipments loaded by refrigerated trailers imposes different scenarios than other freight types. Food and produce are usually picked up from the field just before the scheduled transportation to be as fresh as possible. Therefore, the carriers may have to wait until the shipment to be ready. Before the loading process, the shipment is subjected to extra refrigeration to avoid any possible loss of temperature that may occur during the loading process.

Due to the vulnerability of the shipment and the slim profit margins of this type of freight, carriers should be eager to preserve and deliver the shipment in the best condition to avoid any possible insurance claims. On the other hand, most consigners follow some procedures before accepting the incoming shipment. Motor carriers are checked if they meet certain guidelines. The trailer is checked if it's clean, hygiene and doesn't contain any insects or rodents. Temperature is checked and recorded from the trailer and from each extracted product pallet. If any of these items fail to pass the tolerant levels of the procedures and checklists, the shipment is usually rejected and you could face a claim.

Refrigerated freight can be considered to the easiest type of freight. There is always high demand on different types of fresh food in stores. Therefore, this kind of freight is always under service. Also food and produce loads are considered very competitive for pricing and shipper always seek the best transportation cost. They also try to load the carriers with maximum amount of product to achieve the best pay to weight ratio.

Please consider contracting reputable carriers with great experience in food and produce transportation. They will always do their best to follow regulations and procedures to reduce any possible claims or suits. They will maintain their equipment regularly; check trailers temperature and cooling systems; use experienced drivers …etc. You may need to spend more money to contract reputable carriers, but the truth is that use are saving money. Inexperienced carriers may try to bill you for their delays or any situation they face. Shippers and receivers also may apply fines for any delayed deliveries. The amount of fine is determined according to the amount of delay.

Flatbed Trailers

Flatbed trailers are another type of freight trailer commonly used in the transportation industry. These trailers consist of a flat bed with no sides. Flatbeds are often used to haul building materials, heavy machinery and over-sized freight that would not fit into a dry van trailer. There are a few flatbed subtypes, such as lowboy and drop-deck trailers. These trailers have lower beds than standard flatbeds, making them easier to load with very heavy items such as construction equipment.

Flatbed trailers can carry a wide variety of cargo that don’t need to or can’t be loaded into dry van trailers. Some of the freight that can be transported using flatbeds are: construction materials, steel, lumber, pipes, tanks, machinery repair parts, large dimensions goods …etc.

This trailer can accommodate freight with the maximum legal weight and dimensions shown below.

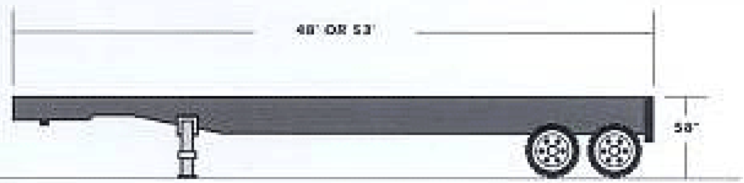
Max. Freight Weight 48,000lbs

Max. Freight Dimensions Length- 48ft.or 53ft.

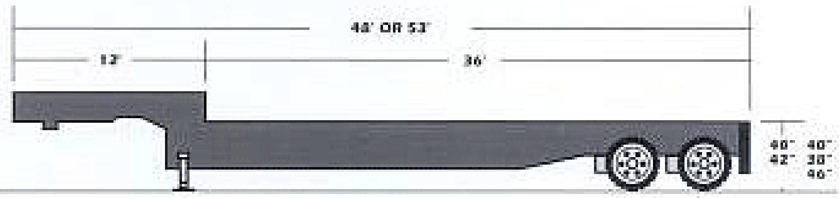
Width- 8ft. 6in.

Height- 8ft. 6in

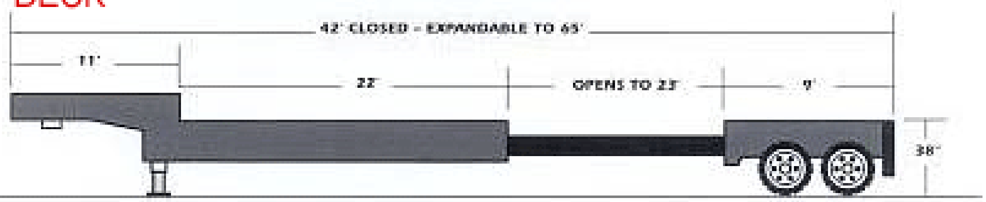
FLAT BED
2 or 3 Axle



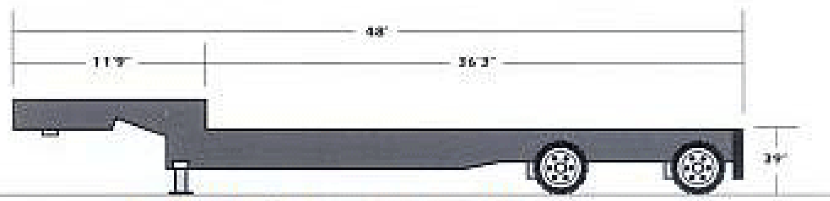
DROP DECK
2 or 3 Axle



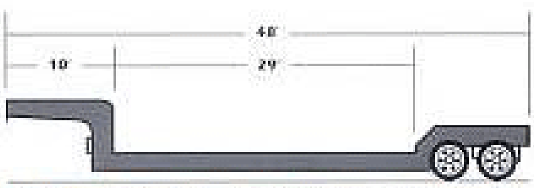
EXPANDABLE DROP DECK
2 or 3 Axle



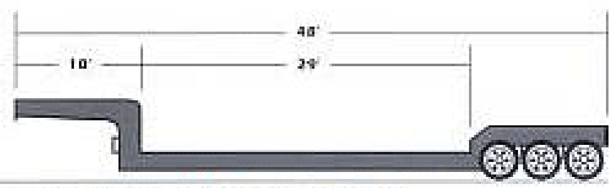
DROP DECK
2 Axle Spread



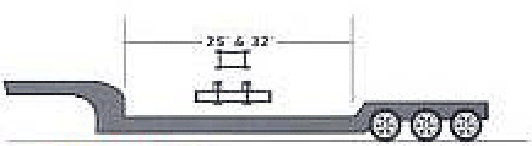
DETACHABLE DOUBLE DROP
2 Axle



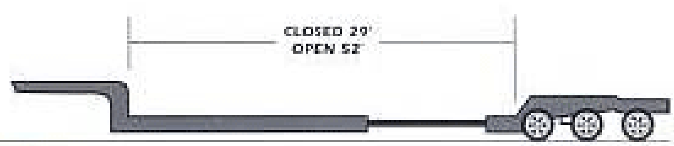
DETACHABLE DOUBLE DROP
3 Axle



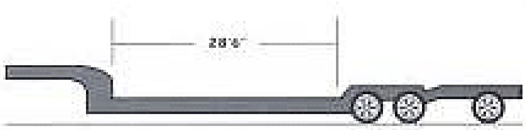
DGN I-BEAM DROPSIDE LOWBOY



DROPDECK EXPANDABLE LOWBOY



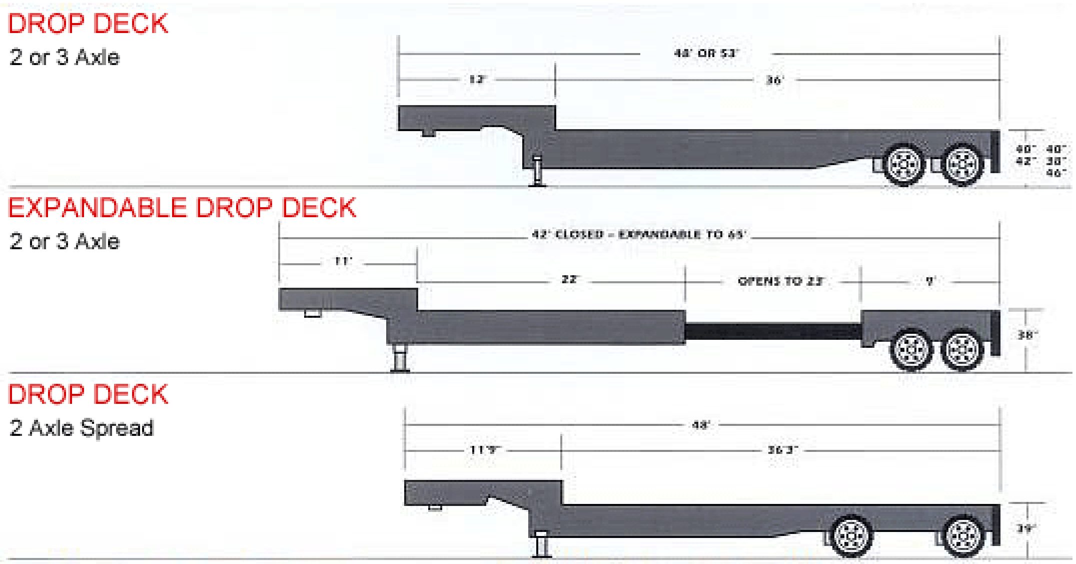
DOUBLE DROP
3 Axle CA Certified



9 AXLE

Drop Deck Trailers

Drop deck trailers also known as 'Step deck' trailers. These are a version of flatbed trailers, with a top and bottom deck. They are designed to haul freight that cannot be transported on a standard flatbed (usually due to height restrictions).



This trailer accommodates freight with the maximum legal weight and dimensions shown below.

Max. Freight Weight: 48,000lbs

Max. Freight Dimensions Length- 37ft. (bottom deck)

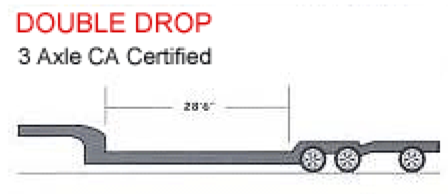
Length- 11ft. (top deck)

Width- 8ft. 6in.

Height- 10ft. (bottom deck)

Double Drop Trailers

Double drop trailers are used generally for oversized freight. The lower deck height lets you load products that are taller than 10' tall. They have a longer piece of trailer in the middle that is called the "well" and then a front and back deck of the trailer also.



Maximum Freight Weight 36,000-42,000lbs

Main Deck Standard Dimensions:

Length- 25 to 29ft.

Width- 8ft. 6in.

Height-11ft. 6in.

Front Deck Standard Dimensions:

Length- 10ft.

Width- 8ft. 6in.

Height-8ft. 6in.

Rear Deck Standard Dimensions:

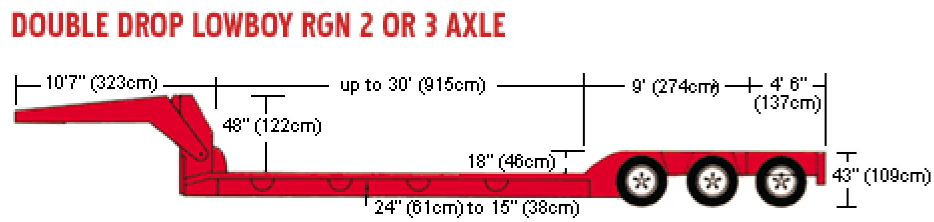
Length- 9ft.

Width- 8ft. 6in.

Height-10ft.

RGN Trailers

Removable Gooseneck (RGN) trailers give you the choice to move those same tall loads or freight, but also give you the ability to load large pieces of equipment onto the trailer by driving them on. On this trailer the front of the trailer is detachable, which allows the trailer to drop to the ground and create its own ramp. These types of trailers can be designed to haul up and over 150,000lbs worth of equipment. RGNs can go from a 3 axle RGN to 20 plus axle, the more axles the heavier the shipment can weigh. Heavy haul trailers such as these are more specialized then some of the other trailer types and this makes them more expensive to use.



A standard RGN accommodates freight with the maximum legal weight and dimensions shown below.

Max. Freight Weight 42,000lbs

Max. Freight Dimensions Main Deck:

Length- 29ft.

Width- 8ft. 6in.

Height- 11ft. 6in.

Front Deck

Length- 10ft.

Width- 8ft. 6in.

Height- 8ft. 6in.

Rear Deck

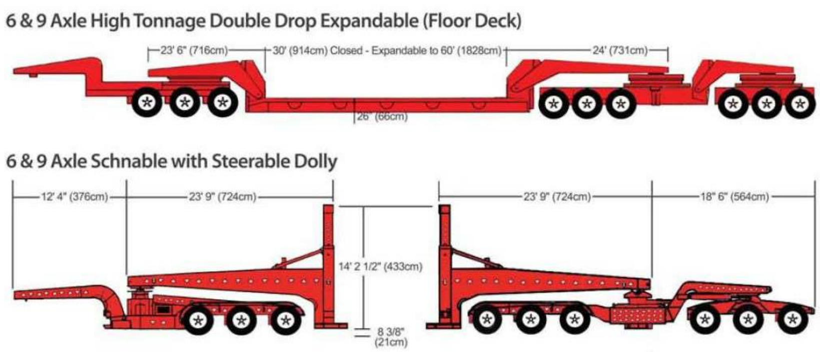
Length- 9ft.

Width- 8ft. 6in.

Height-10ft.

Overweight - Over Dimensional Freight

There are some types of jobs that require specific specialized trailers. Some oversized and over dimensional pieces simply will not fit any other standard trailers. Some trailers are specially designed for these pieces. These types of trailers are those such as perimeter trailers, perimeter frame double goosenecks trailers, dolly trailers, etc. All of these are used in specific jobs that would require that specific type trailer. Heavy haul is a more complex way to transport oversized or overweight loads or freight. These heavy haul projects are also called Super Loads. Shipments that can be transported using this type of freight can be: Air Exchangers, Backhoes, Boats, Boilers, Bridge Beams, Control Buildings, Cranes, Excavators, Forklifts, Oversize Loads …etc.



Precautions and Procedures

Before moving or transporting any over dimensional freight, we must use the advice of experts and follow some specific and strict procedures. Transporting over dimensional and overweight freight is a very risky and complicated process. Without the proper planning and professional execution, it's easy to lose money, time, reputation and shipment can be damaged.

First, all required information about the shipment should be obtained such as the detailed dimensions, weight, nature of the shipment, center of gravity of the freight …etc. Then you should plan the possible and safest route from pick-up location to delivery location. You should be aware of the effects and constrains encountered by streets' width, bridges' height, obstacles, traffic lights, hanging cables, traffic jam hours …etc.

After that, you should determine the necessary equipment needed for the transportation. Then contract with specialized carriers to handle the shipment for you. Determine how long it takes to acquire all the required permissions for load, transportation times, transportation routes …etc.

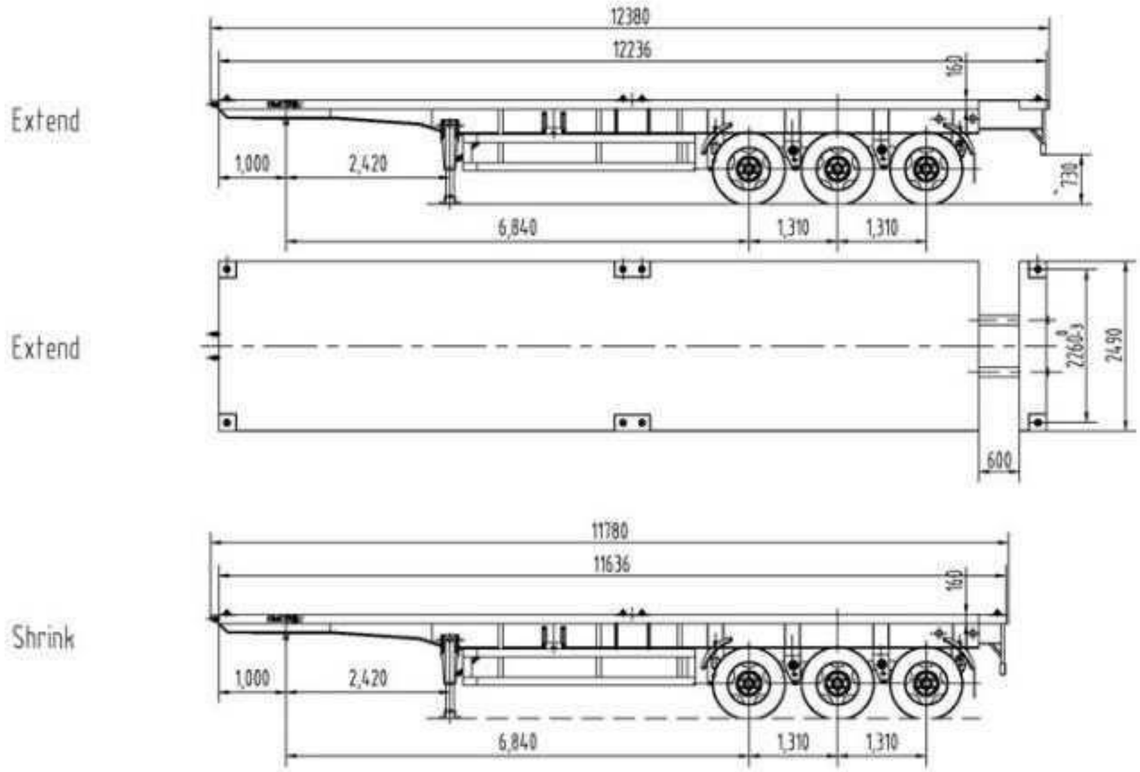
Finally select your delivery dates accordingly with your clients.

Pilot Cars

Pilot cars are also called escort cars. They usually are used to escort the transportation of oversized shipments. There are usually two pilot cars, one on front of the trailer, and the other one behind the trailer. These cars provide protection for the oversized shipment form passing by traffic. They warn other vehicles about the approaching shipment and make the road safer for the trailer drivers and for the public. Also they communicate with the driver in the trailer to let him know about any obstacles. This also helps to prevent any possible damage to the road and the shipment.

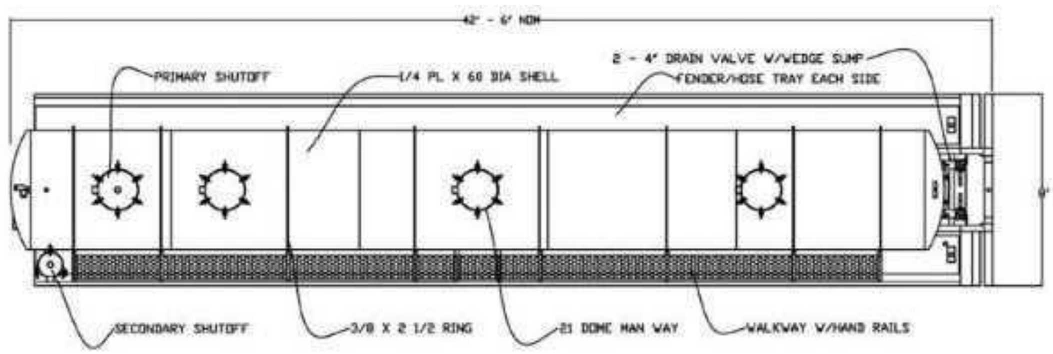
Container Trailers

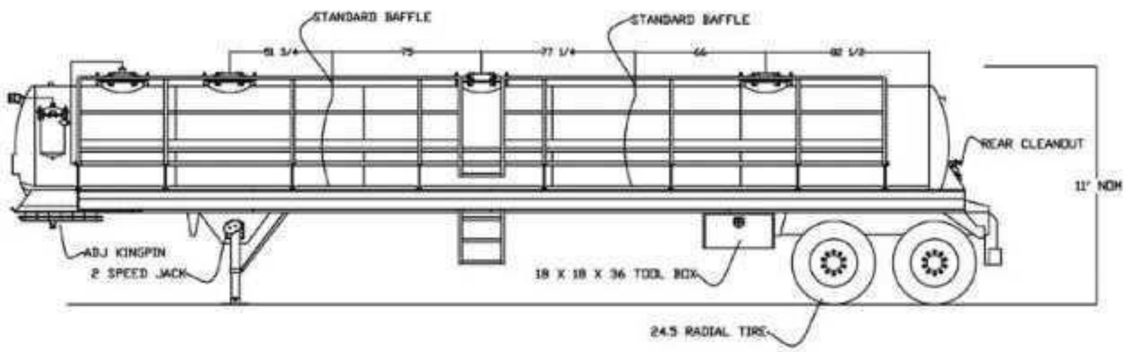
Container trailers are containers mounted on wheels and pneumatic truck tires. It is used for mixed (combined) truck-rail, truck-ship, or truck-ship-rail transport. Container trailers are usually made like truck semitrailers, with a closed or open body (universal or specialized), a volume of at least 15 cu m, and a carrying capacity of 6 to 30 tons. Container trailers can be towed on highways; and they are also loaded and unloaded from railroad flatcars and special ships by truck tractors. The trailers have fixed or removable wheel assemblies with one, two, or three axles.



Tankers Trailers

Tankers are tank-shaped freight trailers used to haul liquid, gas or dry bulk freight. To drive a commercial tank truck in the U.S., driver must apply for and receive a special "Tanker" endorsement on his CDL. This endorsement will allow the driver to haul dry bulk or liquids in a tanker, such as milk, juice or grain. To drive a tanker carrying fuel or other hazardous materials, a "Hazardous Materials" endorsement will be needed. It includes fingerprinting and a background check as well as an extra exam.

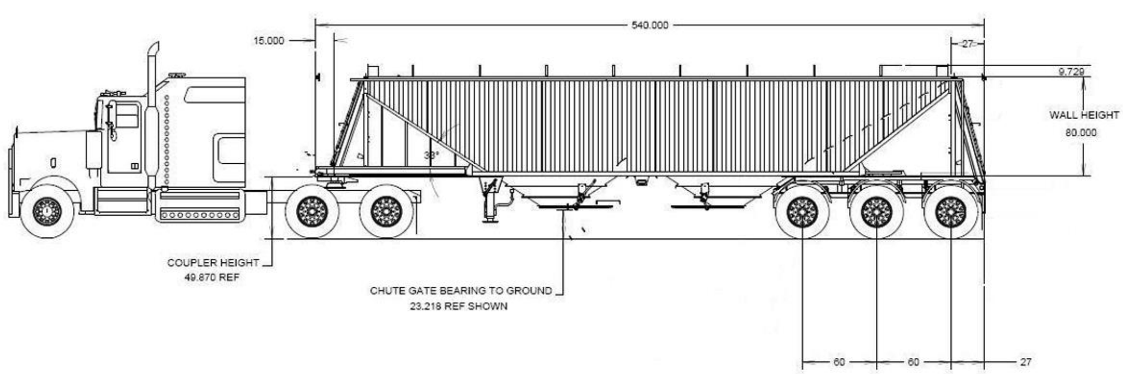




There are many types of tankers trailers. Each tanker can contain from one to seven separate compartments. It may include many features such as: Discharge Pumps, Insulated Tanks, Pressure Tanks, Metering Equipment, Ladders, Belly cabinets …etc.

Hoppers Trailers

Hoppers trailers are also called Grains and Bulk trailers. They are used to transport loose bulk commodities such as coal, ore and grain. Two main types of hopper trailers exist: covered hopper trailers, which are equipped with a roof, and open hopper trailers, which do not have a roof. Hoppers can be configured to be single, double or triple trailers.



Intermodal Freight

Intermodal freight transport is a transportation technique of freight that uses intermodal containers in all modes of transportation (rail, ship, and truck). This saves any required handling, loading and unloading of the freight at transits. Freights are usually subjected to changing modes beginning from production plants and passing by truck trailers, ships, rails and truck trailers again to the end point at the consumers. Thus, intermodal freight reduces cargo handling; reduces possible damage or loss; improves cargo security and preservation; enables faster transportation; and offers lower costs compared with traditional freight transportation.

Rail Transport

Rail transport involves containers that are shipped by rail cars. These rail cars are similar to flatbed trailers or double drop trailers and have the size of containers. This offers more vertical clearance to allow loading of two levels of containers on one rail car, which is called a "double stack" arrangement. The newer container cars also are specifically built as a small- articulated "unit", most commonly in components of three or five, whereby two components are connected by a single bogie as opposed to two bogies, one on each car.

In North America, semi-trailers are usually transported on railway flatcars or spine cars in an arrangement called "piggyback" or TOFC (trailer on flatcar) to distinguish it from container on flatcar (COFC).

Handling Equipment

There are many types of equipment used to handle intermodal freight carried on rail wagons. These equipment ensure the fast and reliable transfer of containers between rail, road and sea. These equipment can include:

Transtainers, which are specialized cranes for transferring containers from sea-going vessels onto either trucks or rail wagons. A transtainer is mounted on rails with a large boom spanning the distance between the ship's cargo hold and the quay. The transtainer moves parallel to the ship's side.

Gantry cranes, which are known as the straddle carriers. They can straddle rail and road vehicles allowing for quick transfer of containers. A spreader beam moves in several directions allowing accurate positioning of the cargo.

Grappler Lift, which is very similar to the straddle carriers.

UIIA Agreement

The Uniform Intermodal Interchange & Facilities Access Agreement is a standard interchange contract developed to promote intermodal productivity and operating efficiencies through the development of uniform industry processes and procedures governing the interchange of intermodal equipment between ocean carriers, railroads, equipment leasing companies and intermodal trucking companies.

UIIA Agreement Web Link: hhtp://www.uiia.org/documents/newuiia-full.pdf

Chapter 9 Summary

Types of Trailers

Trailers are usually unpowered vehicles that are pulled by a powered one. The term generally refers to vehicles that transport goods and materials. There are many types, which have their own maximum carrying capacity and safety and stability for the cargo inside.

Auto Carrier

Auto carriers are tractor-trailers that transport cars, vehicles, trucks, vans, and other types of automobiles. Auto carriers in the form of a commercial car carrier trailer typically have a double-decker design and can typically fit from 5 to 9 cars.

Dry Van Trailer

Dry cans are the most common type of freight trailers used by commercial trucking companies. They are box type trailers that transport general commodities, furniture, industrial materials, and etc. Dry vans have several subtypes; one such type is a curtain side van that is made of heavy fabric

Refrigerated Trailers

Refrigerated trailers, or reefers, are similar to dry van trailers because they are loaded from the rear and because they are enclosed. However, they differ because refrigerated trailers are temperature controlled. This type of trailer is commonly used to transport dairy goods, meat, vegetables, and fruits.

Precautions and Procedures

Refrigerated freight requires special precautions that need to followed by freight brokers and consigners because the nature of this type of freight is different than others. The transportation of fresh food and produce requires timely transportation. The transportation needs to be so timely that it is common for carriers to wait at the location for the shipment to be ready.

This type of freight requires trailers that are free of insects or rodents and that have high cleanliness. Furthermore, the trailers temperature is monitored and recorded. The shipment is usually rejected if the temperature does not pass the tolerant levels.

There is a high demand for transporting refrigerated freight; however, this type has a very low profit margin and requires dependable carriers.

Flatbed Trailers

Flatbed trailers consist of a flatbed that is lacking sides. They are often used for hauling building materials, heavy machinery, and oversized freight that is unable to fit in a dry van trailer. The flatbed subtypes are lowboys and drop-deck trailers.

Drop Deck Trailers

Drop deck trailers are also referred to as step deck trailers and are another version of a flatbed trailer but they have a top and bottom deck. This type of trailer is used for hauling freight that cannot be transported on a flatbed, usually due to height restrictions.

Double Drop Trailers

Double drop trailers are most commonly used for oversized freight. The bottom deck is used for products that are generally taller than 10 feet. The trailer consists of a middle piece that is called a well as well as a front and back deck.

RGN Trailers

RGN trailers are also referred to as removable gooseneck trailers; they give you the choice to move tall loads of freight as well as the ability to move large pieces of equipment. The front trailer is detachable, which allows it to drop to the ground and create its own ramp. Heavy haul trailers such as this one are more specialized, which means they could be more expensive to use.

Overweight- Over Dimensional Freight

Some jobs require specific, specialized trailers due to oversized and over dimensional pieces. In these cases, one might be able to use perimeter trailers, perimeter frame double gooseneck trailers, or dolly trailers. Heavy haul projects are also referred to as super loads. Freight that requires transportation such as this is air exchangers, backhoes, boats, boilers, bridge beans, control buildings, cranes, and forklifts.

Precautions and Procedures

Transporting over dimensional freight comes with many specific and strict procedures because it is a risky and complicated process. First, you need to obtain all required information about the shipment such as the dimensions, weight, nature of the shipment, and the center of gravity of the freight. Next, you need to plan the safest route from pickup to delivery and determine the equipment for transportation.

Pilot Cars

Pilot cars are also referred to as escort cars and are used to escort the transportation of oversized equipment as well as provide protection for the cargo. There are usually two pilot cars with one in front of the trailer and the other behind the trailer. The drivers of pilot cars communicate with the driver of the trailer in order to let him know about any future obstacles.

Container Trailers

Container trailers are containers mounted on wheels and pneumatic truck tires that are used for mixed truck-rail, truck-ship, or truck-ship-rail transport. Container trailers are made like truck semitrailers with a closed or open body, a volume of at least 15 cu m, and a carrying capacity of 6 to 30 tons.

Tanker Trailers

Tanker trailers are tank-shaped freight trailers that are used to haul liquid, gas, or dry bulk freight. Driving a tanker trailer requires a specific tanker endorsement on the CDL. Furthermore, if a driver wishes to transport hazardous materials, they will need to obtain a hazardous material endorsement as well.

Hopper Trailers

Hopper trailers are also referred to as grain and bulk trailers and are used to transport loose bulk commodities like coal, ore, and grain. There are two main types of hopper trailers: covered hopper trailers, which have a roof and open hopper trailers, which do not have a roof.

Intermodal Freight

Intermodal freight transport is a freight transportation technique that uses intermodal containers for all modes of transportation, which saves required handling, loading, and unloading of the freight. Intermodal freight reduces cargo handling and possible damages.

Rail Transport

Rail transport uses containers that are shipped by rail cars, which are similar to flatbed trailers or double drop trailers. Using this method offers more vertical clearance to allow loading of two level contains on one rail car, which is called double stack arrangement.

Handling Equipment

There are many types of equipment used to handle intermodal freight that is carried on rail wagons. The equipment used ensures the fastest and most reliable transfer between rail, road, and sea. These types of equipment include transtainers, gantry cranes, and grappler lifts.

UIIA Agreement

The Uniform Intermodal Interchange and Facilities Access Agreement is an interchange contract developed to promote intermodal productivity and operating efficiencies through the development of uniform industry processes governing the interchange of intermodal equipment between ocean carriers, railroads, equipment leasing companies and intermodal trucking companies. You can find a copy of the UIIA Agreement at http://www.uiia.org/documents/newuiia-full.pdf.

Chapter 10

Title 49

§ 369.1 Annual reports of motor carriers of property, motor carriers of household goods, and dual property carriers.

(a) Annual Report Form M. All class I and class II common and contract carriers of property, including household goods and dual property motor carriers, must file Motor Carrier Annual Report Form M (Form M). Carriers must file the annual report on or before March 31 of the year following the year to which it relates. For classification criteria, see § 369.2.

(b) Quarterly Report Form QFR. All class I common motor carriers of property and class I household goods motor carriers must file Motor Carrier Quarterly Report Form QFR (Form QFR). The quarterly accounting periods end on March 31, June 30, September 30, and December 31. The quarterly reports must be filed within 30 calendar days after the end of the reporting quarter.

(c) Where to file reports. Carriers must file the quarterly and annual reports with the Federal Motor Carrier Safety Administration at the address in § 369.6. You can obtain blank copies of the report forms from the Federal Motor Carrier Safety Administration.

[64 FR 13921, Mar. 23, 1999. Redesignated at 71 FR 45742, Aug. 10, 2006, and amended at 71 FR 45743, Aug. 10,2006]

§ 369.2 Classification of carriers—motor carriers of property, householdgoods carriers, and dual property carriers.

(a) Common and contract motor carriers of property are grouped into the following three classes:

> Class I. Carriers having annual carrier operating revenues (including interstate and intrastate) of $10 million or more after applying the revenue deflator formula in Note A.
>
> Class II. Carriers having annual carrier operating revenues (including interstate and intrastate) of at least $3 million but less than $10 million after applying the revenue deflator formula in Note A.
>
> Class III. Carriers having annual carrier operating revenues (including interstate and intrastate) of less than $3 million after applying the revenue deflator formula in Note A.

(b) Any carrier which begins new operations by obtaining operating authority not previously held or extends its existing authority by obtaining additional operating rights shall be classified in accordance with a reasonable estimate of its annual carrier operating revenues after applying the revenue deflator formula shown in Note A.

(c) When a business combination occurs such as a merger, reorganization, or consolidation, the surviving carrier shall be reclassified effective as of January 1 of the next calendar year on the basis of the combined revenues for the year when the combination occurred after applying the revenue deflator formula shown in Note A.

(d) Carriers must notify the Federal Motor Carrier Safety Administration (FMCSA) of any change in classification or any change in annual operating revenues that would cause a change in classification. The carrier may request a waiver or an exception from these regulations in unusual or extenuating circumstances, where the classification process will unduly burden the carrier, such as partial liquidation or curtailment or elimination of contracted services. The request must be in writing, specifying the conditions justifying the waiver or exception. FMCSA will notify the carriers of any change in classification.

(e) Carriers not required to file an Annual Report Form M may be required to file the Worksheet for Calculating Carrier Classification. All carriers will be notified of any classification changes.

NOTE A: Each carrier's operating revenues will be deflated annually using the Producers Price Index (PPI) of Finished Goods before comparing those revenues with the dollar revenue limits prescribed in paragraph (a) of this section. The Bureau of Labor Statistics publishes the PPI monthly. The formula to be applied is as follows:

$$\begin{matrix}\textit{Current year's annual} \\ \textit{operating revenue}\end{matrix} \times \frac{1994\ \textit{average PPI}}{\textit{Current year's average PPI}} = \begin{matrix}\textit{Adjusted annual} \\ \textit{operating revenue}\end{matrix}$$

§ 369.3 Classification of carriers—motor carriers of passengers.

(a) Common and contract carriers of passengers are grouped into two classes:

> Class I. Carriers having average annual gross transportation operating revenues (including interstate and intrastate) of $5 million or more from passenger motor carrier operations after applying the revenue deflator formula as shown in the Note.
>
> Class II. Carriers having average annual gross transportation operating revenues (including interstate or intrastate) of less than $5 million from passenger motor carrier operations after applying the revenue deflator formula as shown in the Note.

(b)

(1) The class to which any carrier belongs shall be determined by annual carrier operating revenues after applying the revenue deflator formula as shown in the Note. Upward and downward reclassification will be effective as of January 1 of the year immediately following the third consecutive year of revenue qualification.

(2) Any carrier which begins new operations (obtains operating authority not previously held) or extends its existing authority (obtains additional operating rights) shall be classified in accordance with a reasonable estimate of its annual carrier operating revenues after applying the revenue deflator formula shown in the Note.

(3) When a business combination occurs, such as a merger, reorganization, or consolidation, the surviving carrier shall be reclassified effective as of January 1 of the next calendar year on the basis of the combined revenues for the year when the combination occurred after applying the revenue deflator formula shown in the Note.

(4) Carriers shall notify the FMCSA of any change in classification or when their annual operating revenues exceed the Class II limit by writing to the Federal Motor Carrier Safety Administration at the address in § 369.6. In unusual circumstances where the classification regulations and reporting requirements will unduly burden the carrier, the carrier may request from the FMCSA a waiver from these regulations. This request shall be in writing specifying the conditions justifying the waiver. The FMCSA then shall notify carriers of any change in classification or reporting requirements.

(c) For classification purposes, the FMCSA shall publish in the F E D E R A L REGISTER annually an index number which shall be used for adjusting gross annual operating revenues. The index number (deflator) is based on the Producer Price Index of Finished Goods and is used to eliminate the effects of inflation from the classification process.

NOTE: Each carrier's operating revenues will be deflated annually using the Producers Price Index (PPI) of Finished Goods before comparing them with the dollar revenue limits prescribed in paragraph (a) of this section. The PPI is published monthly by the Bureau of Labor Statistics. The formula to be applied is as follows:

$$\begin{matrix} \textit{Current year's annual} \\ \textit{operating revenue} \end{matrix} \times \frac{1986\ \textit{average PPI}}{\textit{Current year's average PPI}} = \begin{matrix} \textit{Adjusted annual} \\ \textit{operating revenue} \end{matrix}$$

View or download PDF: http://www.ecfr.gov/graphics/pdfs/ec03mr91.052.pdf

[53 FR 4029, Feb. 11, 1988. Redesignated at 63 FR 52193, Sept. 30, 1998, and amended at 68 FR 4719, Jan. 30,2003. Redesignated at 71 FR 45742, Aug. 10, 2006, and amended at 71 FR 45743, Aug. 10, 2006]

§ 369.4 Annual and quarterly reports of Class I carriers of passengers.

(a) All Class I motor carriers of passengers shall complete and file Motor Carrier Quarterly and Annual Report Form MP-1 for Motor Carriers of Passengers (Form MP-1). Other than Class I carriers are not required to file Form MP-1.

(b) Motor Carrier Quarterly and Annual Report Form MP-1 shall be used to file both quarterly and annual selected motor carrier data. The annual accounting period shall be based either (1) on the 31 st day of December in each year, or (2) an accounting year of thirteen 4-week periods ending at the close of the last 7 days of each calendar year. A carrier electing to adopt an accounting year of thirteen 4-week periods shall file with the FMCSA a statement showing the day on which its accounting year will close. A subsequent change in the accounting period may not be made except by authority of the FMCSA. The quarterly accounting period shall end on March 31, June 30, September 30, and December 31. The quarterly report shall be filed within 30 days after the end of the reporting quarter. The annual report shall be filed on or before March 31 of the year following the year to which it relates.

(c) The quarterly and annual report shall be filed in duplicate to the Federal Motor Carrier Safety Administration at the address in § 369.6. Copies of Form MP-1 may be obtained from the FMCSA.

[52 FR 20400, June 1, 1987. Redesignated at 63 FR 52193, Sept. 30, 1998, as amended at 68 FR 4719, Jan. 30,2003.Redesignated at 71 FR 45742, Aug. 10, 2006, and amended at 71 FR 45743, Aug. 10, 2006]

§ 369.5 Records.

Books, records and carrier operating documents shall be retained as prescribed in 49 CFR part 379, Preservation of Records.

[52 FR 10383, Apr. 1, 1987. Redesignated at 63 FR 52193, Sept. 30, 1998.Redesignated at 71 FR 45742, Aug. 10,2006, and amended at 71 FR 45743, Aug. 10, 2006]

§ 369.6 Address.

The following address must be used by motor carriers when submitting a report, requesting an exemption from filing a report, or requesting an exemption from public release of a report: Federal Motor Carrier Safety Administration, Office of Information Technology (MC-RI), 1200 New Jersey Ave., SE., Washington, DC 20590-0001. This address may also be used for general correspondence regarding the data collection program described in this section.

[64 FR 13923, Mar. 23, 1999, as amended at 68 FR 4719, Jan. 30, 2003.Redesignated at 71 FR 45742, Aug. 10,2006, and amended at 71 FR 45743, Aug. 10, 2006; 72 FR 55699, Oct. 1, 2007]

§ 369.8 Requests for exemptions from filing.

(a) In General. This section governs requests for exemptions from filing of reports required under § 369.1.

(b) Criteria. The Federal Motor Carrier Safety Administration (FMCSA) may grant a request upon a proper showing that the exemption is necessary to preserve confidential business information that is not otherwise publicly available. Information is considered to be confidential when:

> (1) Disclosure of the information in the carrier's report would be likely to cause substantial harm to the carrier's competitive position; or
>
> (2) Disclosure of information in the report would be likely to impair protectable government interests.

(c) Contents of a request. The contents of a request for an exemption from filing must contain, at a minimum, the contents that are required for a request for an exemption from public release contained in § 369.9(c). A carrier's request may include any other grounds as to why the request should be granted.

(d) When requests are due. The timing of a request for an exemption from filing is the same as the timing for a request for an exemption from public release contained in § 369.9(d). The table below summarizes report and request due dates.

Report	Report due by	Request due by
Annual Form M	March 31	March 31
First Quarter Form QFR	April 30	March 31
Second Quarter Form QFR	July 31	March 31
Third Quarter Form QFR	October 31	March 31
Fourth Quarter Form QFR	January 31	March 31

(e) Decision to grant or deny a request.

> (1) A request will be denied if it fails to provide all of the supporting information required in paragraph (c) of this section or if the supporting information is insufficient to establish that information in the carrier's report meets the criteria in paragraph (b) of this section.

(2) FMCSA will grant or deny each request within a reasonable period of time. FMCSA will notify the carrier of its decision. The decision by FMCSA shall be administratively final.

(f) Pendency. While a request is pending, the carrier is required to submit any reports required under § 369.1.

(g) Period of exemptions. If a request for an exemption under this section is granted, the carrier will be exempt from the reporting requirements of § 369.1 for a period of three reporting years.

(h) Modification of a decision to grant a request. If a request is granted it remains in effect in accordance with its terms, unless modified by a later finding that the decision was clearly erroneous. If FMCSA believes such a finding should be made, FMCSA will notify the requesting carrier in writing of the reasons for the modification. The carrier may seek reconsideration of the modification.

[64 FR 13922, Mar. 23, 1999. Redesignated at 71 FR 45742, Aug. 10, 2006, and amended at 71 FR 45743, Aug. 10,2006]

§ 369.9 Requests for exemptions from public release.

(a) In General. This section governs requests for exemptions from public release of reports filed under § 369.1.

(b) Criteria. The Federal Motor Carrier Safety Administration (FMCSA) will grant a request upon a proper showing that the carrier is not a publicly held corporation or that the carrier is not subject to financial reporting requirements of the Securities and Exchange Commission, and that the exemption is necessary to avoid competitive harm and to avoid the disclosure of information that qualifies as trade secret or privileged or confidential information under 5 U.S.C. 552(b)(4). Information is considered to be confidential when:

(1) Disclosure of the information in the carrier's report would be likely to cause substantial harm to the carrier's competitive position; or

(2) Disclosure of information in the report would be likely to impair protectable government interests.

(c) Contents of a request. A request for an exemption from public release must contain information supporting the claim. While the supporting information may contain opinions, the request must consist of objective data to the extent possible. General or nonspecific assertions or analysis will be insufficient to support a request if FMCSA is unable to find that the criteria are met. The supporting inform ation must show:

(1) That the information claimed to be confidential is a trade secret, or commercial or financial information that is privileged or confidential.

(2) Measures taken by the carrier to ensure that the information has not been disclosed or otherwise made available to any person, company, or organization other then the carrier.

(3) Insofar as is known by the carrier, the extent to which the information has been disclosed, or otherwise become available, to persons other than the carrier, and why such disclosure or availability does not compromise the confidential nature of the information.

(4) If the carrier asserts that disclosure would be likely to result in substantial competitive harm, what the harmful effects of disclosure would be, why the effects should be viewed as substantial, and the causal relationship between the effects and disclosure.

(5) If the carrier asserts that disclosure would be likely to impair protectable government interests, what the effects of disclosure are likely to be and why disclosure is likely to impair such interests.

(d) When requests are due.

(1) Requests for an exemption under this section may be made at any time during the year. However, a request will be deemed applicable to only those reports due on or after the date the request is received. Requests received after a report's due date will only be considered for the following year's report.

(2) A request will be deemed received on the date the request is physically received or, if it is sent by mail, on the date it is postmarked.

(3) FMCSA will only allow a late request if there are extenuating circumstances and the carrier gives adequate notice within a reasonable time of the extenuating circumstances.

(4) A carrier submitting a request relating to the annual report can also request that it cover the quarterly reports for the upcoming year. In this case FMCSA will decide both requests at the same time. Requests covering the quarterly reports must be received by the due date of the annual report which relates to the prior year. The table in paragraph (e) of this section summarizes report, request, and decision due dates.

(e) Decision to grant or deny a request.

(1) After each due date of each annual report specified in § 369.1, FMCSA will publish a notice in the FEDERAL REGISTER requesting comments on any requests received under this section that are valid and pending.

(2) A request will be granted only if it provides all of the supporting information required in paragraph (c) of this section and if the supporting information is sufficient to establish that information in the carrier's report meets the criteria in paragraph (b) of this section.

(3) If the carrier fails to comply with the timing requirements of paragraph (d) of this section, the claim for confidentiality will be waived unless FMCSA is notified of extenuating circumstances before the information is disclosed to the public and FMCSA finds that the extenuating circumstances warrant consideration of the claim.

(4) FMCSA will grant or deny each request no later than 90 days after the request's due date as defined in paragraph (d) of this section. The decision by FMCSA shall be administratively final. The table below summarizes report, request, and decision due dates.

Report	Report due by	Request due by	Decision due
Annual Form M	March 31	March 31	June 30
First Quarter Form QFR	April 30	March 31	June 30
Second Quarter Form QFR	July 31	March 31	June 30
Third Quarter Form QFR	October 31	March 31	June 30
Fourth Quarter Form QFR	January 31	March 31	June 30

(5) If a request is granted, FMCSA will notify carrier of that decision and of any appropriate limitations.

(6) If a request for confidentiality is denied, FMCSA will notify the carrier of that decision and that the information will be made available to the public not less than ten working days after the carrier has received notice of the denial. The notice will specify the reasons for denying the request.

(f) Pendency. A request is deemed pending from the date it is received by FMCSA until it is granted or denied by FMCSA. FMCSA will not release publicly, unless otherwise required by law, any report for which a valid request for an exemption from public release is pending.

(g) Period of exemptions. If a request for an exemption under this section is granted, FMCSA will not publicly release the reports covered by the granted exemption, unless otherwise required by law, for a period of three years from the report's due date.

(h) Modification of a decision to grant a request. If a request is granted it remains in effect in accordance with its terms, unless modified by a later finding that the decision was clearly erroneous. If FMCSA believes such a finding should be made, FMCSA will notify the requesting carrier in writing of the reasons for the modification and that the carrier's report will be made available to the public in not less than ten working days from the date of receipt of notice under this paragraph. The carrier may seek reconsideration of the modification.

[64 FR 13922, Mar. 23, 1999. Redesignated at 71 FR 45742, Aug. 10, 2006, and amended at 71 FR 45743, Aug. 10,2006]

§ 369.10 Public release of motor carrier of property data.

(a) In general. Unless otherwise provided in this section, the data contained in a report filed under § 369.1 shall be made publicly available, but no sooner than the due date for the report.

(b) Exceptions relating to exemptions from public release.

(1) If a request for an exemption from public release is pending under § 369.9, FMCSA will not publicly release the reports covered by the request until at least the time that a decision to grant or deny the request is made.

(2) If a carrier is granted an exemption from public release under § 369.9, FMCSA will not publicly release the reports covered by the granted exemption for a period of three years from the report's due date.

(c) Other exceptions. Notwithstanding any other provision of this part, information may be released:

(1) If the data are included in aggregate industry statistics that do not identify the individual carrier;

(2) To other components of the Department of Transportation for their internal use only;

(3) If required by law;

(4) With the consent of the carrier filing the report; or

(5) To contractors, if necessary for the performance of a contract with FMCSA.

[64 FR 13923, Mar. 23, 1999, as amended at 68 FR 4719, Jan. 30, 2003.Redesignated at 71 FR 45742, Aug. 10,2006, and amended at 71 FR 45743, Aug. 10, 2006]

§ 369.11 Quarterly reports of passenger revenues, expenses, and statistics.

Commencing with reports for the quarter ended March 31, 1968, and for subsequent quarters thereafter, until further order, all class I common and contract motor carriers of passengers, as defined in § 369.3(a), shall compile and file quarterly reports in accordance with Motor Carrier Quarterly and Annual Report, Form MP-1. Such quarterly reports shall be filed in duplicate in the FMCSA Office of Information Management at the address in § 369.6, within 30 days after the close of the period to which it relates.

Chapter 10 Summary

Title 49

369.1 Annual reports of motor carriers of property, motor, carriers of household goods, and dual property carriers

369.1 states that carriers of property, including household goods and dual property motor carriers, must file for the Motor Carrier Annual Report Form M on or before March 31 st of the year following the year of which it relates. Furthermore, all class I common motor carriers of property and class I household goods motor carriers must file for the Motor Carrier Quarterly Report form QFR. There are four quarterly accounting periods and the reports must be filed within 30 calendar days after the end of the reporting quarter. The reports need to be filed with the Federal Motor Carrier Safety Administration.

369.2 Classification of carriers – motor carriers of property, household good carriers, and dual property carriers

Common and contract motor carriers of property are grouped into three classes: class I, class II, and class III. Class I consists of carriers that have annual carrier operating revenues of $10 million or more. Class II carriers are those that have an annual carrier operating revenue of at least $3 million but less than $10 million. Class III carriers have an annual carrier operating revenue of less than $3 million.

369.2 states that the class of which a carrier belongs to is determined by their annual carrier operating revenue. Furthermore, when a merger, reorganization, or consolidation occurs, the surviving carrier will be reclassified for the next calendar year. Also, carriers are required to notify the FMCSA of any change in classification or changes in operating revenue that may cause a classification change.

369.3 Classification of carriers – motor carriers of passengers

Common and contracted carriers of passengers are classified into two groups: class I and class II. Class I consists of carries that have an average annual gross transportation operating revenue of $5 million or more. On the other hand, class II carriers consist of those that have an average annual gross transportation operating revenue of less than $5 million. This classification is determined based on annual carrier operating revenues. New carriers are classified by obtaining a reasonable estimate of their annual carrier operating revenues.

Again, 369.3 states that when a merger, reorganization, or consolidation occurs, the surviving carrier will be reclassified on January 1 st of the next calendar year. Also, they are required to notify the FMCSA of any change in their classification as well as if their annual operating revenues exceed the class II limits.

369.4 Annual and quarterly reports of Class I carriers of passengers

All class I motor carriers of passengers need to file the Motor Carrier Quarterly and Annual Report for MP-1 for Motor Carriers of Passengers; however, other class I carriers do not have to fill out the form. The quarterly and annual report needs to be filed in duplicate to the Federal Motor Carrier Safety Administration.

369.5 Records

All books, records, and carrier operating documents need to be retained as part of t379: Preservation of Records.

369.6 Address

Motor carriers must use "Federal Motor Carrier Safety Administration, Office of Information Technology (MC-RI), 1200 New Jersey Ave., SE., Washington, DC 20590-0001" when filing for a report, requesting an exemption from filing a report, or requesting an exemption from public release report.

369. 8 Requests for exemptions from filing

The FMCSA can grant an exception request if the reason is to preserve confidential business information that is not otherwise publicly available.

369.9 Requests for exemptions from public release

The Federal Motor Carrier Safety Administration will grant a request for exemption of filing if the carrier is not a publicly held corporation or if the carrier is not subject to financial reporting requirements under the Securities and Exchange Commission. The request needs to be in favor of protecting against the disclosure of information that qualifies as trade secret or confidential information.

Requests for an exemption can be made at any time during the year; however, they are only deemed applicable to the reports due on or after the date that the request is received. Requests that are received after the due date will be considered for the following years report. The request will be granted or denied no later than 90 days after the request's due date.

If the request for confidentiality is denied, the FMCSA will notify the carrier and the information will be made public in no less than 10 days after the carrier has received the notice for denial.

369.10 Public release of motor carrier of property data

Data contained in a report filed under 369.1 will be made publically available no sooner than the due date for the report. However, if a request for an exemption for public release is pending under 369.9, FMCSA will not publicly release the reports until the decision has been made.

If a carrier is granted an exemption from public release under 369.9, the FMCSA will not release the reports for a period of three years.

369.11 Quarterly reports of passenger revenues, expenses, and statistics

In regards to quarters that ended on March 31, 1968 and for quarters thereafter, all class I common and contract motor carriers or passengers shall file for quarterly reports in accordance with the Motor Carrier Quarterly and Annual Report, form MP-1.

Chapter 11

Map 21

Dated: September 12, 2013.

W.C. Early, Acting Regional Administrator, Region III.

[FR Doc. 2013–23792 Filed 9–30–13; 8:45 am]

BILLING CODE 6560–50–P

DEPARTMENT OF TRANSPORTATION

Federal Motor Carrier Safety Administration

49 CFR Parts 350, 381, 383, 384, 385,

386, 387, and 392

RIN 2126–AB60

Amendments To Implement Certain Provisions of the Moving Ahead for Progress in the 21st Century Act (MAP–21)

AGENCY: Federal Motor Carrier Safety Administration (FMCSA), DOT.

ACTION: Final rule.

SUMMARY: The Federal Motor Carrier Safety Administration (FMCSA) adopts, as final, certain regulations required by the Moving Ahead for Progress in the 21st Century surface transportation reauthorization legislation. The majority of these statutory changes went into effect on October 1, 2012, while others will go into effect on October 1, 2013. It is necessary to make conforming changes to ensure that FMCSA's regulations are current and consistent with the applicable statutes. Adoption of the rules is a nondiscretionary ministerial action that can be taken without issuing a notice of proposed rulemaking and receiving public comment, in accordance with the good cause exception available to Federal agencies under the Administrative Procedure Act (APA).

DATES: Effective Date: This final rule is effective Tuesday, October 1, 2013. Petitions for Reconsideration must be received by the Agency no later than December 2, 2013.

FOR FURTHER INFORMATION CONTACT: Genevieve Sapir, Office of Chief Counsel, Regulatory Affairs Division (MC–CCR), Federal Motor Carrier Safety Administration, 1200 New Jersey Avenue SE., Washington, DC 20590; by telephone at (202) 366–7056, or by electronic mail at genevieve.sapir@ dot.gov. If you have questions regarding the docket, call Ms. Barbara Hairston, Docket Operations, telephone 202–366– 3024.

SUPPLEMENTARY INFORMATION:

Executive Summary

Purpose and Summary of the Major Provisions

This rule makes nondiscretionary ministerial changes to FMCSA regulations that are required by MAP– 21.

Benefits and Costs

The rule provisions considered both individually and in the aggregate do not rise to the level of economic significance. The only costs associated with this rule arise out of 49 U.S.C. 32918(a), which requires brokers and freight forwarders to provide evidence of minimum financial security in the amount of $75,000. The annual overall cost of this new requirement is approximately $15.9 million.

Legal Basis for the Rulemaking

This rule is based on the MAP–21 Act (Pub. L. 112–141, 126 Stat. 405, July 6, 2012). Certain provisions of MAP–21 made mandatory, non-discretionary changes to FMCSA programs. The majority of these statutory changes went into effect on October 1, 2012, while others will go into effect on October 1, 2013. It is necessary to make conforming changes to ensure that FMCSA's regulations are current and consistent with the applicable statutes.

The provisions implemented in this final rule in Title 49, United States Code (U.S.C.) are from the following sections of MAP–21:

1. Section 32102 Safety Fitness of New Operators
2. Section 32108 Increased Penalties for Operating Without Registration
3. Section 32110 Revocation of Registration and Other Penalties for Failure To Respond to Subpoena
4. Section 32111 Fleetwide Out of Service Order for Operating Without Required Registration
5. Section 32203 State Reporting of Foreign Commercial Driver Convictions
6. Section 32204 Authority To Disqualify Foreign Commercial Drivers
7. Section 32205 Revocation of Foreign Motor Carrier Operating Authority for Failure To Pay Civil Penalties
8. Section 32307 Employer Responsibilities
9. Section 32501 Inspection Demand and Display of Credentials
10. Section 32503 Penalties for Violation of Operation Out of Service Orders
11. Section 32505 Increased Penalties for Evasion of Regulations
12. Section 32506 Violations Relating to Commercial Motor Vehicle Safety Regulation and Operators
13. Section 32507 Emergency Disqualification for Imminent Hazard
14. Section 32601 Motor Carrier Safety Assistance Program
15. Section 32913 Waivers, Exemptions, and Pilot Programs
16. Section 32918 Financial Security of Brokers and Freight Forwarders
17. Section 33010 Civil Penalties FMCSA is authorized to implement these statutory provisions by delegation from the Secretary of Transportation in 49 CFR 1.87.

Generally, agencies may promulgate final rules only after issuing a notice of proposed rulemaking and providing an opportunity for public comment under procedures required by the APA, as provided in 5 U.S.C. 553(b) and (c). The APA, in 5 U.S.C. 553(b)(3)(B), provides an exception from these requirements when notice and public comment procedures are ''impracticable, unnecessary, or contrary to the public interest.'' FMCSA finds that notice and comment is unnecessary prior to adoption of each provision in this final rule because the changes to regulations are statutorily mandated by Congress, and the Agency is performing a nondiscretionary, ministerial act. Therefore, the Agency may adopt this rule without issuing a notice of proposed rulemaking and receiving public comment, in accordance with the APA. For these same reasons, the rule will be effective on October 1, 2013, the day many of these statutory changes go into effect.

MAP–21 Provisions Implemented by the Final Rule

The Federal Motor Carrier Safety Regulations amended by this final rule encompass diverse subject areas. Those amendments are explained below.

Section 32102—Safety Fitness of New Operators

Previously, 49 U.S.C. 31144 required new entrant motor carriers to undergo a safety review within 18 months of beginning operations. Section 32102 of MAP–21 changed that time period to 12 months for property carriers and 120 days for passenger carriers. This final rule amends 49 CFR 385.3 and 49 CFR part 385, Appendix A(I)(a), to change references from an 18-month safety review to 12-month and 120-day safety reviews.

Section 32108—Increased Penalties for Operating Without Registration

Previously, 49 U.S.C. 14901(a) set the civil penalty for violating the Agency's reporting, recordkeeping, and registration requirements at $500, except for violations of passenger carrier registration requirements, which were set at $2,000[1]. MAP–21 Section 32108 increased the penalties to $1,000 for violating the reporting and recordkeeping requirements, $10,000 for non-passenger carrier registration violations, and $25,000[2] for passenger carrier registration violations. It also changed the penalty for transporting hazardous wastes without the appropriate registration from a maximum of $20,000 to a minimum of $20,000 and maximum of $40,000. This final rule amends 49 CFR part 386, Appendix B (g)–(3) and (6), to reflect these new penalties.

Section 32110—Revocation of Registration and Other Penalties for Failure To Respond to Subpoena

Previously, 49 U.S.C. 525 provided for a fine of between $100 and $5,000 for motor carriers that failed to obey a subpoena or an Agency order to appear or testify issued under 49 U.S.C. chapter 5. Section 32110 of MAP–21 amended the penalties in that section by raising the fine to between $1,000 and $10,000. This final rule implements those amendments by adding new Section II. to 49 CFR part 386 Appendix A.

Section 32111—Fleet wide Out of Service Order for Operating without Required Registration

Previously, 49 U.S.C. 13902(e)(1) provided that if a motor vehicle was used to provide transportation without or beyond the scope of registration, that motor vehicle could be put out of service (emphasis added). Section 32111 changed § 13902(e)(1) to authorize FMCSA to place a motor carrier out of service or operating vehicles without or beyond the scope of registration. This final rule amends 49 CFR § 392.9a (b) to reflect this change.

---

the civil penalties to adjust for inflation, pursuant to the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996 (Pub. L. 104–131, title III, chapter 10, Sec. 31001, par. (s), 110 Stat. 1321–373). 72 FR 55100 (Sept. 28, 2007). The Agency adjusted these penalty amounts to $650 and $2200.

[1] The penalties referenced in this rule refer to statutorily enacted amounts. In 2007, the Agency amended 49 CFR part 386, Appendix B to increase

[2] The Agency previously adjusted this amount to $22,000. See note 1, above.

Section 32203—State Reporting of Foreign Commercial Driver Convictions

Section 32203(a) of MAP–21 amended 49 U.S.C. 31301 by adding a definition of ‘‘foreign commercial driver.’’ This final rule amends 49 CFR 383.5 to add this definition.

Section 32203(b) of MAP–21 amended 49 U.S.C. 31311(a) by adding a requirement that States report foreign commercial drivers’ convictions related to the operation of both CMVs and non-CMVs to FMCSA’s Federal Convictions and Withdrawal Database.

Section 32203(b) also added the requirement that States report unlicensed or non- CDL foreign drivers’ convictions related to the operation of a CMV to the Federal Convictions and Withdrawal Database. This final rule amends 49 CFR 384.209 to add these requirements.

Section 32204—Authority to Disqualify Foreign Commercial Drivers

Previously enacted 49 U.S.C. 31310 sets forth the criteria for disqualifying CMV operators. Section 32204 of MAP– 21 amended that section by stating explicitly that the disqualification criteria also apply to foreign commercial drivers. This rule amends 49 CFR 83.51 to reflect this change.

Section 32205—Revocation of Foreign Motor Carrier Operating Authority for Failure to Pay Civil Penalties

Section 32205 of MAP–21 amended 49 U.S.C. 13905(d) (2) to state explicitly that the Agency’s authority to suspend, amend, and revoke motor carrier operating authority registration applies to foreign motor carriers. This final rule amends 49 CFR 386.84 to reflect this change. The final rule also makes a technical correction to § 386.84. That section contains a reference to 49 CFR part 386 Appendix A (h) that was not updated after that paragraph was re- numbered. The correction references 49 CFR part 386 Appendix A (i).

Section 32307—Employer Responsibilities

Previously, 49 U.S.C. 31304 prohibited employers from allowing employees to operate CMVs when the employer knew that the employee had lost the right to operate a CMV or was disqualified, or when the employee’s driver’s license was suspended, revoked, or canceled (emphasis added).

Section 32307 of MAP–21 amended that section to prohibit employers from allowing employees to drive when the employer knows or should reasonably know that those circumstances exist.

This final rule amends 49 CFR 383.37 to reflect this change.

Section 32501—Inspection Demand and Display of Credentials

Section 32501 of MAP–21 amended 49 U.S.C. 504(c) to include employees of States that receive Motor Carrier Safety Assistance Program (MCSAP) grants as among those authorized to conduct inspections of certain equipment and records upon display of proper credentials. In addition, Section 32501 amended 49 U.S.C. 504(c) by specifying that the credentials of authorized individuals may be presented either in person or in writing. This final rule amends 49 CFR part 386 Appendix B (h) and 49 CFR Chapter III, Subchapter B, Appendix B, paragraph 2. to reflect these changes.

Section 32503—Penalties for Violation of Operation Out of Service Orders

Section 32503 of MAP–21 amended 5 U.S.C. 521 to add a $25,000 penalty for motor carriers operating CMVs in violation of an out-of-service order issued following a determination that the carrier is unfit or an imminent hazard. This final rule amends 49 CFR part 386 Appendices A (IV)(g.) and B (f) and to reflect this change.

Section 32505—Increased Penalties for Evasion of Regulations

Previously, 49 U.S.C. 524 provided the following penalties for knowing and willful violations of 49 U.S.C. chapter 5: \$200–\$500 for a first violation and \$250–\$2,000 for a subsequent violation.

Section 32505 of MAP–21 amended this provision by removing the knowing and willful requirement; expanding the scope of applicable violations to include 49 U.S.C. chapter 51, subchapter III of chapter 311 (except §§ 31138 and 31139), §§ 31302, 31303, 31304,31305(b), 31310(g)(1)(A), and 31502, and any regulation issued under those provisions; and increasing the penalty for a first violation to \$2,000–\$5,000 and subsequent violations to \$2,500–\$7,000. This final rule adds new paragraph (i) to 49 CFR part 386, Appendix B, to implement these amendments.

Section 32506—Violations Relating to CMV Safety Regulation and Operators

Previously, 49 U.S.C. 521(b)(2)(D) directed the Agency to take into account the following factors when assessing a civil penalty: The nature, circumstances, extent, and gravity of the violation committed and, with respect to the violator, the degree of culpability, history of prior offenses, ability to pay, effect on ability to continue to do business, and such other matters as justice and public safety may require (emphasis added). Section 32506 of MAP–21 amended 49 U.S.C. 521(b)(2)(D) by removing ‘‘ability to pay’’ from this list. This final rule amends 49 CFR 386.81, 387.17, and 387.41 to reflect this change.

Section 32507—Emergency Disqualification for Imminent Hazard

Previously, 49 U.S.C. 31310(f) provided for the emergency disqualification of an individual from operating a CMV, if continued operation would constitute an imminent hazard, as defined at 49 U.S.C. 5102. Section 32507 of MAP–21 amended § 31310(f) by changing the meaning of ‘‘imminent hazard’’ to include the definition at 49 U.S.C. 521. This final rule amends the definition of ‘‘imminent hazard’’ at 49CFR 383.5 to reflect this change.

Section 32601—Motor Carrier Safety Assistance Program

Section 32601(a)(3) of MAP–21 amended 49 U.S.C. 31102(b) by identifying local government agencies as MCSAP partners and establishing four program goals. This final rule amends 49 CFR 350.103 to incorporate these new elements.

Section 32601(a)(4) amended the requirements, codified at 49 U.S.C. 31102(b), for State participation in the MCSAP grant program. This final rule amends 49 CFR 350.201 (n) and (s) and adds new § 350.201(z) and § 350.211(22) to reflect these changes.

Section 32601(a)(5) amended requirements, codified at 49 U.S.C. 31102(b), for the States' maintenance of effort and average level of expenditure under the MCSAP grant plans. This final rule amends 49 CFR 350.201(f), 350.211, and 350.301(a) and (c) to reflect these changes.

Section 32913—Waivers, Exemptions and Pilot Programs

Section 32913(b) amended the requirements, codified at 49 U.S.C. 31315(b), for a person to request an exemption from certain Agency requirements. The amendment requires the person's licensing State to inform roadside enforcement personnel of the exemption, after having received notice from FMCSA. New 49 CFR 350.201(z), discussed above, also implements this change.

Previously, 49 U.S.C. 31315(c)(1) required FMCSA to publish notice of all pilot programs in the Federal Register.

Section 32913(c) retained the requirement that the Agency publish notices of pilot programs, but removed the requirement that they be published in the Federal Register. This final rule amends 49 CFR 381.500(d) to reflect that change.

Section 32918—Financial Security of Brokers and Freight Forwarders

Previously, 49 U.S.C. 13906 required brokers to maintain a bond to ensure that the transportation contracted for was actually provided, but left the amount of the bond to the Agency's discretion. Section 32918 of MAP–21 amended that section to set a minimum of $75,000 and extended the bond requirement to freight forwarders as well. This final rule amends 49 CFR 387.307(a) and 387.405 and adds new § 387.403(c) to implement this change.

Section 33010—Civil Penalties

Previously, 49 U.S.C. 5123 provided for penalties of between $250 and $50,000 for violations of regulations related to the transportation of hazardous materials. For violations that resulted in ''death, serious illness, or severe injury to any person or substantial destruction of property,'' it provided for penalties of up to $100,000[3]. MAP–21 amended § 5123 to provide for penalties of up to $75,000 for violations of regulations related to the transportation of hazardous materials and $175,000 in the event of death, serious illness, severe injury or substantial destruction of property. This final rule amends 49 CFR Appendix B (f)(2) to implement these changes.

[3] The Agency previously adjusted this amount to $105,000. See note 1, above.

Rulemaking Analyses and Notices

Executive Order 12866 (Regulatory Planning and Review and DOT Regulatory Policies and Procedures as Supplemented by E.O. 13563)

FMCSA has determined this final rule is not a significant regulatory action within the meaning of Executive Order (E.O.) 12866, as supplemented by E.O. 13563 (76 FR 3821, January 21, 2011), and is also not significant within the meaning of DOT regulatory policies and procedures (44 FR 11034, February 26, 1979). As explained above, this final rule is strictly ministerial in that it incorporates nondiscretionary statutory requirements and includes administrative revisions, technical corrections and civil penalty increases to a number of statutory provisions. The majority of these statutory changes went into effect on October 1, 2012, while others will go into effect on October 1, 2013. These changes are necessary to make FMCSA's regulations consistent with MAP–21 and will not exceed the $100 million annual threshold. Any costs associated with this action are attributable to the non-discretionary statutory provisions. This final rule is not expected to generate substantial congressional or public interest. Therefore, a full regulatory impact analysis has not been conducted nor has there been a review by the Office of Management and Budget (OMB).

Although a full regulatory evaluation is unnecessary because of the low economic impact of this rulemaking, FMCSA analyzed the cost impact of the MAP–21 provisions implemented by this final rule. The provision in 49 U.S.C. 32918(a) requires all brokers and freight forwarders registered with FMCSA to provide a minimum financial security of $75,000 (surety bond or trust fund). Previously, the financial security requirement was $10,000 for general property brokers and $25,000 for household goods brokers. Freight forwarders did not have a comparable surety bond requirement. See 49 CFR part 387, subparts C and D. FMCSA has identified 2,212[4] registered interstate freight forwarders that will be subject to the new MAP–21 requirement. In addition, the Agency has 21,565[5] registered interstate property brokers, of which 776[6] are household goods brokers[7]. The cost components associated with this rule are a $75,000 minimum surety bond/ trust fund consisting of the following: (1) One percent to secure the surety bond or trust fund[8]; (2) $10

---

[4] FMCSA's Licensing and Insurance (L&I) and Motor Carrier Management Information System (MCMIS) database snapshot as February 22, 2013.

[5] Commercial Motor Vehicle (CMV) Facts Sheet March 2013. Available at http://www.fmcsa.dot.gov/documents/facts-research/CMV-Facts.pdf.

[6] Ibid., footnote 1.

[7] These numbers reflect the number of brokers currently subject to FMCSA registration requirements. As a result of MAP–21 § 32915, which is not the subject of this rule, some motor carriers might choose to obtain broker registration in addition to motor carrier registration. At this time, the Agency does not have information on how many motor carriers this will affect; some might choose to obtain broker registration, while others might choose to revise their business practices to avoid obtaining broker registration. OMB approval of the BMC–84 and BMC–85 forms expires in January 2014. As a part of the renewal process, FMCSA will consider whether MAP–21 has affected the total number of responding brokers.

[8] For the purpose of this analysis we will use 1% of the increased bond value ($65,000 = $650 for general property brokers, $50,000 = $500 for household goods, and $75,000 = $750 for freight forwarders). The cost is based on a percentage of the bond amount, which will vary by the applicant's personal credit and experience in the industry (Brokers of Household Goods Transportation by Motor Vehicle final rule Regulatory Evaluation, published November 29, 2010—75 FR 72987), and volume of business. The typical surety bond usually costs between 1 and 3 percent of the bond's face value, dependent on credit score. The bond's cost will be higher and/or a down payment may be required if the principal's financial history report contains negative marks, as the surety will now take a greater risk when guaranteeing the principal's work. Available at http://www.jwsuretybonds.com/surety-bonds/commercialbonds/freight_brokerbond.htm,

BMC–84/85 filing fee; and (3) 10 minutes by an insurance clerk with a median $25.39[9] hourly wage to complete the BMC 84/ 85 form(s). The overall cost of the new requirement is $1.69 million[10] in the first year for freight forwarders and $14.21 million[11] for brokers with an overall cost of approximately $15.9 million.

Regulatory Flexibility Act

Pursuant to the Regulatory Flexibility Act (RFA) of 1980 (5 U.S.C. 601 et seq.), as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (Pub. L. 104–121, 110 Stat. 857), FMCSA is not required to prepare a final regulatory flexibility analysis under 5 U.S.C. 604(a) for this final rule because the agency has not issued a notice of proposed rulemaking prior to this action. FMCSA has determined that it has good cause to adopt the rule without notice and comment.

Assistance for Small Entities

In accordance with section 213(a) of the Small Business Regulatory Enforcement Fairness Act of 1996, FMCSA wants to assist small entities in understanding this rule so that they can better evaluate its effects on themselves and participate in the rulemaking initiative. If the rule would affect your small business, organization, or governmental jurisdiction and you have questions concerning its provisions or options for compliance, please consult the FMCSA point of contact, Ms. Genevieve Sapir, listed in the FOR FURTHER INFORMATION CONTACT section of this rule.

Small businesses may send comments on the actions of Federal employees who enforce or otherwise determine compliance with Federal regulations to the SBA's Small Business and Agriculture Regulatory Enforcement Ombudsman and the Regional Small Business Regulatory Fairness Boards. The Ombudsman evaluates these actions annually and rates each agency's responsiveness to small business. If you wish to comment on actions by employees of FMCSA, call 1–888–REG–FAIR (1–888–734–3247). DOT has a policy ensuring the rights of small entities to regulatory enforcement fairness and an explicit policy against retaliation for exercising these rights.

Unfunded Mandates Reform Act of 1995

This final rule will not impose an unfunded Federal mandate, as defined by the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1532 et seq.), that will result in the expenditure by a State, local, or tribal governments, in the aggregate, or by the private sector of $143.1 million (which is the value of $100 million in 2010 after adjusting for inflation) or more in any one year.

---

www.suretybonds.com, Transportation Intermediaries Association (TIA) available at http://www.tianet.org/AM/ Template.cfm?Section=About_TIA.

[9] U.S. Department of Labor, Bureau of Labor Statistics, Occupational Employment Wages Statistics, April 2013. Available at http://www.bls.gov/oes/current/oes439041.htm. Insurance and Policy Clerks have a median $16.93 hourly wage, plus a 50 percent markup for fringe benefits = $25.39.

[10] The freight forwarder (FF) calculation includes the following: (2,212 FF × $750 annual premium cost) = $1.66 million + (2,212 FF × $10 filing fee) = $22,120 + (2,212 FF × 10/60 minutes to fill out form × $25.39 wage) = $9,360.

[11] The property broker calculation includes the following: (20,789 × $650 general property broker annual premium cost) = $13.51 million + (776 household good brokers × $500 annual premium cost) = $388,000 + (21,565 brokers × $10 filing fee) = $215,650 + (21,565 brokers × 10/60 minutes to fill out form × $25.39 wage) = $91,255.

E.O. 13132 (Federalism)

A rulemaking has implications for Federalism under Section 1(a) of E.O. 13132 if it has a substantial direct effect on State or local governments and would either preempt State law or impose a substantial direct cost of compliance on State or local governments. FMCSA analyzed this action in accordance with Executive Order 13132. This final rule does not preempt or modify any provision of State law, impose substantial direct unreimbursed compliance costs on any State, or diminish the power of any State to enforce its own laws.

Accordingly, this rulemaking does not have Federalism implications warranting the application of Executive Order 13132.

E.O. 12988 (Civil Justice Reform)

This final rule meets applicable standards in sections 3(a) and 3(b)(2) of E.O. 12988 to minimize litigation, eliminate ambiguity, and reduce burden.

E.O. 13045 (Protection of Children)

E.O. 13045, Protection of Children from Environmental Health Risks and Safety Risks (62 FR 19885, Apr. 23, 1997), requires agencies issuing ‘‘economically significant’’ rules, if the regulation also concerns an environmental health or safety risk that an agency has reason to believe may disproportionately affect children, to include an evaluation of the regulation’s environmental health and safety effects on children. The Agency determined this final rule is not economically significant. Therefore, no analysis of the impacts on children is required. In any event, the Agency does not anticipate that this regulatory action could in any respect present an environmental or safety risk that could disproportionately affect children.

E.O. 12630 (Taking of Private Property)

FMCSA reviewed this final rule in accordance with E.O. 12630, Governmental Actions and Interference with Constitutionally Protected Property Rights, and has determined it will not affect a taking of private property or otherwise have takings implications.

Privacy Impact Assessment

Section 522 of title I of division H of the Consolidated Appropriations Act, 2005, enacted December 8, 2004 (Pub. L. 108–447, 118 Stat. 2809, 3268, 5 U.S.C. 552a note), requires the Agency to conduct a privacy impact assessment (PIA) of a regulation that will affect the privacy of individuals. This rule does not require the collection of personally identifiable information (PII). The Privacy Act (5 U.S.C. 552a) applies only to Federal agencies and any non-Federal agency which receives records contained in a system of records from a Federal agency for use in a matching program.

E.O. 12372 (Intergovernmental Review)

The regulations implementing E.O. 12372 regarding intergovernmental consultation on Federal programs and activities do not apply to this program.

Paperwork Reduction Act

Under the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3501, et seq.), Federal agencies must obtain approval from the OMB for each collection of information they conduct, sponsor, or require through regulations. For the currently approved OMB control number 2126–0017, Financial Responsibility, Trucking, and Freight Forwarding, this rule will produce a slight increase of 146 annual burden hours due to the increase of annual responses [Form BMC–84—2,750 annual responses x 10 minutes/60

minutes = 458 hours¥previous 405

hours = 53 hours; Form BMC–85—4,380

annual responses x 10 minutes/60

minutes = 730 hours¥previous 637

hours = 93 hours]. There is no collection requirement or change in annual burden hours for the currently approved OMB control number 2126–0016, Licensing Applications for Motor Carrier Operating Authority.

The Agency estimates that the changes to the Forms BMC–84 and BMC–85 result in a small modification in the number of respondents that will have no impact on the currently approved 10 minutes it takes a respondent to complete the form.

National Environmental Policy Act and Clean Air Act

FMCSA analyzed this rule in accordance with the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321, et seq.) and FMCSA's NEPA Implementing Procedures and Policy for Considering Environmental Impacts, Order 5610.1 (FMCSA Order), March 1, 2004 (69 FR 9680). FMCSA's Order states that ''[w]here FMCSA has no discretion to withhold or condition an action if the action is taken in accordance with specific statutory criteria and FMCSA lacks control and responsibility over the effects of an action, that action is not subject to this Order.'' Id. at chapter 1(D). Because Congress specifies the Agency's precise action here, thus leaving the Agency no discretion over such action, and since the Agency lacks jurisdiction and therefore control and responsibility over the effects of these action, this rulemaking falls under chapter 1(D). Therefore, no further analysis is considered.

In addition to the NEPA requirements to examine impacts on air quality, the Clean Air Act (CAA) as amended (42 U.S.C. 7401, et seq.) also requires FMCSA to analyze the potential impact of its actions on air quality and to ensure that FMCSA actions conform to State and local air quality implementation plans. This non- discretionary action is expected to fall within the CAA de minimis standards and are not subject to the Environmental Protection Agency's General Conformity Rule (40 CFR parts 51 and 93).

Additionally, FMCSA evaluated the effects of this final rule in accordance with Executive Order 12898 and determined that there are no environmental justice issues associated with its provisions nor any collective environmental impacts resulting from its promulgation. Environmental justice issues would be raised if there were ''disproportionate'' and ''high and adverse impact'' on minority or low- income populations. This final rule is exempt from analysis under the National Environmental Policy Act. This final rule simply makes ministerial, mandatory changes and would not result in high and adverse environmental impacts.

E.O. 13211 (Energy Supply, Distribution, or Use)

FMCSA analyzed this action under E.O. 13211, Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use. FMCSA determined that it is not a ''significant energy action'' under that E.O. because it is not economically significant and is not likely to have an adverse effect on the supply, distribution, or use of energy.

E.O. 13175 (Indian Tribal Governments)

This final rule does not have tribal implications under E.O. 13175, Consultation and coordination with Indian Tribal Governments, because it does not have a substantial direct effect on one or more Indian tribes, on the relationship between the Federal Government and Indian tribes, or on the distribution of power and responsibilities between the Federal Government and Indian tribes.

National Technology Transfer and Advancement Act (Technical Standards)

The National Technology Transfer and Advancement Act (NTTAA) (15 U.S.C. 272 note) directs agencies to use voluntary consensus standards in their regulatory activities unless the agency provides Congress, through OMB, with an explanation of why using these standards would be inconsistent with applicable law or otherwise impractical. Voluntary consensus standards (e.g., specifications of materials, performance, design, or operation; test methods; sampling procedures; and related management systems practices) are standards that are developed or adopted by voluntary consensus standards bodies. This final rule does not use technical standards. Therefore, we did not consider the use of voluntary consensus standards.

List of Subjects

49 CFR Part 350: Grant programs—transportation, Highway safety, Motor carriers, Motor vehicle safety, Reporting and recordkeeping requirements.

49 CFR Part 381: Motor carriers.

49 CFR Part 383: Administrative practice and procedure, Alcohol abuse, Drug abuse, Highway safety, Motor carriers.

49 CFR Part 384: Administrative practice and procedure, Alcohol abuse, Drug abuse, Highway safety, Motor carriers.

49 CFR Part 385: Administrative practice and procedure, Highway safety, Mexico, Motor carriers, Motor vehicle safety, Reporting and recordkeeping requirements.

49 CFR Part 386: Administrative practice and procedure, Brokers, Freight forwarders, Hazardous materials transportation, Highway safety, Motor carriers, Motor vehicle safety, Penalties.

49 CFR Part 387: Buses, Freight, Freight forwarders, Hazardous materials transportation, Highway safety, Insurance, Intergovernmental relations, Motor carriers, Motor vehicle safety, Moving of household goods, Penalties, Reporting and recordkeeping requirements, Surety bonds.

49 CFR Part 392: Alcohol abuse, Drug abuse, Highway safety, Motor carriers.

For the reasons stated in the preamble, the FMCSA amends 49 CFR chapter III, as set forth below:

PART 350—COMMERCIAL MOTOR

CARRIER SAFETY ASSISTANCE PROGRAM

■ 1. The authority citation for part 350 continues to read as follows:

Authority: 49 U.S.C. 13902, 31101–31104, 31108, 31136, 31140–31141, 31161, 31310–31311, 31502; and 49 CFR 1.87.

■ 2. Revise § 350.103 to read as follows:

§ 350.103 What is the purpose of this part?

The purpose of this part is to ensure the Federal Motor Carrier Safety Administration (FMCSA), States, local government agencies and other political jurisdictions work in partnership to establish programs to improve motor carrier, CMV, and driver safety to support a safe and efficient transportation system by—

(a) Making targeted investments to promote safe CMV transportation, including transportation of passengers and hazardous materials;

(b) Investing in activities likely to generate maximum reductions in the number and severity of CMV crashes and fatalities resulting from such crashes;

(c) Adopting and enforcing effective motor carrier, CMV, and driver safety regulations and practices consistent with Federal requirements; and

(d) Assessing and improving State wide performance by setting program goals and meeting performance standards, measures and benchmarks.

■ 3. In § 350.201, revise paragraphs (f), (n), and (s) and add a new paragraph (z) to read as follows:

§ 350.201 What conditions must a State meet to qualify for Basic Program Funds?

(f) Maintain the aggregate expenditure of funds by the State lead agency responsible for implementing the CVSP, exclusive of Federal funds and State matching amounts, for CMV safety programs eligible for funding under this part, at a level at least equal to the average level of that expenditure for fiscal years 2004 and 2005. Upon the request of a State, the Secretary may allow the State to exclude State expenditures for Government-sponsored demonstration or pilot projects. Upon the request of a State, the Secretary may waive or modify the requirements of this subsection for one fiscal year, if the Secretary determines that a waiver is equitable due to exceptional or uncontrollable circumstances, such as a natural disaster or a serious decline in the financial resources of the MCSAP agency.

(n) Ensure participation in appropriate FMCSA systems and other information systems by all appropriate jurisdictions receiving funding under this section.

(s) Establish and dedicate sufficient resources to a program to ensure that accurate, complete, and timely motor carrier safety data are collected and reported, and ensure the State's participation in a national motor carrier safety data correction system prescribed by FMCSA.

(z) Ensure transmittal to roadside inspectors the notice of each Federal exemption the State receives from FMCSA pursuant to 49 CFR part 381 subpart C, including the name of the person granted the exemption and any terms and conditions that apply to the exemption.

■ 4. In § 350.211, revise paragraphs 8., 11., and add paragraph 22. to read as follows:

§ 350.211 What is the format of the certification required by 350.209?

8. The State must maintain the average aggregate expenditure of the State lead agency responsible for implementing the CVSP, exclusive of Federal assistance and State matching funds, for CMV safety programs eligible for funding under the Basic program at a level at least equal to the average level of that expenditure for fiscal years 2004 and 2005. These expenditures must cover at least the following four program areas, as applicable:

a. Motor carrier safety programs in accordance with 49 CFR 350.109.

b. Size and weight enforcement programs in accordance with 49 CFR 350.309(c)(1).

c. Drug interdiction enforcement programs in accordance with 49 CFR 350.309(c)(2).

d. Traffic safety programs in accordance with 49 CFR 350.309(d).

11. The State will establish a program to provide FMCSA with accurate, complete, and timely reporting of motor carrier safety information that includes documenting the effects of the State's CMV safety programs; participate in a national motor carrier safety data correction program (DataQs); participate in appropriate FMCSA systems; and ensure information is exchanged in a timely manner with other States.

22. The State will transmit to its roadside inspectors the notice of each Federal exemption granted pursuant to 49 U.S.C. 31315(b) as provided to the State by FMCSA, including the name of the person granted the exemption and any terms and conditions that apply to the exemption.

■ 5. In § 350.301, revise paragraphs (a) and (c) to read as follows:

§ 350.301 What level of effort must a State maintain to qualify for MCSAP funding?

(a) The State must maintain the average aggregate expenditure of the State and its political subdivisions, exclusive of Federal funds and State matching funds, for CMV safety programs eligible for funding under this part at a level at least equal to the average level of expenditure for fiscal years 2004 and 2005.

(c) The State must include costs associated with activities performed during the base period by the lead agency responsible for implementing the CVSP that receives funds under this part. It must include only those activities which meet the current requirements for funding eligibility under the grant program.

PART 381—WAIVERS, EXEMPTIONS, AND PILOT PROGRAMS

■ 6. The authority citation for part 381 continues to read as follows:

Authority: 49 U.S.C. 31136(e) and 31315; and 49 CFR 1.87.

■ 7. In § 381.500, revise paragraph (d) to read as follows:

§ 381.500 What are the general requirements the agency must satisfy in conducting a pilot program?

(d) The FMCSA will publish a detailed description of each pilot program, including the exemptions to be considered, and provide notice and an opportunity for public comment before the effective date of the pilot program.

PART 383—COMMERCIAL DRIVER'S LICENSE STANDARDS; REQUIREMENTS AND PENALTIES

■ 8. The authority citation for part 383 continues to read as follows:

Authority: 49 U.S.C. 521, 31136, 31301 et seq., and 31502; secs. 214 and 215 of Pub. L. 106–159, 113 Stat. 1748, 1766, 1767; sec. 1012(b) of Pub. L. 107–56, 115 Stat. 272, 397; sec. 4140 of Pub. L. 109–59, 119 Stat. 1144, 1726; and 49 CFR 1.86.

■ 9. In § 383.5, add a new definition of ''foreign commercial driver'' to appear in alphabetical order and revise the definition of ''imminent hazard'' to read as follows:

§ 383.5 Definitions.

Foreign commercial driver means an individual licensed to operate a commercial motor vehicle by an authority outside the United States, or a citizen of a foreign country who operates a commercial motor vehicle in the United States.

Imminent hazard means the existence of any condition of vehicle, employee, or commercial motor vehicle operations that substantially increases the likelihood of serious injury or death if not discontinued immediately; or a condition relating to hazardous material that presents a substantial likelihood that death, serious illness, severe personal injury, or a substantial endangerment to health, property, or the environment may occur before the reasonably foreseeable completion date of a formal proceeding begun to lessen the risk of that death,illness, injury or endangerment.

■ 10. Revise the introductory paragraph of § 383.37 to read as follows:

§ 383.37 Employer responsibilities.

No employer may allow, require, permit, or authorize a driver to operate a CMV in the United States if he or she knows or should reasonably know that any of the following circumstances exist:

■ 11. In § 383.51, add paragraph (a)(7) to read as follows:

§ 383.51 Disqualification of drivers.

(a)

(7) A foreign commercial driver is subject to disqualification under this subpart.

PART 384—STATE COMPLIANCE WITH COMMERCIAL DRIVER'S LICENSE PROGRAM

■ 12. The authority citation for part 384 continues to read as follows:

Authority: 49 U.S.C. 31136, 31301, et seq., and 31502; secs. 103 and 215 of Pub. L. 106–59, 113 Stat. 1753, 1767; and 49 CFR 1.87.

■ 13. Revise § 384.209 to read as follows:

§ 384.209 Notification of traffic violations.

(a) Required notification with respect to CLP or CDL holders.

(1) Whenever a person who holds a CLP or CDL from another State is convicted of a violation of any State or local law relating to motor vehicle traffic control (other than parking, vehicle weight or vehicle defect violations), in any type of vehicle, the licensing entity of the State in which the conviction occurs must notify the licensing entity in the State where the driver is licensed of this conviction within the time period established in paragraph (c) of this section.

(2) Whenever a person who holds a foreign commercial driver's license is convicted of a violation of any State or local law relating to motor vehicle traffic control (other than parking, vehicle weight or vehicle defect violations), in any type of vehicle, the licensing entity of the State in which the conviction occurs must report that conviction to the Federal Convictions and Withdrawal Database.

(b) Required notification with respect to non-CDL holders.

(1) Whenever a person who does not hold a CDL, but who is licensed to drive by another State, is convicted of a violation in a CMV of any State or local law relating to motor vehicle traffic control (other than a parking violation), the licensing entity of the State in which the conviction occurs must notify the licensing entity in the State where the driver is licensed of this conviction within the time period established in paragraph (c) of this section.

(2) Whenever a person who is unlicensed or holds a foreign non- commercial driver's license is convicted of a violation in a CMV of any State or local law relating to motor vehicle traffic control (other than a parking violation), the licensing entity of the State in which the conviction occurs must report that conviction to the Federal Convictions and Withdrawal Database.

PART 385—SAFETY FITNESS PROCEDURES

■ 14. The authority citation for part 385 continues to read as follows:

Authority: 49 U.S.C. 113, 504, 521(b), 5105(e), 5109, 13901–13905, 31133, 31135, 31136, 31137(a), 31144, 31148, and 31502; Sec. 113 (a), Pub. L. 103–311; Sec. 408, Pub. L. 104–88; Sec. 350 of Pub. L. 107–87; and 49 CFR 1.87.

■ 15. In § 385.3, revise the definition of ''new entrant registration'' to read as follows:

§ 385.3 Definitions and acronyms.

New entrant registration is the registration (US DOT number) granted a new entrant before it can begin interstate operations in an 18-month monitoring period. A safety audit must be performed on a new entrant's operations within 12 months after receipt of its US DOT number for motor carriers of property and 120 days for motor carriers of passengers, and it must be found to have adequate basic safety management controls to continue operating in interstate commerce at the end of the 18-month period.

■ 16. In Appendix A to part 385, revise paragraph (I)(a) to read as follows:

Appendix A to Part 385—Explanation of Safety Audit Evaluation Criteria

I. General

(a) Section 210 of the Motor Carrier Safety Improvement Act (49 U.S.C. 31144) directed the Secretary to establish a procedure whereby each owner and each operator granted new authority must undergo a safety review within 12 months after receipt of its US DOT number for motor carriers of property and 120 days for motor carriers of passengers. The Secretary was also required to establish the elements of this safety review, including basic safety management controls. The Secretary, in turn, delegated this to the FMCSA.

PART 386—RULES OF PRACTICE FOR MOTOR CARRIER, INTERMODAL EQUIPMENT PROVIDER, BROKER, FREIGHT FORWARDER, AND HAZARDOUS MATERIALS PROCEEDINGS

■ 17. The authority citation for part 386 continues to read as follows:

Authority: 49 U.S.C. 113, chapters 5, 51, 59, 131–141, 145–149, 311, 313, and 315; Sec. 204, Pub. L. 104–88, 109 Stat. 803, 941 (49 U.S.C. 701 note); Sec. 217, Pub. L. 105– 159, 113 Stat. 1748, 1767; Sec. 206, Pub. L. 106–159, 113 Stat. 1763; subtitle B, title IV of Pub. L. 109–59; and 49 CFR 1.81 and 1.87.

§ 386.81 [Amended]

■ 18. In § 386.81, amend paragraph (a) by removing the phrase ''ability to pay,''.

■ 19. In § 386.84, revise paragraphs (a), (b)(1), (c), and the introductory text to (d) to read as follows:

§ 386.84 Sanction for failure to pay civil penalties or abide by payment plan; suspension or revocation of registration.

(a)

(1) General rule. The registration of a broker, freight forwarder, for-hire motor carrier, foreign motor carrier or foreign motor private carrier that fails to pay a civil penalty in full within 90 days after the date specified for payment by the FMCSA's final agency order, will be suspended starting on the next (i.e., the 91st) day. The suspension continues until the FMCSA has received full payment of the penalty.

(2) Civil penalties paid in installments. The FMCSA Service Center may allow a respondent broker, freight forwarder, for-hire motor carrier, foreign motor carrier or foreign motor private carrier to pay a civil penalty in installments. If the respondent fails to make an installment payment on schedule, the payment plan is void and the entire debt is payable immediately.

The registration of a respondent that fails to pay the remainder of its civil penalty in full within 90 days after the date of the missed installment payment is suspended on the next (i.e., the 91st) day. The suspension continues until the FMCSA has received full payment of the entire penalty.

(3) Appeals to Federal Court. If the respondent broker, freight forwarder, for-hire motor carrier, foreign motor carrier or foreign motor private carrier appeals the final agency order to a Federal Circuit Court of Appeals, the terms and payment due date of the final agency order are not stayed unless the Court so directs.

(b) Show Cause Proceeding.

(1) The FMCSA will notify a broker, freight forwarder, for-hire motor carrier, foreign motor carrier or foreign motor private carrier in writing if it has not received payment within 45 days after the date specified for payment by the final agency order or the date of a missed installment payment. The notice will include a warning that failure to pay the entire penalty within 90 days after payment was due will result in the suspension of the respondent's registration.

(c) The registration of a broker, freight forwarder, for-hire motor carrier, foreign motor carrier or foreign motor private carrier that continues to operate in interstate commerce in violation of this section after its registration has been suspended may be revoked after an additional notice and opportunity for a proceeding in accordance with 49 U.S.C. 13905(c). Additional sanctions may be imposed under paragraph IV(i) of Appendix A to part 386.

(d) This section does not apply to any person who is unable to pay a civil penalty because the person is a debtor in a case under chapter 11, title 11, United States Code. Brokers, freight forwarders, for-hire motor carriers, foreign motor carriers or foreign motor private carriers in bankruptcy proceedings under chapter 11 must provide the following information in their response to the FMCSA:

■ 20. In Appendix A to part 386, add paragraph II. and revise paragraph IV.g. to read as follows:

Appendix A to Part 386—Penalty Schedule; Violations of Notices and Orders

II. Subpoena

Violation—Failure to respond to Agency subpoena to appear and testify or produce records.

Penalty—minimum of $1,000 but not more than $10,000 per violation.

IV. Out-of-Service Order

(g)

Violation—Operating in violation of an order issued under § 386.72(b) to cease all or part of the employer's commercial motor vehicle operations or to cease all or part of an intermodal equipment provider's operations, i.e., failure to cease operations as ordered.

Penalty—Up to $25,000 per day the operation continues after the effective date and time of the order to cease.

■ 21. In Appendix B to Part 386, revise paragraphs (f); (g)(1) through (3) and (6); and (h) and add new paragraph (i) to read as follows:

Appendix B to Part 386—Penalty Schedule; Violations and Monetary Penalties

(f) Operating after being declared unfit by assignment of a final ''unsatisfactory'' safety rating.

(1) A motor carrier operating a commercial motor vehicle in interstate commerce (except owners or operators of commercial motor vehicles designed or used to transport hazardous materials for which placarding of a motor vehicle is required under regulations prescribed under 49 U.S.C. chapter 51) is subject, after being placed out of service because of receiving a final ''unsatisfactory'' safety rating, to a civil penalty of not more than $25,000 (49 CFR 385.13). Each day the transportation continues in violation of a final ''unsatisfactory'' safety rating constitutes a separate offense.

(2) A motor carrier operating a commercial motor vehicle designed or used to transport hazardous materials for which placarding of a motor vehicle is required under regulations prescribed under 49 U.S.C. chapter 51 is subject, after being placed out of service because of receiving a final ''unsatisfactory'' safety rating, to a civil penalty of not more than $75,000 for each offense. If the violation results in death, serious illness, or severe injury to any person or in substantial destruction of property, the civil penalty may be increased to not more than $175,000 for each offense. Each day the transportation continues in violation of a final ''unsatisfactory'' safety rating constitutes a separate offense.

(g)

(1) A person who fails to make a report, to specifically, completely, and truthfully answer a question, or to make, prepare, or preserve a record in the form and manner prescribed is liable for a minimum penalty of $1,000 per violation.

(2) A person who operates as a carrier or broker for the transportation of property in violation of the registration requirements of 49 U.S.C. 13901 is liable for a minimum penalty of $10,000 per violation.

(3) A person who operates as a motor carrier of passengers in violation of the registration requirements of 49 U.S.C. 13901 is liable for a minimum penalty of $25,000 per violation.

(6) A person who operates as a motor carrier or broker for the transportation of hazardous wastes in violation of the registration provisions of 49 U.S.C. 13901 is liable for a minimum penalty of $20,000 and a maximum penalty of $40,000 per violation.

(h) Copying of records and access to equipment, lands, and buildings. A person subject to 49 U.S.C. chapter 51 or a motor carrier, broker, freight forwarder, or owner or operator of a commercial motor vehicle subject to part B of subtitle VI of title 49 U.S.C. who fails to allow promptly, upon demand in person or in writing, the Federal Motor Carrier Safety Administration, an employee designated by the Federal Motor Carrier Safety Administration, or an employee of a MCSAP grant recipient to inspect and copy any record or inspect and examine equipment, lands, buildings, and other property, in accordance with 49 U.S.C. 504(c), 5121(c), and 14122(b), is subject to a civil penalty of not more than $1,000 for each offense. Each day of a continuing violation constitutes a separate offense, except that the total of all civil penalties against any violator for all offenses related to a single violation shall not exceed $10,000.

(i) A person, or an officer, employee, or agent of that person, that by any means tries to evade regulation of motor carriers under Title 49, United States Code chapter 5, chapter 51, subchapter III of chapter 311 (except sections 31138 and 31139) or section 31302, 31303, 31304, 31305(b), 31310(g)(1)(A), or 31502, or a regulation issued under any of those provisions, shall be fined at least $2,000 but not more than $5,000 for the first violation and at least $2,500 but not more than $7,500 for a subsequent violation.

PART 387—MINIMUM LEVELS OF FINANCIAL RESPONSIBILITYFOR MOTOR CARRIERS

■ 22. The authority citation for part 387 continues to read as follows:

Authority: 49 U.S.C. 13101, 13301, 13906, 14701, 31138, 31139, and 31144; and 49 CFR 1.87.

§ 387.17 [Amended]

■ 23. Amend § 387.17 by removing the phrase ‘‘ability to pay,’’.

§ 387.41 [Amended]

■ 24. Amend § 387.41 by removing the phrase ‘‘ability to pay,’’.

■ 25. In § 387.307, revise paragraph (a) to read as follows:

§ 387.307 Broker surety bond or trust fund.

(a) Security. A broker must have a surety bond or trust fund in effect for $75,000. The FMCSA will not issue a broker license until a surety bond or trust fund for the full limits of liability prescribed herein is in effect. The broker license shall remain valid or effective only as long as a surety bond or trust fund remains in effect and shall ensure the financial responsibility of the broker.

■ 26. In § 387.403, add paragraph (c) to read as follows:

§ 387.403 General requirements.

(c) Surety bond or trust fund. A freight forwarder must have a surety bond or trust fund in effect. The FMCSA will not issue a freight forwarder license until a surety bond or trust fund for the full limit of liability prescribed in § 387.405 is in effect. The freight forwarder license shall remain valid or effective only as long as a surety bond or trust fund remains in effect and shall ensure the financial responsibility of the freight forwarder. The requirements applicable to property broker surety bonds and trust funds in § 387.307 shall apply to the surety bond or trust fund required by this paragraph.

■ 27. Revise § 387.405 to read as follows:

§ 387.405 Limits of liability.

The minimum amounts for cargo and public liability security are identical to those prescribed for motor carriers at 49 CFR 387.303. The minimum amount for the surety bond or trust fund is identical to that prescribed for brokers at 49 CFR 387.307.

PART 392—DRIVING OF COMMERCIAL MOTOR VEHICLES

■ 28. The authority citation for part 392 continues to read as follows:

Authority: 49 U.S.C. 504, 13902, 31136, 31151, 31502; and 49 CFR 1.87.

■ 29. In § 392.9a, revise paragraph (b) to read as follows:

§ 392.9a Operating authority.

(b) Penalties. Every motor carrier providing transportation requiring operating authority shall be ordered out of service if it is determined that the motor carrier is operating a vehicle in violation of paragraph (a) of this section. In addition, the motor carrier may be subject to penalties in accordance with 49 U.S.C. 14901.

SUBCHAPTER B—FEDERAL MOTOR CARRIER SAFETY REGULATIONS

■ 30. In Appendix B to Subchapter B of Chapter III, revise paragraph 2. to read as follows:

Appendix B to Subchapter B of Chapter III—Special Agent

2. Compliance. Motor carriers and other persons subject to these Acts shall submit their accounts, books, records, memoranda, correspondence, and other documents for inspection and copying, and they shall submit their lands, buildings, and equipment for examination and inspection, to any special agent of the Administration upon demand and display of an Administration credential, either in person or in writing, identifying him/her as a special agent.

Issued under the authority of delegation in 49 CFR 1.87: September 19, 2013.

Anne S. Ferro, Administrator.

[FR Doc. 2013–23517 Filed 9–30–13; 8:45 am]

BILLING CODE 4910–EX–P

Chapter 11 Summary

Map 21

Department of Transportation: Federal Motor Carrier Safety Administration

Summary: The Federal Motor Carrier Safety Administration adopted certain regulations required by the Moving Ahead for Progress in the 21 st Century surface transportation reauthorization legislation. Most of the new regulations went into effect on October 1, 2012, while the others went into effect on October 1, 2013. It is necessary to make conforming changes to ensure that the regulations used by the FMCSA are current with applicable statuses.

Executive Summary: The ruling of this case makes nondiscretionary ministerial changes to FMCSA regulations that are required by MAP-21. The only costs associated with this ruling come from 49 U.S.C 32918(a), which require brokers and freight forwarders to provide evidence of minimum financial security in the amount of $75,000.

Legal Basis for the Rulemaking: The ruling was based on MAP-21, and it made certain provisions of MAP-21 mandatory. Furthermore, it implemented nondiscretionary changes to FMCSA programs.

MAP-21 Provisions Implemented by the Final Rule: The Federal Motor Carrier Safety Regulations changed by this final rule cover diverse areas. A summary of the rulings are listed below:

- MAP-21 now requires that new entrant motor carriers undergo a safety review within 12 months of beginning operations. The time period is 120 days for passenger carriers.
- There are now increased penalties for operation without registration: the fine is $1,000 for violating the reporting and recordkeeping requirements and $10,000 for non-passenger carrier registration violations. Also, the penalty for transporting hazardous wastes without registration is a minimum of $20,000 and a maximum of $40,000.
- MAP-21 increased the penalty for when motor carriers fail to obey a subpoena or an agency order to appear or testify under the 49 U.S.C. from between $1,000 to $10,000.
- For fleet wide out of service order for operating without required registration: MAP-21 states that if a motor vehicle was used to provide transportation without registration, the motor vehicle will be put out of service.
- MAP-21 requires that states report freight commercial driver's convictions related to the operation of CMVs and non-CMVs.
- Previously, 49 U.S.C required brokers to maintain a bond to ensure that the transportation contracted for was provided, but it left the amount to the agencies discretion. Now, the bond needs to be obtained for the amount of $75,000.
- MAP-21 requires that foreign motor carrier operation authority can be revoked in cases where they failed to pay civil penalties.

Rulemaking Analyses and Notices: FMCSA determined that the final rule was not a significant regulatory action within the meaning of Executive Order 12866. They also determined that it is not significant within the meaning of DOT regulatory policies. The ruling is ministerial, meaning that it incorporates nondiscretionary statutory requirements and includes administrative revisions, technical corrections, and civil penalty increases.

Regulatory Flexibility Act: The Regulatory Flexibility Act of 1980 states that the FMCSA is not required to prepare a final regulatory flexibility analysis for the final rule because the agency was not issued a notice of proposed rulemaking before the action.

Assistance for Small Entities: Due to section 213(a) of the Small Business Regulatory Enforcement Fairness Act of 1996, the FMCSA would like to assist small entities in comprehending the rule. If this ruling affects your small business and you have questions regarding it, please contact the FMCSA .

Unfunded Mandates Reform Act of 1995: The final ruling of MAP-49 does not impose an unfunded Federal mandate.

E.O. 13132 (Federalism): A rulemaking has implications for Federalism if it has a substantial direct effect on state or local governments. FMCS analyzed this action and came to the conclusion that the final rule does not modify any state law, impose substantial direct unreimbursed compliances costs on any state, or reduce state laws. Therefore, this rulemaking does not have Federalism implications.

E.O. 12988 (Civil Justice Reform): The final rule meets the standards in sections 3(a) and 3(b)(2) of E.O. 12988 to reduce litigation, eliminate ambiguity, and reduce burden.

E.O. 23045 (Protection of Children): Protection of Children from Environmental Health Risks and Safety Risks states that agencies issuing "economically significant" rules to provide an evaluation of the regulation's environmental health and safety effects on children. However, the agency determined that this final rule is not economically significant.

E.O. 12630 (Taking of Private Property): The FMCSA reviewed the final rule and determined that it will not affect a taking of private property.

Privacy Impact Assessment: The Consolidated Appropriations Act requires the agency to conduct a privacy impact assessment. This act only applies to Federal agencies and non-Federal agencies that receive records contained in a system of records from a federal agency for use in a matching program.

Paperwork Reduction Act: Federal agencies must obtain approval from the OMB for every collection of information that the conduct, sponsor, or require through regulations.

National Environmental Policy Act and Clean Air Act: The Clean Air Act requires the FMCSA to analyze the potential impact of its actions on the air quality to ensure that their actions conform to state and local air quality implementation plans.

Part 350 – Commercial Motor Carrier Safety Assistance Program

350.103 What is the purpose of this Part? The purpose is to ensure that the FMCSA, states, local government agencies, and other political jurisdictions work together to establish programs to improve motor carrier, CMV, and driver safety.

350.201 What conditions must a state meet to qualify for basic program funds? By request of the state, the secretary may allow the state to exclude state expenses for government-sponsored demonstration or pilot projects.

350.211 What is the format of the certification required by 350.209? The state is required to maintain the average aggregate expenditure of the state lead agency in charge of implementing the CVSP for their safety programs that are eligible for funding under the basic program. The state will establish a program to provide FMCSA with accurate, complete, and timely reporting of motor carrier safety information. Furthermore, the state will provide their roadside inspectors with a notice of each Federal exemption granted pursuant to 49 U.S.C.

350.301 What level of effort must a state maintain to qualify for MCSAP funding? The state must maintain the average aggregate expenditure of the state and its political subdivisions for CMV safety programs eligible for funding. The state must include costs associated with activities performed during the base period. It must only include activities that meet the current requirements for funding eligibility under the grant program.

Part 381 – Waivers, Exemptions, and Pilot Programs

381.500 What are the general requirements the agency must satisfy in conduction a pilot program? The FMCSA will publish a description of each pilot program and provide an opportunity for the public to comment before the effective date of the program.

Part 383 Commercial Driver's License Standards, Requirements, and Penalties

383.5 Definitions: A foreign commercial driver is an individual licensed to operate a commercial motor vehicle outside the US or a citizen of a foreign country who operates a commercial motor vehicle in the US. An imminent hazard is the existence of any condition of vehicle, employee, or commercial motor vehicle operations that increase the likelihood of serious injury or death; or a condition relating to hazardous material that presents a likelihood of death, serious illness, severe personal injury, or a substantial endangerment to health, property, or the environment.

383.51 Disqualification of drivers: a commercial driver can be disqualified under this subpart.

Part 384 - State Compliance with Commercial Driver's License Program

384.209 Notification of traffic violations: In any situation where a person holds a CLP of CDL from another state where they are convicted of a violation of any state or local law relating to motor vehicle traffic control, the licensing entity of the state in which the violation occurred must notify the licensing entity in the state where the driver is licensed of the conviction. Furthermore, those who hold a foreign commercial driver's license and commit a violation will have their crimes reported to the Federal Convictions and Withdrawal Database.

Part 385 – Safety Fitness Procedures

385.3 Definitions and acronyms: New entrant registration is the registration granted to a new entrant before they can begin interstate operations in an 18-month monitoring period. A safety audit must be performed on a new entrant's operations within 18 months of receiving their US DOT number for motor carriers of property and 120 days for motor carriers of passengers.

Appendix A to Part 385 – Explanation of Safety Audit Evaluation Criteria: Section 210 of the Motor Carrier Safety Improvement ACT direct the secretary to make a procedure where each owner and operator with new authority must undergo a safety review within 12 months after receiving their US DOT number for motor carriers of property and 120 days for motor carriers of passengers.

Part 386 –Rules of Practice for Motor Carrier, Intermodal Equipment Provider, Broker, Freight Forwarder, and Hazardous Materials Proceedings

386.84 Sanction for failure to pay civil penalties or abide by payment plan; suspension or revocation of registration: The registration of a broker, freight forwarder, for-hire motor carrier, foreign motor carrier, or foreign motor private carrier that does not pay a civil penalty in full within 90 days after the specified date will be suspended starting on the next day. The FMCSA Service Center may allow payments in installments; however, if they fail to abide by the payment schedule, the payment plan becomes void and the entire debt is payable immediately.

Appendix A to Part 386 – Penalty Schedule; Violations of Notices and Orders: Failure to respond to agency subpoena results in a penalty of at least $1,000 but no more than $10,000. If one is operating in violation of an order issued under 386.72, they are subject to a $25,000 penalty per day the operation continues.

Appendix B to Part 386 – Penalty Schedule; Violations and Monetary Penalties: A motor carrier that is operating a commercial motor vehicle is subject to a civil penalty of no more than $25,000 for each day the transportation continues in violation of a final "unsatisfactory" safety rating. A person who fails to make a report, to specifically, completely, and truthfully answer a question, or to make, prepare, or preserve a record in the manner prescribed is liable for a minimum penalty of $1,000 per violation. A person who operates as a carrier or broker in violation of the registration requirements of 49 U.S.C. 13901 is liable for a minimum penalty of $10,000 per violation; for motor carriers of passengers in violation, the minimum penalty is $25,000 per violation.

Part 387 – Minimum Levels of Financial Responsibility for Motor Carriers

387.307 Broker surety bond or trust fund: A broker must secure a surety bond or trust fund in the amount of $75,000. The FMCSA will not issue a broker license until the bond has been put into effect.

387.403 General requirements: A freight forwarder must also have a surety bond or trust fund in effect. The FMCSA will not issue a freight forwarder license until the bond or trust find is in effect.

Part 392 – Driving of Commercial Motor Vehicles

392.9 Operating authority: Every motor carrier that is providing transportation requiring operating authority will be deemed out of service if it is determined that the motor carrier is operating a vehicle in violation of paragraph A.

Subchapter B – Federal Motor Carrier Safety Regulations

Appendix B to subchapter B of chapter III – special agent: Motor carriers and other persons are required to submit their accounts, books, records, memoranda, correspondence, and other documents for inspection and copying to any special agent of the Administration upon demand, identifying him/her as a special agent.

Chapter 12

Freight Broker Forms

Here at Logistical Forwarding Solutions, we know that starting your own freight brokering business will be tough when you think of all the freight broker forms that you need to have when doing business with a shipper and a motor carrier. These forms are essential, and we are providing you with all the necessary forms that you need here.

> **Disclaimer:** The forms below are just examples and may be redistributed as a basis for each company to alter and be used in their own accordance. Logistical Forwarding Solutions strongly suggests that each person using this form do so with caution when representing themselves to other companies. Logistical Forwarding Solutions is in no way subject to any terms other companies make using this form and is in no way liable for any person using this form.

Billing Information

BILLING INFORMATION

Billing Address: ______________________ City: State: _____________ Zip: ______

Pursuant to Shipper/Broker Contract, payment will be made fifteen (15) days from the date of the Freight Bill has been received by Shipper or five (5) days from date of freight bill.

SHIPPER: _______________ Date: _____________ BROKER: _________Date:______
Signed by: _______________ Title:______________Signed by: _________Date:______

SPECIAL INSTRUCTION:

Equipment Required: ________________________________

Pickup Address: ______________________________ Date of Pickup: ________________________

Delivery Address: _____________________________ Delivery Date: ________________________

DROP OFF ADDRESSES:

BILLING INFORMATION

Billing Address: ____________________ City: _______________ State: _____________ Zip: _____

Pursuant to Shipper/Broker Contract, payment will be made fifteen days (15) from the date of the Freight Bill has been received by Shipper or 5 days' from date of freight Bill.

SHIPPER_: _______________ Date: _________ BROKER: ________________ Date: _________

Signed By: ________________ Title: _________ Signed By: ________________ Title: _________

BROKER SHIPPER AGREEMENT

AGREEMENT: made this _____ day of ____________, _____________, shall govern the services

Provided by ____________________________________, hereinafter referred to as BROKER, and ____, hereinafter referred to as SHIPPER, located at ___________________________.

WITNESSETH:
1. BROKER is a licensed broker of property authorized by the Federal Highway Administration, license pursuant to Docket MC# ______________________________ (a copy of license and surety bond is attached hereto and made part thereof) to arrange transportation of property for commercial shippers and receivers of property between all points in the United States, and

2. SHIPPER, desiring to enter into a contract relationship with BROKER.

NOW THEREFORE,
3. SHIPPER agrees to offer for shipment and BROKER agrees to arrange for transportation by motor vehicle from and to points which service may be required and such quantities of authorized commodities as the SHIPPER may require.

4. SHIPPER agrees to offer to BROKER for shipment, a minimum of {Loads} loads per year for each year this Agreement remains in effect.

5. SHIPPER agrees to pay BROKER for the transportation of authorized commodities under this agreement in accordance with effective schedules within fifteen (15) days of the receipts by SHIPPER of the BROKER'S invoice covering such transportation and proof of delivery documents, or in the time period agreed upon, in writing, between SHIPPERS and Brokers an addendum to this AGREEMENT.

6. Discounts of freight invoice charges will not be permitted. The BROKER reserves the right assess a service charge of 3% for each invoice for each fifteen (15) day period (or 36%annually) of freight invoice if not paid within the above schedule.

7. The basic transportation rate negotiated between the parties is: Freight, all kinds; all shipments: Rates to be determined; placed in writing, and agreed to by both parties by signature on BROKER'S load rate confirmation document and renegotiated for each load tendered.

8. Additional rates or modifications of the above rate may be established or amended verbally in order to meet specific shipping schedules, as mutually agreed, but such changes shall be sent by the party initiating the change, by facsimile machine (fax) or email, to the other party, and the approval of the change shall be acknowledged by the second party by, initialing the change, and Returning, by facsimile machine or email confirmation of the proposed change. These changes shall be separately numbered as Appendix A, Addendum1, etc.

9. Although not required by the Federal Highway Administration, BROKER agrees to maintain cargo insurance in the amount of $100,000 as a supplemental contingency insurance to compensate SHIPPER for loss or damage to shipments tendered to BROKER'S transportation services. SHIPPER agrees that the primary insurance coverage and responsibility for loss or damage is that of the licensed motor carrier transporting shipments, as required by the Federal Highway Administration, and that BROKER'S cargo insurance will be utilized only in the case of failure of carrier's insurance; in any case, BROKER'S liability shall be limited to the coverage afforded by BROKER'S contingent cargo policy.

10. All of the rules promogulated by the Federal Highway Administration as to filing of claims and settling of claims, and all the requirements to as to public liability and property damage and cargo insurance that pertain to a common carrier or contract carrier should be equally applicable to the carrier on shipments moving under this agreement.

11. The parties agree that in the event the SHIPPER determines it has a claim for loss of cargo or damage against the carrier, that all claims are filed and processed in accordance with (49 C.F.R. 1005). BROKER may, as a matter of courtesy and convenience and on behalf of the SHIPPER, handle claims or assist in the handling of claim for loss or damage against the carrier.

12. Rates and charges for traffic moved under this AGREEMENT shall be as agreed to between the parties hereto in writing and are to be contained in a rate schedule or memorandum of rates and charges prepared and issued by BROKER and acknowledged by SHIPPER. Changes to its schedule or memorandum shall also be made in writing within a mutually agreed period of time, and similarly acknowledged.

13. The carrier shall, on each movement, issue a standard Bill of Lading, and the traffic shall be delivered under the terms and conditions of the said Bill of Lading, which shall contain the standard process as to the filing and settling of claims.

14. Neither party hereto will be liable for the failure to tender or timely transport freight under the AGREEMENT if such failure, delay or other omission is caused by strikes of war, acts of God, accidents, civil disorder, through compliance with legally constituted order of civil or military authority.

15. Carrier shall be liable to the SHIPPER for loss or damage to any property transported under this AGREEMENT. Such liability shall begin at the time cargo is loaded carrier's equipment at the point of origin, and continue until said cargo is delivered to the designated consignee at the ultimate destination or to any intermediate pick-up and stop-off points between the point of origin and the final destination. The liability shall be for the full value of the item, which shall be understood to mean the replacement cost of the lost or damaged item(s).

16. All claims for loss and damage, and any salvage arising there from shall be handled and processed in accordance with the effective schedules within thirty (30) days of the receipt by SHIPPER of BROKER'S invoice covering such transportation.

17. If any dispute arises about any matter covered by the terms of this AGREEMENT, The parties' recourse shall be to the judicial system, either state or federal.

18. The relationship of BROKER to the SHIPPER shall at all times, be that of an independent contractor.

19. This AGREEMENT shall remain in effect for a period of one (1) year, and from year to year thereafter, subject to the right of either party herein to terminate the AGREEMENT at any time upon not less than thirty (30) days written notice of one party or the other.

IN WITNESS WHEREOF, the parties solidify this AGREEMENT made this ___________ day of _______________, _______________.

____

By: ____________________________

Title: _________________________

____

By: ____________________________

Title: _________________________

New Carrier Data

NEW CARRIER DATA ENTRY

ALL DATA MUST BE COMPLETE, CORRECT AND LEGIBLE

ICC/MC NUMBER ___________________________________ FED ID _____________

CARRIER STATUS: ACTIVE _____________ INACTIVE ____________

COMPANY NAME ____

ADDRESS ____

CITY ________________________ STATE ________________________ ZIP ______________

TELEPHONE NUMBER _____-__________________ EMAIL __________________________

FAX NUMBER _____-__________________________

CONTACT PERSON ____

INSURANCE: ATTACH A COPY OF THE CERTIFICATION INSURANCE

CERTIFICATE OF INSURANCE IS REQUIRED BEFORE CARRIER IS USED

CANCELLATION DATE OF INSURANCE: ____

COMPLETED BY: ____

DATE: _____-_____-_____

Shipper Credit Information

SHIPPER CREDIT INFORMATION

Company Name: ____

Address: ____

City: _________________________ State: _________________________ Zip: ___________

Established: ____

Federal ID Number: _________________________ D&B Number: ______________________

Principals: _______________________Corp ___________ LLC _______ Sole Owner _______

Bank References: ____

Trade References:

(1)

(2)

(3)

(4)

(5)

Motor Carrier Profile

Please fill out this form below so that we may enter you into our carrier database to better serve our shippers.

Carrier Legal Name:	
Physical Address:	
Mailing Address:	
Dispatch Contact:	Email:
Phone:	Fax:
A/R Contact:	Email:
Phone:	Fax:
MC#:	
DOT#:	
EIN#:	

Trailer Type	Size	Quantity
Van	48’ or 53’	
Reefer	48’ or 53’	
Flatbed	48’ or 53’	
Step-Deck	48’ or 53’	
RGN	48’ or 53’	
Other		

Hazmat Certified? Yex/No

Team Drivers? Yes/No

Want to receive a daily email about freight opportunities? Yes/No

Email address: ____

Load Rate Confirmation

Company Info Here

CARRIER: _ MC# Driver: _ Cell:

Address: _ Phone: _
Fax: _

Special Instructions:

- Charges may apply for late pick-ups and deliveries.
- It is the driver's responsibility to ensure that the load is safe, secure and legal for transport.
- Driver is required to check call daily by 10:00AM. If not, $50.00 will be charged.
- All Trailers must be clean, empty and odor free with no holes.
- Any deviation from dispatch instructions must be called in immediately.
- All products SHORTAGES must be reported at time of PICKUP. Failure to report will result in additional charges.
- Re-brokering, assigning or interlining of this shipment will void our obligation to pay your freight.

LOAD INFORMATION

Pickup Location | Shipper

Address: | Name: | Date:

Commodity: | Weight:
Trailer Type: | Temperature:
Trailer Size:

Stop Off #1 | Name: | Date:
Address: | Time:

Stop Off #2 | Name: | Date:
Address: | Time:

Rate Agreed:

______________________________ ____________________________ __________2014

Signed By Authorized Person | Title | Date

Workers Compensation Exclusion Declaration

To Carrier Compliance:

I certify that ______________________________ is not required to have workers compensation coverage.

____ ____

Authorized Signature | Print Name

____ ____2014

Title | Date

Chapter 12 Summary

Freight Broker Forms

There are many forms required to do business with motor carriers and shippers. These forms can be complicated and confusing, which is why we are providing you with examples of the necessary ones, which are: billing information, bill of lading, broker agent agreement, broker-carrier rate agreement, broker-carrier sample contract, broker form rate agreement, broker-shipper agreement, new carrier data, and shipper credit information.

Always remember to make sure your company packages have the right documents that you need. Also make sure that you add your contact information on your company profile data sheet that you send out with all your forms.

The documents you will need are called packages, one for the carrier and also one for the shipper. Your company will also have a file containing its information and contact details that you will send to both the carrier and the shipper

Chapter 13

Broker Business Start Guide: Setting Your Company on a solid foundation.

Starting your Broker business on a solid foundation is the most important steps you will take. Being able to have a company that is protected and also protecting yourself is a smart choice. The logistic industry is a vast and powerful industry and it is important to protect yourself personally and your assets. Below we will take you through all the necessary steps of starting your business and offer you the best tools and ideas of doing this.

Logistical Forwarding Solutions has been working with the best company's in the industry. We have developed relationships with all the right people who will assist you in the most affordable ways. With over 16 years of experience and through trial and error, we have found the right companies to help you so our suggestions are only to equip you the right way.

Step 1.

Choosing a company name is your beginning to a career in the logistic industry. How you represent yourself from this day on has a lot to do with your success. Being able to brand yourself with a strong logistic name and giving life to your business begins here. You can check with the US Patent website to see if your name is available and it will allow you to see what companies are incorporated under this name. If the name is available you then will want to check for the domain name and secure the name that will represent yourself online. Domains usually cost $25.00 a year and this is priceless to have.

Step 2.

Get branded. This is by far one of the biggest mistakes that new brokers make but is one of the easiest to do. Your image is everything and how you represent yourself will determine most of your success. Being organized and also being presentable is a mistake you cannot afford to make in the beginning. It is highly recommended that you follow the steps below and get yourself branded.

Get a logo.

Having a logo will help identify who you are in a busy logistic industry. It needs to be clean and clear and toward the logistic industry. Having the logo will serve as a way company's you do business with will be able to acknowledge who you are on paper and it will allow them to get a glimpse of who you are and associate your company with the business you are doing. A logo can be expensive and we have heard of it costing up to $100.00 for a professional digital logo.

A website is a must today and you will find yourself joining hundreds of millions of others who felt the same thing, having a clean and presentable website is not always easy to do. A website will give you a virtual ID and address so that potential shippers and carriers can find you online. When it comes time to making a website you again will find yourself looking for the best options at the most affordable prices. LOGISTICAL FORWARDING SOLUTIONS can help point you in the most affordable direction to get the best results.

Professional phone greeting

It is very important that when a customer contacts you for the first time that you represent yourself from a professional sound. Having a professional phone system does not have to be expensive and can make a large impact on your virtual presence. With today's many choices we can show how to get what you need with a professional voice recording that will be priceless for your company.

Step 3.

Get Incorporated Now! You must protect yourself personally and also your business. Because you are dealing with such large values of property and also dealing with many different carriers incorporating is the foundation on which you will build your company. There are many types of corporations and we have listed them below but our first choice is C Corporation. You want your company to be protected in all areas and you also want to have the appearance of the larger companies you're doing business with. The appearance of LLC just does not have the same effect of impressions as does the INC. Ultimately it is your choice but we highly recommend getting your company INC.

Another main reason of getting incorporated is from a financial perspective. Logistical Forwarding Solutions is going to introduce you to Trans Credit who is working with our Institute in helping new brokers establish business credit. This is a huge advantage for many by letting you establish credit for your company and allowing you to build assets under your company and not yourself personally. Having a strong company with an established credit allows you to go through more doors of opportunities and also allows you to become credit strong in the industry.

Step 4.

Obtain a local business license and open a business bank account. You will want to go to your local business license department in your city or town and apply for a business license under your corporation. This is important so that you are operating legally and will have the necessary documents when requested. After getting your license you will want to go to the IRS website and apply for a TIN (tax Identification Number) under your corporate name and you will be given this form immediately and free of charge online. Go here for your TIN Federal TIN Registration

After securing the TIN and business license you are now ready to open a business bank account at any bank of your choice. These documents will be requested by the bank officer and you will be able to make a minimum deposit in which your account will be set up. The bank account will also be used for your ACH deposits and you will later want to open a PayPal account to this business account. This will allow you to transfer funds to agents as needed.

Step 5.

Get your Brokers authority and Boc3 filing under your corporate name? Logistical Forwarding Solutions can handle this process as we have professionals who do this daily and your filing will be done immediately. The process must be done completely without mistakes and unless you understand the process it is best to let a professional do this for you. Any mistakes could delay your filing process and cost you several weeks of waiting.

Step 6.

Obtain your surety Bond. The surety bond will be in the sum of $75,000 and this is mandatory in order to have a Brokers Authority. Logistical Forwarding Solutions works with the largest providers in the industry and will put you in direct contact with the president of the surety company. It is assured that you will be taken care of quickly and all of our students are pre-approved due to our working relationships.

Step 7.

Obtain contingent cargo insurance and general liability. This is crucial in representing your company to the larger shipping corporations. Most of the name brand manufacturing companies will require you to carry Contingent Cargo and General Liability for added protection. The policy can be paid for by minimum monthly payments so that it is made affordable and so that you can operate under a blanket of protection. Logistical Forwarding Solutions will direct you to one of the industry's most knowledgeable companies who will handle the process for you quickly.

Step 8.

Obtaining a financial funding partner is a must. Getting set up with a factoring company is the most important part of your company's financial stability. This will allow you to receive funding on all the loads you move quickly and also acts as a support for dealing with carriers when it comes to getting them pain on your invoices. Logistical Forwarding Solutions does not recommend operating a business without this service.

Carriers are not interested in being paid by the company's own receivables department, this has created problems in the past and many brokers did not pay the carrier. Working with a financial partner who will pay carriers and also agents on your behalf by ACH deposit is the best way to operate and in many cases it is demanded. Logistical Forwarding Solutions will introduce you to the largest and most trusted company to help you get set up quickly and also ready to begin funding your loads. The funding company will also offer shipper credit checks for you at no additional cost and has many programs to help you grow.

Step 9.
Marketing, Marketing, Marketing

I have compiled to be the best marketing information a person can use that will grow your business. Most if not all new business fails because of lack of marketing. I am not talking about newspaper ads and business cards; I'm talking about a strategic plan.

I can guarantee you that if you will focus on marketing with an attitude of success; you will begin to see that new customers will come to you instead of you thinking of always pursuing them. Always understand that we are in a virtual world and this gives us tools for connections that have never been possible. Take advantage of these new concepts and you will see that your company is on a solid foundation for nothing but growth and success.

Marketing Concepts to follow

Plan your attack. Define who your best prospects are, and then determine the best way to reach them. Be as specific as possible. Is the decision maker the CTO of the company, the director of human resources, or a 37-year-old working mom? Will you find them on Twitter, Google Plus, Pinterest or Facebook? What about in-person networking at local business meetings? Will they be searching for your type of product on Google or Bing? Do you want to start promoting your business to them at the start of their buying cycle, or when they're about ready to pull out their credit card and make the purchase. Write your answers down, and refer to them before you start any new marketing tactic.

If you don't have a website, get one set up. If you can't afford to have someone custom-design your website, put your site up using someone who understands marketing.

Set up a free listing for your business in search engine local directories. You can do this at:

http://www.google.com/+/learnmore/local/

https://www.bingplaces.com/

http://smallbusiness.yahoo.com/local-listings/

Be sure to include your website link and business description

Set your business profile or page up on LinkedIn, Facebook, Google Plus and Twitter. Be sure your business profile includes a good description, keywords and a link to your website. Look for groups or conversations that talk about your type of products or services and participate in the conversations, but don't spam them with constant promos for what you sell.

If you're just starting out and don't have a business card and business stationery, have them made up -- immediately. Your business card, letterhead and envelope tell prospective customers you are a professional who takes your business seriously. Be sure to list your website address on your business card and, letterhead and any handouts you create.

Get your business cards into the hand of anyone who can help you in your search for new clients. Call your friends and relatives and tell them you have started a business. Visit them and leave a small stack of business cards to hand out to their friends.

Attend meetings of professional groups, and groups such as the Chamber of Commerce, Rotary Club, or civic associations. Have business cards in a pocket where they are easily reachable. Don't forget to ask what the people you speak with do, and to really listen to them. They'll be flattered by your interest, and better remember you because of it.

Pay for membership in those groups that attract your target customers. If the group has a website and publishes list members on the site, make sure your name and website link get added. Once it is added double check to be sure your contact information is correct and your website link isn't broken.

Become actively involved in 2 or 3 of these groups. That will give you more opportunity to meet possible prospects. But remember: opportunists are quickly spotted for what they are, and get little business. While you won't want to become involved in many organizations that require a lot of your time in, you can --and should-- make real contributions to all of them by offering useful ideas and helping with projects when possible.

Write an article that demonstrates your expertise in your field. Send it to noncompeting newspapers, magazines, and websites in your field that accept submissions from experts. Be sure your name, business name, phone number, and a reference to your product or service is included at the end of the article. If the editor can use the article you get your name in print, and possibly get your contact information printed for free, too.

Publicize your publicity. Whenever you do get publicity, get permission from the publisher to reprint the article containing the publicity. Make photocopies and mail the copies out with sales letters or any other literature you use to market your product or service. The publicity clips lend credibility to the claims you make for your products or services.

Network with others who are doing the same type of work you are. Let them know you are available to handle their work overloads. (But don't try to steal their customers. Word will get out, and will ruin your business reputation.)

Put videos of your product or service on YouTube and other video-sharing and slide-sharing sites.

Find out what federal, state, and local government programs are in existence to help you get started in business. Most offer free counseling and some can put you in touch with government agencies and large corporations that buy from small and woman-owned businesses

If you are a woman-owned or minority-owned business looks into getting certified by private, state or federal organizations. Many purchasing agents have quotas or guide for the amount of goods and services they need to buy from minority- and woman-owned businesses.

Send out sales letters to everyone you think might be able to use what you service. Be sure to describe your business in terms of how it can help the prospect. Learn to drop a business card in every letter you send out. Follow up periodically with postcard mailings.

If you use a car or truck in your business have your business name and contact information professionally painted on the side of the vehicle. That way your means of transportation becomes a vehicle for advertising your business. If you don't want the business name painted on the vehicle, consider using magnetic signs.

Get on the telephone and make "cold calls." These are calls to people who you would like to do business with. Briefly describe what you do and ask for an appointment to talk to them about ways you can help them meet a need or solve a problem.

Get together with businesses that serve the same market, but sell different products and services. Make arrangements to pass leads back and forth, or share mailings.

Test buying Pay per Click (PPC) advertising on the search engines. If you are not yet advertising on search engines search for offers that give you $50 or $75 in free advertising to start. Read the directions for the service you plan to use, and very carefully watch what you spend on a daily or more frequent basis until you are comfortable using PPC ads and see you are getting a return on your investment.

Networking Your Business is a MUST!

Ask open-ended questions in networking conversations. This means questions that ask who, what, where, when, and how as opposed to those that can be answered with a simple yes or no. This form of questioning opens up the discussion and shows listeners that you are interested in them.

Become known as a powerful resource for others. When you are known as a strong resource, people remember to turn to you for suggestions, ideas, names of other people, etc. This keeps you visible to them.

Have a clear understanding of what you do and why, for whom, and what makes your doing it special or different from others doing the same thing. In order to get referrals, you must first have a clear understanding of what you do that you can easily articulate to others.

Be able to articulate what you are looking for and how others may help you. Too often people in conversations ask, "How may I help you?" and no immediate answer comes to mind.

Social networking is a must and it helps you connect with millions of people right thru your computer. We tell you again and again. Join LinkedIn. You will find thousands of logistic company's there with business profiles and they are ready to meet you.

LinkedIn for sales leads with great success

The trick to getting more leads is applying a process that ultimately gets prospects off LinkedIn and onto a lead nurturing process you own. For example a community on google +:

> Step 1: create content (i.e. a blog article) that solves a problem for your prospect and provokes them to opt-in to a lead nurturing routine giving more answers.
>
> Step 2 : locate discussions in LinkedIn Groups where your content can help someone.
>
> Step 3 : Lure prospects inside the Group to more deeply explore your ability to solve their problem, answer their question on your blog.

The key to success is actually founded in creative thinking about what you already know gets prospects' attention—and getting your target market off of LinkedIn. Here's proof… in the form of my experience and how you can do the same.

Here's the process:

> A) Create a blog post or a video that solves a problem and provokes a RESPONSE from prospects when read/viewed. Start by publishing the answer to a common problem. For example, answer a common question your prospects ask in a way that makes the reader crave more answers about related questions.

B) Locate discussions (going on in LinkedIn Groups) where your blog or video content can help someone, create an insight or scratch a bothersome itch.

C) Inside the LinkedIn Group, give prospects a reason to take action by teasing them with your very best insight. Prove to them that you can help solve their problem but hold back the full details until they get to your blog.

D) Create Content That Provokes

E) Locate Qualified Discussions

I figure why not leverage LinkedIn Groups in a way that tempts group members to email you for more details about your service or click over to my profile and then onward to your community or website to acquire the knowledge?

These are the basic guidelines on helping you have a clear and precise Idea of what you need to do on getting set up. We work with brokers daily and we help them in each of this process so that they can quickly set the right foundation and begin to focus on shipper contacts rather than what to do next with their company presence.

Chapter 13 Summary

Broker Business Start Guide: Setting Your Company on a Solid Foundation

Making sure that your broker business is starting on a solid foundation is the most important step you will make. A solid foundation involves protection for yourself and the company. We have outlined the necessary steps of starting your business:

Step 1

The first step is to choose a company name. You will need to check with the US Patent website to make sure that the name you choose is still available; if it is available, you should also consider purchasing a domain name, which will cost around $25.00 a year.

Step 2

The second step is to brand your business. This step is frequently missed; however, rather easy to accomplish. Your image and the way you represent yourself will determine your success. When branding, secure a logo, a website, and make a professional phone greeting.

Step 3

Your next step is to become incorporated, which will protect you and your business. Out of the different types of corporations, we favor the C Corp. Becoming incorporated will put you at a huge advantage financially because establishing credit will become easier as an incorporated entity.

Step 4

Step four is to secure a local business license as well as a business bank account. You can obtain a local business license by going to the local business license department in your town; this will provide you with necessary documents. Next, you need to obtain a tax identification number through the IRS website. Once you have this number, you can take it to the bank to get a business bank account.

Step 5

Next, you need to get your broker authority and Boc3 filing under your corporate name, which can be done by the Logistical Forwarding Solutions.

Step 6

Step 6 is to obtain your surety bond in the sum of $75,000, which is required to secure your broker authority.

Step 7

Obtain contingent cargo insurance and general liability, which is crucial when representing your company to larger shipping corporations. Many manufacturing companies require you to have contingent cargo and general liability in order to do business with them.

Step 8

Step 8 involves finding a financial funding partner. This step will be vital with getting set up with a factoring company. A factoring company is the most important part of your company's financial stability because they allow you to obtain funding and they act as support.

Step 9

Step 9 focuses on marketing; many new businesses fail because of ineffective marketing. When we talk about marketing, we are referring to a strategic plan, not just business cards and ads.

Marketing Concepts to Follow

The first step in making a strategic plan is to define your target market and the best way to contact them. Decide how your target market should be reached and the person at every company, specifically, that needs to be contacted.

Next, if you do not already have a website, get one made. Also, set up a free listing for your business in search engine directories via http://www.google.com/+/learnmore/local/, https://www.bingplaces.com/, and http://smallbusiness.yahoo.com/local-listings/. The next step is to create a LinkedIn, Facebook, Google Plus, and Twitter in the name of your business. Each profile needs to have a link to your website. Furthermore, you need to have business cards and letterhead created.

A good strategy for obtaining customers is to attend professional group meetings such as Chamber of Commerce, Rotary Club, and civic associations. Becoming a member of these groups will give you the opportunity to meet possible customers. Furthermore, you need to become proficient in networking. Effective networking will lead to business, so this needs to be mastered.

Check with the government to see if there are programs to help small businesses get started. There are government programs that offer free business counseling and some can put you in contact with government agencies and corporations that buy from small and woman-owned businesses.

Make "cold calls" to companies and people that you would like to do business with. During the call, describe what you are offering and ask for an appointment so you can discuss methods to solving a problem they might be having logistically or to meet a need that they might have.

LinkedIn for Sales Leads with Great Success

A trick to getting more business leads is to apply a process that gets potential clients off of LinkedIn and onto a lead process that you own such as a community on Google+. You can do this by creating content on Google+ like a blog that offers a solution to a problem that a potential client is having. This will lead the client to engagement. Next, you can find discussion in LinkedIn groups where your content can help someone. The key to success is in creative thinking.

Chapter 14

Data Privacy Protection Policy

Protecting the security and privacy of your personal data is important to Logistical Forwarding Solutions; therefore, we conduct our business in compliance with applicable laws on data privacy protection and data security. We hope the policy outlined below will help you understand what data Logistical Forwarding Solutions may collect, how Logistical Forwarding Solutions uses and safeguards that data and with whom we may share it.

Personal data

Through our Web sites, Logistical Forwarding Solutions will not collect any personal data about you (e.g. your name, address, telephone number or e-mail address), unless you voluntarily choose to provide us with it (e.g. by registration, survey), respectively, provide your consent, or unless otherwise permitted by applicable laws and regulations for the protection of your personal data.

Non-Personal Data Collected Automatically

When you access our Web sites, we may automatically (i.e., not by registration) collect non-personal data (e.g. type of Internet browser and operating system used, domain name of the Web site from which you came, number of visits, average time spent on the site, pages viewed). We may use this data and share it with our worldwide affiliates to monitor the attractiveness of our Web sites and improve their performance or content.

"Cookies" - Information Stored Automatically on Your Computer

When you view one of our Web sites, we may store some data on your computer in the form of a "cookie" to automatically recognize your PC next time you visit. Cookies can help us in many ways, for example, by allowing us to tailor a Web site to better match your interests or to store your password to save you having to re-enter it each time. If you do not wish to receive cookies, please configure your Internet browser to erase all cookies from your computer's hard drive, block all cookies or to receive a warning before a cookie is stored.

Children

Logistical Forwarding Solutions will not knowingly collect personal data from children without insisting that they seek prior parental consent if required by applicable law. We will only use or disclose personal data about a child to the extent permitted by law, to seek parental consent pursuant to local law and regulations or to protect a child. The definition of "child" or "children" should take into account applicable laws as well as national and regional cultural customs.

Security

To protect your personal data against accidental or unlawful destruction, loss or alteration and against unauthorized disclosure or access, Logistical Forwarding Solutions uses technical and organizational security measures. Logistical Forwarding Solutions' Web sites contain links to other Web sites. Logistical Forwarding Solutions is not responsible for the privacy practices or the content of other Web sites.

Intent

The Logistical Forwarding Solutions website is an information system intended to present an integrated view of the institute to prospective students and the members of the Logistical Forwarding Solutions community, and others with an interest. Site Usage Statistics

If you visit this site to view or download information, a standard log file will record:

the name of the domain from which you access the Internet
the date and time of your visit
the page/s you visit
your computing platform

This data is used in the aggregate for purposes of analyzing site traffic, managing the site, and providing accountability regarding the usefulness of our work.

Personal Data for Enrollment

Personal information about you is not gathered when you visit the Logistical Forwarding Solutions website unless you choose to supply that information to us (for example, by filling out a form requesting information for a specific purpose).

Disclosure to Third Parties

Personal information collected on this website is not disclosed to third parties unless the third party is an institutionally-authorized provider of services to the Institute or Government agencies. Users of these services are subject to the privacy policies established by the third- party provider. One such third-party provider of services is Google, Inc., whose Google Analytics product is used to analyze website traffic in the aggregate so that we can make the site more useful to you.

Links to Other Sites

Our company's web site contains links to many sites which are beyond our control. Logistical Forwarding Solutions is not responsible for the privacy practices or content of these other sites.

Chapter 15

Logistical Forwarding Solutions Donor Privacy Policy

Logistical Forwarding Solutions is committed to respecting the privacy of our donors. This privacy policy statement outlines the principles that Logistical Forwarding Solutions applies in order to ensure the confidentiality and integrity of donor information. Principles Logistical Forwarding Solutions collects uses and discloses personal information regarding donors for the following reasons:

to establish a relationship and communicate with donors

to process a donation, for example, to process a credit card transaction

to issue and deliver a donation tax receipt

to recognize contributions

to respond to requests for information regarding ways of giving

to meet requirements imposed by law

Logistical Forwarding Solutions will not sell trade or share a donor's personal information nor send mailings on behalf of other organizations.

Names of individual donors may only be listed with their express permission in College publications and on the College website.

Questions and Comments

Logistical Forwarding Solutions will respond to reasonable requests to review your personal data and to correct, amend or delete any inaccuracies. If you have any questions or comments about the Logistical Forwarding Solutions Data Privacy Protection Policy (e.g. to review and update your personal data), please email myfreightagentschoolhelpdesk@gmail.com and send us your questions and feedback. As the Internet matures, so will our Data Privacy Protection Policy. We will post changes to our Data Privacy Protection Policy on this form. Please check this form regularly to keep up-to-date.

Chapter 16

Digital Goods Refund Policy

Refund Policy and Procedure

Logistical Forwarding Solutions is always striving to make sure you are satisfied with your training program. Below is an explanation of our policy towards our digital goods and downloads.

What is Digital Goods?

Digital Goods: Digital goods or e-goods are intangible goods that exist in digital form. Examples include digital media, such as e- books, downloadable music, internet television and streaming media; fonts and graphics; digital subscriptions; online ads (as purchased by the advertiser); internet coupons; electronic tickets; online casino tokens; downloadable software and mobile apps; cloud-based applications and online games; and virtual goods used within the virtual economies of online games and communities.

Disclaimer

All of Logistical Forwarding Solution's products are considered digital goods that are delivered over the Internet by downloads or thru online class room settings.

2014 Logistical Forwarding Solutions Refund Policy

Refunds are only accepted on a case by case situation. Due to the nature of LOGISTICAL FORWARDING SOLUTIONS products (nontangible Digital goods), it is not possible to "return" the product and ensure that the product is no longer used. Our entire curriculum is considered downloadable and therefore we do not offer refunds after purchase is made, as a safeguard to prevent unauthorized use of our themes. All of our curriculum is copyright according to the copy right laws governed by the United States Copy Right Laws Act and are therefore are solely used for the individual who has enrolled in LOGISTICAL FORWARDING SOLUTIONS's course.

However, we want you to be 100% satisfied and happy with your enrollment. If you are having any issue with the files, trouble with getting setup, or have any questions pertaining to the online course, please contact support at myfreightagentschoolhelpdesk@gmail.com as we will do our best to resolve the problem. Since the Knowledge Courses and the downloads cannot be retrieved by the student, then it is very difficult to also receive a refund for this fact. Each student wishing to receive a refund please do so by filing our refund policy form that can be found at and you may send your refund complaint to our support department at myfreightagentschoolhelpdesk@gmail.com

Chapter 17

Logistical Forwarding Solutions Student Policy

Logistical Forwarding Solutions also known as Online Freight Agent School, which includes, Logistic Accredited Business Association, is committed equality of opportunity and to a pro- active and inclusive approach to equality, which supports and encourages all underrepresented groups, promotes an inclusive culture and values diversity. The Institute's core values, expressed in its mission statement, include freedom of thought and expression and freedom from discrimination.

It is the intention of LOGISTICAL FORWARDING SOLUTIONS to create conditions in which students and staff are treated solely on the basis of their merits, abilities and potential, regardless of gender, ethnic or national origins, age, socio-economic background, disability, religious or political belief, family circumstances, sexual orientation or other irrelevant distinction. Our aim is to create a learning environment which is free not only from unlawful discrimination, but also from intimidation and harassment of all kinds; that is, any behavior which prevents students' full participation in and enjoyment of their studies.

Logistical Forwarding Solution's Equal Opportunities Policy and Codes of Practice:

Disability

The Equality Act 2010 makes it unlawful for educational institutions, such as the Institute, to discriminate against disabled students in relation to teaching, assessment and access to information. The Act defines disability widely, covering physical, mobility, visual or hearing impairments, medical conditions or mental health difficulties, and specific learning difficulties such as dyslexia and dyspraxia.

LOGISTICAL FORWARDING SOLUTIONS welcomes applications from disabled students, disabled veterans and makes every effort both to anticipate and to make reasonable adjustments to meet the needs of disabled participants. For further information, please contact myfreightagentschoolhelpdesk@gmail.com to discuss any particular requirements.

Data protection

The Data Protection Act 1998 sets out rules for processing personal information. It applies to some paper records as well as those held on computer. The Act gives individuals certain rights. It also imposes obligations on those who record and use personal information to be open about how information is used. For full details of Logistical Forwarding Solution's personal data protection policy, please see Our Personal Data Policy Guide

If you express an interest in and/or sign up for and LOGISTICAL FORWARDING SOLUTIONS course or event you will be added to paper and email-based marketing mailing lists according to the preferences you express at the time of signing up. This is to help keep you informed about upcoming courses, events and other activities at LOGISTICAL FORWARDING SOLUTIONS that may be of interest. You have the option to opt out of receiving further marketing information at any time and instructions on how to do this will be included with any information that is sent. Alternatively, you can contact us at any time at myfreightagentschoolhelpdesk@gmail.com to opt out.

Refunds

Refunds are only accepted on a case by case situation. Due to the nature of LOGISTICAL FORWARDING SOLUTIONS products (non-tangible digital goods), it is not possible to “return” the product and ensure that the product is no longer used. Our entire curriculum is considered downloadable and therefore we do not offer refunds after purchase is made, as a safeguard to prevent unauthorized use of our themes. All of our curriculum is copyright according to the copy right laws governed by the United States Copy Right Laws Act and are therefore are solely used for the individual who has enrolled in LOGISTICAL FORWARDING SOLUTIONS’s course.

However, we want you to be 100% satisfied and happy with your enrollment. If you are having any issue with the files, trouble with getting setup, or have any questions pertaining to the online course, please contact support at myfreightagentschoolhelpdesk@gmail.com as we will do our best to resolve the problem.

Since the knowledge and the downloads cannot be retrieved by the student, then it is very difficult to also receive a refund for this fact. Each student wishing to receive a refund please do so by filing our refund policy form that can be found at and you may send your refund complaint to our support department at myfreightagentschoolhelpdesk@gmail.com

Class Schedule

All students must maintain in keeping their online class schedules so that they are eligible to continue being enrolled in our program and having access to our curriculum. Failure to miss 4 classes is an automatic dismiss from the program if Logistical Forwarding Solutions feels this is appropriate. The student will also be UN eligible for a refund and the student will be no longer enrolled in the program. Logistical Forwarding Solutions feels each student has the right to enroll in the course and also must keep the class schedule to participate.

Academic appeals from students who failed the certification course.

The academic appeal procedure is limited to instances where a student has failed to be approved for the qualification for which he or she has been examined or has failed the certification process which determines failure of the course as a whole. By failing the certification test a student has been deemed as not eligible for being certified as a Professional Logistic Service Provider thru Logistical Forwarding Solutions and Logistic Accredited Association.

If you are dissatisfied with a decision relating to failure of your certification, or a qualification, the following procedure must be followed;

If you are contemplating making an appeal relating to the decision of the student having received a failed course notice for the certification program then you should contact the LOGISTICAL FORWARDING SOLUTIONS Appeals and Complaints Procedures Advisor myfreightagentschoolhelpdesk@gmail.com who will guide you through the process providing procedural and advice at each stage.

As the first stage in making an appeal, you will need to contact the Director of Education in writing, to request a review and to explain the nature of, and grounds for, your dissatisfaction. This initial contact should be made within 15 working days of the date of the student receiving formal confirmation of the decision regarding the failure confirmation which determined the student to have failed the course as a whole. Any request for additional documentary evidence should be provided by you with 15 working days of the request.

The review will be conducted by the Director of Education who will consult the relevant Instructor and, if appropriate, other persons or bodies.

As a result of the review, the Director of Education will procure as far as possible such remedy as he or she considers fair and equitable in all the circumstances and may for example confirm a substituted award in writing to you, or confirm the original award providing reasons for the decision.

Following full consideration of the case the Director of Education may make one of the following decisions:

- Dismiss the appeal with reasons
- Require the appointment of an additional examiner and reconvene a meeting of the original examiners together with the additional examiner to reconsider their earlier decision
- Require re-examination of your work on the program or course and, where relevant, examination papers, under whatever arrangements may be specified by the Director of Education.
- Determine such other procedure as appears fair and appropriate in the circumstances.

The Director of Education will communicate the decision, with reasons, to you in writing, normally within 15 working days of the appeal hearing.

Progress review

If you are pursuing a certification programme of study and are observed to be failing to fulfil the stated requirements for any part of the programme, or for the programme as a whole, in such a way as to inhibit your chances of completing the programme successfully, the Director of Education as well as the Teaching Instructor, as appropriate, may initiate a Progress Review with the student. The Review will discuss your progress on the programme and measures which need to be taken in order to provide the opportunity to complete the programme successfully. The Progress Review may decide to issue a formal warning naming conditions which must be fulfilled by specified dates if you are not to be required to withdraw from the programme. A record will be kept of the meeting and the terms and conditions agreed upon. A letter will be sent to you within one week of the Review meeting confirming the terms and conditions which need to be fulfilled, including any relevant dates and, where appropriate, issuing a formal warning. If you do not then abide by the terms and conditions laid down, you may be required to withdraw from the programme and nor refund will be considered as well as failure to be certified in the course.

Chapter 18

Freight Broker building agents thru a Sub Broker Interim Program

INTRODUCTION

WELCOME to the Logistical Forwarding Solutions! We thank you for your interest in learning to become a Broker and building your agents thru your own Sub Broker Program. This will show you how to add agents and market for new agents.

As you probably know, there are many types of transportation infrastructure: air, sea, railways, and motor freight. Our main focus on this training will be primarily concentrated on brokering for Motor Freight transportation, Full Truck load (FTL) & Less Than Truck load (LTL). For air, sea & railways submit information to corporate for quotes.

We at the Logistical Forwarding Solutions, aim to provide you with a complete explanation of how to you build a solid foundation of knowledge in the industry. The first few sections of this manual will outline the Sub Broker's role. The later sections will help you bridge your knowledge and understanding of the program to the actual application of your day to day operation as a Sub Broker.

By the end of this training, we are confident that you will be well-equipped with the knowledge to help you successfully venture into this lucrative industry.

Congratulations! You are now on your way to joining us in an industry with limitless potential.

The Sub Broker

What is a Sub Broker? A Sub Broker is an in-house term we use here at the Logistical Forwarding Solutions headquarters. A Sub Broker is a Regional Manager Agent for a brokerage firm. You, as a Sub Broker will be able to run your own office under the authority of a brokerage firm. You will be able to hire agents and move freight under the authority of the brokerage. It is imperative to understand that as a Freight Broker Manager of agents you have a responsibility to adhere to the rules & regulations of the brokering firm you are assigned to. You now will have the ability to run your office with a license, bond & insurance from this brokering firm, an umbrella if you will.

The Role of a Sub Broker

The Sub Broker will manage agents as well as to coordinate shipments. A part of this job entails you to search for actual shipment to transport. Another part would be to search for a suitable carrier to transport the said shipment.

Freight load searching is relatively easy, but time consuming. For starters, you should stop being choosy with the type of load that you are brokering for. After establishing yourself, you can have a choice of whether delineating from one commodity or being a general freight broker. Most loads in the beginning are cheaper freight, there is nothing you can do about this, however if in the beginning you stick to LTL you will become more successful much faster.

Working From Your Home Office

When working from home, mentally, you should allocate at least a full eight hours every day for work. Furthermore, it is important to separate your social life from your working hours. Some may say that it is a good idea to handle work and daily life at the same time, but the experts advise that the two should be kept separate.

It is a good idea to allocate a room for work only. This room will serve one function: running your brokerage business. Having a separate room will give the appearance of an office, which is necessary in the event that any clients, shippers, and tax sheriffs need to visit. And it also gives you the mental image of "going to work" – THIS is where you work, and just like a 9 to 5 job, you should be in your office for 8 hours if you wish for the best success in your new venture.

It is also necessary to have a business phone line, which will reflect your professionalism, because tax auditors tend to examine physical boundaries such as that.

How to MARKET YOUR BUSINESS

Marketing is a key function in almost every type of business. Effective marketing has a clear vision, strategy and plans. There are many marketing tools that are vital to support your marketing and to spread your business.

The first, and most important marketing tool is a website for your business. The sub broker program comes with an attractive website that describes your business in a way that will help attract clients from around the world. Advertising your website on your email signature is a must. Also on your LinkedIn profile, Facebook page, twitter etc.

If you are using Gmail, aol, etc, please use www.wisestamp.com which will create a very professional signature line, adding your Twitter, Facebook, Linkedin accounts.

Flyers can also be a good marketing tool; whether you use contact cards, printed flyers, news advertisement, or even packaging fillers that hold your brand name.

Another tool is your e-mail. You will have a set of emails linked to your domain to allow potential clients to communicate with your company. Having a professional email helps establish a professional connection between you and other companies.

The following is a list of software tools that are commonly used in the freight brokerage industry:

Constant Contact: an online marketing company offering email marketing, social media marketing, online survey, event marketing, digital storefronts, and local deals tools, primarily to small businesses.

LinkedIn profile must be updated at all times and you must be constantly searching for contacts and responding to them as well.

Managing Agents

The first key duty is maintaining a team spirit. To maintain control and a sense of teamwork, you will have to show individual attention to each of your agents every day. The weaker agents need the reassurance and support, and the higher-performing agents need to know they are acknowledged. It is important to point out when someone is performing well, and ask them to show others how to do the same.

Become a coach. That means asking, not telling your high performers what to do. Ask them to put themselves in your shoes over a particular issue, and discuss a variety of possible options. Let them own the solution to whatever obstacle is at hand. Give them pats on the back. You need to recognize them. Especially with top-performing salespeople, money isn't often the main driver. It's really about being respected. It's achieving and getting those results.

Let the agents perform, figure out how you can assist them in doing their job better, but never put up the barriers or bureaucracy or make a ton of rules and then punish them for non-compliance. Micro managing agents is not the way. The better you're able to remove the obstacles and set them up to produce those results, the more successful they will be and you will be. Don't ever tell them what they can't do, because they will simply focus their creativity on finding ways to overcome your rules.

Sub Brokers should act as an advocate for his or her agent group, while acting as an authority figure on behalf of upper management. This is an important balancing act. Upper management needs to know what is going on with their agent groups at all times. For example: Are they happy with the software, load boards, rules, etc. These are things we here at LOGISTICAL FORWARDING SOLUTIONS expect to learn about from our Sub Brokers.

Of course the most important duty of the Sub Broker is to assist his or her agents in being as productive as possible. Success is the clearest evidence of competence.

To summarize, be an advocate for your agents and also the eyes and ears of upper management. Build a team instead of pitting agents against each other, and of course, keep your focus on sales and profitability. It's a simple formula on paper, but can be very challenging to carry out.

FINDING SHIPPERS

Finding shippers is easier than finding trucks. You do not want to jump off the bridge and be too anxious to find shippers immediately. You need to start with one shipper and then work up your "lane" - we will go into this in the following pages.

There are many options available to you for finding shippers. Some people will say the best is to place lots of calls and that is true but you must also do a bit of investigating before making the calls. LinkedIn is a great place to start, or simply go to the shipper's website and investigate them a bit. Example. I noticed you are accident free for 175 days that is fantastic! I also noticed…break the ice by giving them a compliment plus it shows you took the time to check them out.

Talking to Shippers

In the event that you have to contact a prospective customer, you should perform in the most professional way. You should be direct because it saves time and leaves a good impression. Furthermore, you should be confident and well informed about the business that you conduct.

Introduction Call Scenarios

The following is an example of a professional scenario

> Agent: Hello, may I speak to the person in charge of transportation, please?
>
> You: Hi my name is ___________ with ABC Trucking Company.
>
> Agent: I would like to find out how to get set-up as a carrier with your company? We have trucks in your area every day.

Or you can ask: Do you have any Full or Less than Full truckloads that we can help you with? There are various approaches and the more you do it the better you will get.

At this point, the shipper may ask for more details about the company such as trailer type, how many trucks, and lanes. In which case, you should ask for the carrier setup packet. Once you are setup with their company, you can proceed to get more specific information from them. However, note that some shippers may not like to give an abundance of information to a customer that is not approved yet.

It is necessary to slowly build your relationship with a potential freight broker or shipper.

It takes time to gain the freight from new customers. By moving more loads on a consistent basis, you will begin to make profits. You will get more chances at their freight and better rates with time. It is important to try to get information about the freight you are shipping and its volume because it will allow you to know if you can handle it or not. If you give a shipper your word and are unable to keep it, it is possible that they will hesitate in using your services in the future.

Our agents keep a Word document in which we have set questions that we ask. You add all your shippers to a new page and will always have all their information at your fingertips.

Name of Shipper

Address

The Contacts Name – phone, cell, fax and email

What's the commodity?

What type truck do they use? Do they require tarping if flatbed, temp if reefer.

Typical weight

Gather as much information as you can!

A good agent knows what questions to ask, and when. Develop your questioning techniques, always remembering the traditional rules of questioning: What? Where? When? Which? Why? Who? And how?

Continually test your understanding of the situation by asking questions and verifying that everybody's on the right track.

Remember, God has given us two ears and one mouth; we should use them in that order! Successful sales professionals talk for 20 percent of the time and listen for 80 percent of the time. It's crucial for new salespeople to develop their active-listening skills.

Along the same lines, develop your empathy levels. If you can relate to your customers' situations authentically, it helps to build rapport. Finally, control your ego levels. A good salesperson is patient and respectful, not an egomaniac.

Knowing Your Customers

This is called customer service. In order for you to keep accounts active you must interact and get to know your shipper to help you see how best to help them. Also to see what their goals are and interests. By keeping tabs on a personal basis it will be more difficult for other agents to compete with you for your customers loads. LinkedIn, Facebook, twitter are tools to keep close to your point of contact from the shipper. Get to know your point of contact and develop a relationship with them.

Keep communication open at all times. This will insure the shipper will look for you first in time of need. Never be arrogant – never talk up or down to your potential clients. It's rude and will serve only to alienate them. Respect the buyer, and they will respect you.

Ask for Referrals

Referrals are the most powerful tool in any sales person's arsenal. A referred prospect is much more likely to be ready to listen to you, trust what you say and – ultimately – to buy from you. Referrals make your job easier, and help you sell more with less effort and in less time. It has been proven that you will increase your shipper & carrier base by asking for referrals. When making calls if the shipper does or does not do business with you, ask for referrals. Example: Do you know someone who I can help with logistics? Do you know someone having problems with their current provider? This might lead you to your next customer.

Finding Carriers

To search for carriers, there are many options. You want as many carriers as you can get. But the trick is to get carriers to run the lanes you are starting out with! It's useless to get a huge database of carriers all over the US if your 1st shipper is running from El Paso to Houston. Then you work on building carriers who run THIS lane. You will want 10-20 carriers who you can count on to cover loads for this lane.

ALWAYS ask a carrier/driver where his LAST GOOD PAYING LOAD WAS FROM. What was the product? Will he give you the name of the company? Here is a new shipper for you and you already know the shipper is paying well! CALL THEM. And if you get the account be sure to shoot the loads over to the carrier/driver who gave you this information! That's 10 owner operators per day/ say 1 lead per owner op x 10 = 50 leads/week!!!

Weekends loads are easier to move with lower rates as many carriers are trying to get home and will many times take the load for less money. It's cheaper than them being stuck somewhere and having to feed themselves and look for some entertainment.

I would advise you to start an Excel spreadsheet.

Include; Shippers name, contact name, phone #, possibly cell phone #, and what lanes they run! In the future, after compiling a good amount of carriers, it will be much easier to go back to your spreadsheet and be able to see which carriers are running which lanes.

Transit Time Guide

The Transit Times displayed in this guide, should be used to estimate the transit time of a load en route from shipper to consignee.

Safety is always our number one concern, so a drivers hours of service will take precedence over a service standard guideline.

Carriers are required to book loads with drivers having adequate hours of service available to safely meet the delivery requirement. In some uncontrollable instances a driver could be delayed due to heavy traffic, accidents, or weather causing the driver to run out of service hours and delaying the delivery.

Miles	Truckload	Partial Loads
0 – 600	Next Morning (Overnight)	3rd Morning
601 – 1200	2nd Morning	4th Morning
1201 – 1800	3rd Morning	5th Morning
1801 – 2500	4th Morning	6th Morning
2501 - 3500	5th Morning	7th Morning

Weekends count as one service day on PARTIAL shipments

Weekends count as two service days on TRUCKLOAD shipments

Preparations for Load Dispatching

As a Sub Broker, the moment you or your agents have a load where you have agreed on a line haul rate with the shipper, the dispatching commences. It is now time to assign the load to motor carriers. REMEMBER TO CALL YOUR SHIPPER AND INFORM THEM YOU HAVE A TRUCK AND LOCK DOWN THE LOAD! Before you start dispatching, do not forget to perform all necessary procedures like credit check for the shipper, shipper agreement, rate sheets, carrier agreement and looking into the motor carrier safety ratings. You will not want to miss this, to save yourself from any financial or legal liability.

There will be several types of forms and agreements that you will encounter when doing the dispatching. To understand them better, we will define them below:

Broker/Shipper Arrangement

Credit check: Once the shipper agrees with doing business with you send for a credit check. Do not send a shipper agreement without a credit check approval.

Once credit is approved send shipper agreement – This is where the agreement between the shipper and broker is laid out. The agreement is good for one year. The rate sheet will be the only thing you will need from the shipper when doing business from nowon. You will need a completed rate sheet to move this first load.

Broker/carrier agreement – This is where the agreement between the carrier and broker is laid out. It is also referred to as the “set-up”. This is only done one time with every carrier.

Load Rate Confirmation Agreement – Also known as “rate sheet”, it is the agreement between the broker and carrier for each load taken.

Inquire from your existing customers about future load orders that are already available so you could provide them with a carrier, at an earlier time to prevent any hassles.

Most shippers will have the rates they want for their loads but this can be negotiated as well. Especially if the carrier is not in agreement. Negotiate for everything, your job is to facilitate this between the shipper and carrier. ALWAYS ask the carrier “how much can you move this for?” By asking this question you may find there is more room for you to make a higher commission.

You may provide a suggested freight rate. By checking your mileage software and determining the type of load to be transported, you can effectively give a reasonable freight rate to your customer.

CARRIER QUESTIONS

Be prepared to provide this information to Carriers:

Broker name, Agent name, and your Call-Back Phone #

Where the load picks up (how many picks...), date and time

Where will the load deliver (how many stops...), date and time

Provide total loaded miles be able to compute dead-head miles (# of miles from carrier's current location to where load picks up)

What the product is... (Produce, frozen food, bottled water, steel coils, lumber, etc). Meat, poultry, and nursery (plants) require a trailer wash-out, so costs the carrier more. Nursery stock/ plants also need wash-outs. Temperature of 28 degrees is typically considered "fresh" and has a tendency to bleed in the trailer, hence the wash-out requirement.

Weight of load / Temperature, if reefer load / If need air-ride

If there are any special load requirements (tarps, straps, load locks, E- track....)

If there are any "lumper" (loading/unloading) fees.

Pallets required?

Don't give them any detailed/specific information about the shipper, such as pickup company, name or address, delivery company name or address until Rate Confirmation has been received and signed by Carrier!

Procedures for Load Dispatch

1. Shipper, which has been credit approved and has signed the shipper agreement and sent back to you; will now send you information on loads available by email. This may come in different forms, excel, word and others.
2. If you have more than 10 loads we suggest you focus on the best 5 loads you believe you can move. This will save you time. You and other agents are fighting for these loads. Time is of the essence!!!!
3. Search for a motor carrier in your carrier database that would fit this load rate.
4. Post the available load order to a load board database if your existing carriers are not available.
5. Check at the FMCSA for the Safety Rating of the carrier to know more about him and his operations. Check his insurance status, it must match what the shipper is asking for.
6. If a carrier contacts you, negotiate for the freight rate. Come to an understanding beneficial to the both of you. You may have to negotiate with shipper as well to meet in the middle.
7. Once the carrier accepts it, call the shipper to verify load is still available. If so book the load, the shipper will send you the info of the load so you can send them a rate sheet.
8. Call the carrier tell him he got the load and you will send him a carrier agreement and in a few minutes you will send him a rate agreement. If the carrier is nowhere to be found, call the shipper immediately and tell him carrier cannot take the load and cancel the order.
9. Go to software and make a Rate Confirmation Sheet for both the shipper and carrier so you can be able to authenticate the freight rate agreement between the two of you.

10. When every document is completed, you can now dispatch the carrier to the indicated destination for loading. Tell the carrier to let you know when he arrives at shipper.
11. Tell the carrier to call you once he gets loaded. Ask him for the BOL #, Weight, Quantity, PO# (if applicable). If dry van or reefer ask for seal #. If reefer load ask for temp control instructions.
12. Ask the driver to call you the next morning for a check call. Every shipper has a different time for check calls and some don't require it. Ask the driver if he plans to drive all night to text or email you the location where he parks before he goes to sleep. This will help the driver get the appropriate rest.
13. When the load has been delivered, have the consignee sign the Bill of Lading and let the carrier send you this document by Trans flow. Make sure driver calls you as soon as he Trans flows.
14. Ask the carrier to send you their invoice by Trans flow or email. Most carriers will want to mail you the invoice with originals. Tell them we can pay them faster if they email you a "temp" invoice and they will. You will need the BOL & invoice so factoring can issue you a commission check. That is why we need the "temp" invoice so you don't have to wait weeks to get paid.
15. Once office has both BOL & invoice it will be sent to factoring company to issue you a check, pay the carrier and bill the shipper.
16. List the carrier to the existing list of your available carriers so you can have an easy access to their details if you would need their services again.
17. If a carrier wants a fuel advance he must pick up the load first, trans flow the paperwork and we must talk to accounting to verify the load. Scams are abundant we must be vigilant. Fuel advance is a 4% charge. Same with quick pay. Do not offer this services.

This guideline should be strictly followed. If changes are made you will be notified. Remember these questions as an overview:

1. Where is the load being picked up?
2. Where is the delivery location?
3. When are the pickup and delivery dates?
4. How many pickups or delivery points are there?
5. What type of trailer is requested?
6. What is the commodity or type of freight?
7. What are the detailed dimensions? Full load? Partial Load?
8. What is the weight?
9. Is tarping required on the load?
10. Do you have an anticipated rate on this load?
11. What temperature is required for this load? (If Reefer)
12. Will you reimburse lumper or unloading fees?
13. Where is the load being picked up?

Load Boards

The moment the freight broker and the shipper have come up with an agreed line haul rate, the broker then goes to a load board (like www.123 loadboard.com), to search for trucks that are waiting to haul another load. In searching for available trucks in the load boards, always look at the distance the truck needs to travel to secure the load. (Hopefully less than 100 miles)

Always check your carrier database for available trucks within the proximity of the load.

Also check to see if the load is going within 100 miles to one of your current shippers to see if you can re load the truck.

Some loads need to be transported immediately because of certain reasons. For a shipper to be able to effectively get a carrier to do this, he should be able to compensate for a competitive freight rate. You, as an agent, should negotiate this rate so you won't be having a hard time in searching for an appropriate carrier.

Backhaul loads should always be available for your carriers. A recommended thing to do is to communicate with the consignee of the initial load and ask him if he has a shipment needed to be moved. This helps both the shipper and the consignee, and provides you with a reliable source of shipment as well as a stable freight rate. You can also check on free load boards (like www.trulos.com) to see if you can reload the driver. If there is a matching load have the driver call that broker. This will help you in two ways. First the carrier will be grateful and come back to work for you. Second, the load you are trying to move will move faster if you have a backhaul ready for it, so when you post the load you can add “reload’ available.

If one of your carriers is going to deliver a certain load to Los Angeles, California, make sure that you have pre-planned the backhaul load for the said carrier. Contacting shippers in LA will be very important so you won't let your carrier leave the city without a load on its back. Plus this will increase your profit margin as well.

Freight Broker Negligence

Always observe a professional language when communicating with the shipper or the carrier, or any person affiliated with your work. Some of them would record the calls that they got so they can use these for future reference. Maintaining a positive and professional tone and choice of words would help you build your credibility and professionalism with your affiliates.

Cancelling or Suspending a Dispatch

Cancelling a dispatch is a very negative activity but one that must be done in a professional matter. Some of the problems faced by the carrier could extend your field. Mechanical issues with the truck are the most common challenges that prompt the carrier to cancel the load. When this happens, make sure that you take note of who the carrier is. Watch out for any repetition of the cancellation and observe for any anomalies with the carrier. If you find anything that smells fishy with the carrier, you should stop working with him. Stay in constant contact with shipper so he knows you are doing everything you can to help him re-secure that load.

Asking for Freight Orders in Advance

Inquiring to your shippers for upcoming load orders is a very good strategy for pre- planning. When done successfully, you can book the loads in advance and make a schedule of your loads in a few days or weekly.

Some shippers, on the other hand, have the initiative to inform their freight brokers of future load orders. However, most will inform their brokers or agents the same day they want to move their loads. So talk to your shipper and advise him of sending you the loads a day before the scheduled transport. This will help you pre-load them and give you adequate time to search for trucks

Time Zone Differences

In doing your transactions with your customers, you will almost always consider the shipper's time zone. When speaking to a shipper or carrier use time zones. Example: Pick-up the load at 3pm central time? This will eliminate mistakes on time of pickup or delivery when speaking to shippers or carriers.

Responsibilities of your Freight Agents

Primary focus of all agents is for building your customer base, carrier data base and following through with the necessary paperwork for load completion. These agents will build your office so recruiting the right agents is crucial. Look at their resumes, experience, book of business and professionalism. If you acquire an agent with little or no experience send them to the Logistical Forwarding Solutions for training. This will save you time and money. They must follow the company's code of conduct and ethics.

LTL Freight

For full definition please go to the LOGISTICAL FORWARDING SOLUTIONS Manual – Chapter 2.

Less than truckload (LTL) shipping typically weighs between 151 and 20,000 lbs (68 and 9,072 kg). LTL carriers collect freight from various shippers and consolidate the freight onto enclosed trailers. The freight is then taken back to the terminal where it will be sorted and distributed. Usually drivers start their daily work from terminals and then they load incoming freight and head out to make deliveries. Once the trailer has been emptied, they make pickups from customers and return to the terminal for sorting and delivery. Generally, deliveries are performed in the morning and pickups are made in the afternoon.

The LTL model methodology states that delivery drivers usually have certain routes, therefore, they have the opportunity to develop a relationship with their customers. Once filling the trailer or completing the assigned route, the driver returns so that their shipment can be unloaded. The trailer is unloaded at the terminal and every shipment is checked and weighed again to make sure it matches the description contained in the accompanying paperwork.

Transit times for LTL freight depend on several factors but are generally longer than FTL times. LTL transit times are not only related to the distance between shipper and consignee, but they also depend on the makeup and design of the network of terminals and break bulks.

LTL shipping is considered as the most efficient method for shippers who have a lot of freight to transport that can't be accommodated by parcel carriers but less than the required amount to fill an entire truck.

Securing Shipment for LTL Carriers

It is an established fact that LTL shipments often undergo frequent handling. Various kinds of activities could affect the shipments quality and status. Loading and unloading can be both risky for shipments especially when frequent dropping and tossing occurs.

The use of freight pallets, shipping crates or tough-quality cardboard boxes are important to help reduce the risks of damages amongst the shipments. Also, tightly sealed cargo boxes would help reduce the chances of any thefts if any outsider or even delinquent workers come in contact with valuable shipments.

Wooden Freight Pallet.

Photo courtesy of http://www.axispackaging.com.au/products/pallets/timber

Cargo Crates.

Photo courtesy of [http://www.hardwaresphere.com/2011/12/09/inbox-mini- cargo-crate-as-your-desk-organizer/](http://www.hardwaresphere.com/2011/12/09/inbox-mini-cargo-crate-as-your-desk-organizer/)

LTL shipments are more prone to getting lost or being incorrectly delivered to locations because of the multiple destinations that the deliverer is going to travel to. It is highly suggested that the freight crates should be properly labeled, placing a tracking number on the 4 sides of the box. A complete destination address and Zip Code should also be indicated to give accurate details when needed.

These security measures would save time, resources, and labor compared to a poorly organized freight shipment that experiences a lot of losses, damages, etc.

How to handle claims

Immediately tell the driver to explain situation, try to make sure he is calm and that nobody is in danger. Contact upper management ASAP. If in an accident have him called police and paramedics if needed. If it's a damaged freight claim or missing freight, tell driver to fill out report, take pictures and have him explain everything to you and write down what he tells you.

In the Broker/Carrier Agreement contract, it states that the broker and the shipper are held harmless for any claims or acts of omission. This will take the liability off from the broker and put it onto the carrier. The carrier is the one who will be handling the goods being shipped and is therefore the one who should be liable for any damages that the broker has no control over

Driver Responsibilities for Claims

Drivers are given instructions by carriers to carefully inspect every item loaded into the truck for any damages, to protect them from any liability issues. The driver is responsible for taking note of any OS&D (Overage, Shortage, or Damage) before any material is loaded into the truck. Failure to do so, will make them responsible for it. In case a driver notices an OS&D, it is important to have it noted in the Bill of Lading and have it witnessed and signed by the shipper. This is the only safe instance for a driver to accept or load damaged freight.

Managing Your Records

Ideally, you may purchase a record keeping software from the Internet so you could easily organize your files on your computer. However, you may also do manual record keeping. Keep copies of all transactions for your records.

Review

Time management and a good grip on the process of freight brokering are the keys to managing your brokerage well. As you gain experience, you may be able to modify your methods to fit your need, as well as the customer's requirements.

Having a solid professional relationship with your shippers will allow you to slow down from searching for other shippers. You can only take a limited number of shippers but this will be based on the carriers that you have and your personal capacity.

GLOSSARY

Accessorial	Additional charges to the line haul rate that are billed to a customer or paid to a carrier. Common accessorial include, fuel surcharge, unloading charges, and stop charges.
ACH	Abbreviation that refers to Automated Clearing House electronic payment systems.
Agent	Person who arranges for the transportation of goods under the authority of a licensed freight broker.
Air Bag	Large paper bags filled with air and placed between pallets or stacks of cargo to protect boxes of goods from falling to the floor or slipping within the trailer. Used frequently in transporting canned drinks, especially beer.
Air Brake	A brake, which is operated by air. The air is operated using air lines, valves, tanks, and an air compressor.
Air Freight Forwarder	Non-asset-based firm, whose primary advantage is cost. Negotiate low rates with the airlines and resell in small quantities to the shippers
Air Ride Suspension	A trailer suspension system, which uses air bags for a greater cushion than that provided by the conventional leaf spring.
API	Application Programming Interface is a method used to send and receive data between computer systems via the web.
Authority	Is essentially a business license issued by the USDOT. The main purpose of operating authority is to regulate insurance for the protection of the public and shippers
Backhaul	The load of freight a carrier moves to get back to his home terminal, or back to another direct customer, to get line haul rates. A broker usually arranges for a backhaul.
Bill of Lading	Identifies; 1. The parties (consignor, carrier, and consignee), 2. The goods being transported, 3. Responsibilities of the parties, 4. The consignor or shipper typically owns the goods being transported, 5. The carrier identified on the bill of lading is the party to be paid for the freight charges and is responsible for the care of and keeping the freight safe and to make sure it is handled 6. The consignee or receiver is the party to whom the goods were sold to and is expecting delivery of the goods in the same condition as were shipped. 7. The goods are typically identified, a count given, and a poundage weight is given, 8. The bill of lading will normally identify responsibility for freight charges. Prepaid, collect, COD or third-party billing, 9. When signed as a receipt for the goods by the consignee it also serves as a "proof of delivery". In short, it is the most important document in transportation. It is the contract

Binders	Chain or nylon fasteners used to secure cargo to the floor of a flat-bed trailer. Usually passes over cargo and ties to the exterior sides of the trailer.
Blind Shipment	A shipment of cargo that is picked up or loaded on one bill of lading and delivered on a new bill of lading. This is done because the owner of the goods does not want the shipper to know who the receiver is or the receiver to know the shipper of the goods. Both the shipper and receiver are "Blind" to the other.
Blind Side	The right side of a truck, tractor, or trailer. This side is called the blind side because the driver's vision is restricted when he or she is behind the wheel
Blind Spot	The area where the driver's view is blocked by part of the vehicle or other obstruction.
BOC3	Designation of agents upon processes may be served required by the FMSCA
BMC-84	Form prescribed by the FMCSA used to document surety bonds.
BMC-85	Form prescribed by the FMCSA used to document trust funds.
Bobtail	When a tractor is being driven without a trailer. A small single unit truck is sometimes called a bobtail. This term also refers to a straight truck
Book the Load	An absolute commitment by broker and the customer that broker will place a truck in to pick up the cargo and transport it to the destination.
Break Bulk	Distribution center that rearranges bulk shipments for smaller freight terminals
Brokers (Transportation Brokers)	Middlemen or facilitators or intermediaries between truckload carriers and shippers. Independent contractors who act as sales agents for truckload carriers, charging a commission for each truckload they arrange.
Bulkhead	A divider placed on a load to separate portions of the product. Example: On a refrigerated trailer you could place temperature control product in the nose of the trailer, place a bulkhead and load dry freight on the rear of the trailer.
Cab-Over Tractor	A cab-over tractor is a power unit that pulls a trailer where the driver compartment sits over the engine, the actual designation is "COE" or cab-over engine. Easily distinguished from a conventional tractor, because it does not have a hood. In passenger vehicles a pickup truck would be a conventional and a van would be a cab-over.
Carrier	The trucking company hired by broker to haul freight.
Carrier Information Package	Information sent via fax or the mail to a prospective carrier that gives the carrier all pertinent facts concerning broker. (Our authority, bond and financial facts.)

Cartage	Slang term used for transporting goods via truck
CDL	Commercial Driver's License
C.F.R (Code of Federal Regulations)	A solitary resource for legal language supporting all Federal agencies
Cheap Pallet	Pallets that belong to the customer-receiver. Usually painted blue on the ends. Loads shipped on cheap pallets do not require the driver to exchange pallets at the time of loading and none will be returned at delivery point.
Class Rate	There is a class rate applicable on every product between every city pair in the country.
COFC (Container-on-flat-car)	A type of intermodal rail transportation.
Common Carrier	Motor Carrier that services the needs of the general public and operates "for hire" based on its published tariff rates
Consignee	In a contract of carriage, the consignee is the person to whom the shipment is to be delivered whether by land, sea or air.
Consignor	The consignor, in a contract of carriage, is the person sending a shipment to be delivered whether by land, sea or air.
Consolidation	Combining two or more shipments. Inbound consolidation from vendors is called make-bulk consolidation; outbound consolidation to customers is called break-bulk consolidation.
Container	A large steel box enclosure used to transport intermodal freight.
Contingent Auto Liability	An insurance policy for brokers that covers bodily injury and property damage in the event a carrier is involved in an auto accident and the carrier's insurance fails to acknowledge the claim.
Contingent Cargo Liability	An insurance policy for brokers that covers physical loss or damage to cargo in the event the carrier's insurance fails to acknowledge a claim
Contingent General Liability	An insurance policy for brokers that covers physical damage to people and property in the event the carrier's insurance fails to acknowledge a claim.
Contract Carrier	Motor Carrier than may only service those with whom they have a "contract".
Contract Rates	Agreed-upon rates between a shipper and a carrier; the trend today between large carriers and large shippers.
Cubic Ton	A mass-derived unit of volume referenced by density: a cubic ton of cotton requires more area volume than a cubic ton of bricks.

Customer	The shipper, receiver, third-party buyer or another broker that hires a broker to handle their logistics and/or transportation needs.
Customs Broker	A highly trained import professional; licensed by the U.S. Customs Service.
Deadhead	The distance a carrier travels from his unloading point to his next loading point. Example; ABC Trucking unloads their last freight in Tulsa, Oklahoma and makes his first pickup for reloading in Fort Smith, Arkansas. He has deadheaded 120 miles.
Detention	A penalty against the shipper or consignee for keeping a truck or trailer beyond the specified free time.
DHS	U.S. Department of Homeland Security
Diversion	Stopping a shipment short of destination and diverting it to an alternate destination.
DOD	U.S. Department of Defense
Double Brokered Load	Occurs when a carrier/broker books a load directly with a broker but then sells it to another carrier/broker without booking brokers knowledge.
Drayage	The transportation of containers or semi-trailers between sea ports and inland locations such as hub centers and rail terminals.
Driver Handling	Driver being responsible for physically handling the freight. It can vary from having the driver use a pallet jack to off load or load the cargo to being responsible for completely manually loading or unloading the cargo. Our charge varies with the degree of difficulty.
Driver Qualification File	Required by the DOT for every driver. Includes employment application, request for check of driving records from the state, request for information from previous employers, physical examination, and other documents.
Driver's Log	A record of a driver's on duty time showing his driving and on duty not driving hours.
Dry Van	An enclosed dry box semi-trailer used to transport goods.
EDI (Electronic Data Interchange)	Used to pass electronic data from one computer system to another.
Escort Usher	Vehicles used to accompany semi-trucks for oversize loads.
ETA	Estimated Time of Arrival
Exclusive Use	No matter the quantity of cargo being shipped, whether full trailer load LTL, no other cargo is to be shipped with an exclusive use trailer. The customer has paid the "exclusive use" of the trailer.

Exclusive Use of Vehicle	Sometimes called modified class rates, these rates are obtained by negotiating with the carrier for an exception to the NMFC classification rating.
Expediting	Notifying a carrier that a shipment is urgent, and you would like to have it rushed to destination as quickly as possible.
Express Code	Numeric code used to authorize electronic payments.
FAA	Federal Aviation Administration
Factoring	Financial term used to reference the financing of Accounts Receivable (A/R) invoices.
FEU (forty-foot equivalent unit)	Refers to the number of 20-foot containers a vessel can carry.
Flat-bed	A platform trailer that has no walls, roof, or doors. The cargo is usually secured by means of chains or straps. Can be loaded or unloaded with or without a dock. Usually used to transport machinery, building materials or extremely bulky goods that will not fit dimensionally in a van or refer trailer.
FMCSA	To transport or arrange for the transportation of goods or passengers.
FOB (Free on Board)	Contractual terms between a buyer and a seller, which determines where title transfer takes place.
FOB Destination	Title passes at destination, and seller has total responsibility until shipment is delivered.
Freight Collect	Title passes at destination, and buyer pays the freight.
FOB Destination, Freight Collect and Allowed	Title passes at destination, and buyer pay's the freight and deducts it from the seller's invoice.
FOB Destination, Freight Prepaid	Title passes at destination, and seller pays the freight.
FOB Origin, Freight Collect	Title passes at origin, and the buyer pays the freight.
FOB Origin, Freight Prepaid and Charged Back	Title passes at origin; seller pays the freight and adds it on to the seller's invoice for the goods.
Food Grade Trailer	Kept in service for the transporting of food commodities. Interiors are kept very clean and free of odors.
For-hire Carriers	Classified into two general categories, specialized and general freight motor carriers.
Free-time on Loading/Unloading	The amount of time a carrier will wait in order to get the cargo loaded or unloaded. Normally between two and three hours before the carrier begins needing compensation, a.k.a., demurrage. Demurrage is an old railroad term that implies that charges will be accrued for using the loaded vehicles as a storage or warehouse facility for the consignee or receiver.

Freight Bill	An invoice for transportation service(s).
Freight Classification	Method of freight rate computation based on a combination of density, stow ability, handling and liability.
Freight Collect	Indicates that the consignee pays the carrier.
Freight Forwarder	A freight broker/carrier that takes physical possession of the cargo at some point during transit.
Freight Prepaid	Indicates that the shipper pays the carrier.
FTL	Abbreviation used to reference a Full Truck Load of freight
Fuel Surcharge	A fee used to offset increasing fuel prices for motor carriers.
Gaylord	A generic and brand name of a box, approximately 40" x 40", in which loose or bulky items are shipped.
Gross Vehicle Weight (GVW)	Gross Vehicle Weight Rating for commercial motor vehicles
Hand Jack	A mechanical device used by a person to unload palletized shipments, works by pumping a hydraulic lift and manually pulling product from trailer.
Hazardous Material	A substance of material, which has been determined by the Secretary of Transportation to be capable of posing an unreasonable risk to health, safety and property when transported in commerce. They are goods that are flammable, corrosive, explosive, poisonous, bio-hazardous, radioactive or in any other way a hazard to health or safety. Requires special endorsements by the Department of Transportation, the insurance company and the drive-in order to be transported.
HAZMAT	Abbreviation used to reference Hazardous Materials
Hours of Service Regulations	All drivers must comply. Drivers must record their duty status for each 24-hour period. They may not legally drive more than 11 hours following 10 consecutive hours off duty.
Hundredweight	A unit of measure used to calculate shipping rates based on weight.
Inbound Consolidation (make-bulk)	Occurs by having your vendors in an area deliver LTL to a local assembly center. Then the consolidated truckload is shipped to destination. This is much cheaper than having the vendors ship each individual small shipment LTL.
ICC (Interstate Commerce Commission)	The former Federal agency charged with governing interstate and intrastate commerce via commercial motor vehicles.
INCOTERMS (international commercial terms)	Used in lieu of international shipments to set out responsibilities before and after certain points in the transportation cycle
Independent Operator	A truck owner that operates under his own authority and usually finds own freight.

Intermodal	More than one mode of transportation is involved (e.g., piggyback, fishyback, or birdyback).
International freight forwarders	Also called foreign forwarders or ocean freight forwarders; handle booking, paperwork, and consolidation for exporters.
Interstate	Crossing state lines to make deliveries. Example; ABC Trucking loads furniture in Conway, Arkansas to be delivered in Columbus, Ohio.
Intrastate	Making all pickups or deliveries within one state. Example; Trucking loads furniture in Conway, Arkansas to be delivered in Hot Springs, Arkansas.
ISO	International Organization for Standardization - a family of standards for detailed management systems.
Jackknife	When the tractor is not in a straight line with the trailer. That is, the trailer is not right behind the tractor.
Jake Brake	An engine brake used to slow the vehicle.
JIT (just-in-time)	Focuses on the systematic reduction of waste and inefficiencies in operations to improve overall performance. The result is the delivery of products at just the right place, in just the right quantity, and at just the right time.
Landing Gear	A device that supports the front end of a semi-trailer when it is not hooked to a tractor.
Layover	The amount of time spent between last unloading and reloading. Layover time is usually used to catch-up on service hours and paperwork. (overnight)
Lease Operator	Someone who owns his or her own tractor but signs a contract or lease to haul for one company.
Less Than Truckload (LTL) Carriers	Maintain a network of freight terminals and a large staff of dock workers to handle small shipments as they are loaded and unloaded.
Line haul	The load of freight a carrier normally carries out of his home terminal for a customer.
Line Haul Rate	The rate paid to a motor carrier for transporting freight.
Load Board	Freight matching service that allows brokers and carriers to post load and truck availability.
Loading	The act of filling a trailer with the shipper's goods. Normally accomplished by mechanical means (forklift) but can be done manually.
Load Locks	A securing device to hold cargo in place in a van or refer trailer. It is usually made of aluminum poles and extends from one wall to the other and has a ratcheting device that holds it in place.
Log Book	As required by law and for the safety of the public (you) a truck driver is only allowed to work or drive a certain amount of time every day or in a series of days. A log book is the record of his time and made available to

	public safety personnel to verify that he is not in violation of any safety laws.
Logistics	The process of planning, implementing, and controlling the efficient, effective flow and storage of goods, services, and related information from point of origin to point of consumption for conforming to customer requirements.
Long Ton	Metric unit of measurement that represents the Imperial (United Kingdom) system: A long ton is equal to 2240 pounds
Lumper	The party who unloads the goods off a trailer. A receipt for this labor is required before any reimbursement will be made. Most consignee's will off load their goods and not charge for unloading the cargo.
LTL (Less than Truckload)	Partial shipments such as a pallet of goods that does not require a full semi-trailer.
MARAD	U.S. Maritime Administration
Mileage Rate	Rate per mile offered by truckload carriers.
Military Time	A 24-hour time frame where its appropriate number designates each hour, 0100 to 2400.
Minimum Charge	The lowest charge that can be assessed for a movement, regardless of the weight.
Motor Carrier	Transportation company that transports goods via semi-truck or other commercial vehicle.
NAFTA	The North American Free Trade Agreement was signed by leaders of the United States, Canada, and Mexico in December 1992; it that will phase out tariffs (import duties) among the three countries over the next 15 years.
National Motor Freight Classification (NMFC)	Class rates are based on the NMFC, and virtually all shipments are subject to class rates. Every product that can be shipped is assigned a class rating; also contains rules pertaining to claim filing procedures, packing provisions, handling and service.
NMFTA	National Motor Freight Traffic Association
Non-Asset-Based Third-Party Providers	Do not own assets, such as transportation and/or warehouse equipment.
Non-Compete	An agreement that prevents the solicitation of customers.
Nose of a Trailer	This is the front or portion located closest to the tractor.
NVOCC -Non-Vessel Operating Common Carrier	Consolidates small shipments from different shippers into full container loads and arranges all details from origin to foreign delivery.
OD	Over Dimensional freight
O.S.D	Overage, shortage or damage. The first question you ask when the driver on your load of freight calls in to report empty. He'll understand, "Any O.S.D.'s?" What you are

	asking has to do with the condition of the freight when it was received at the consignee(s). If the driver's reply to your question of "Any O.S.D.'s?" is "No, all clear." this means that the bill of lading or proof of delivery has been received and that no problems exist.
Off-Duty Time	The time a driver is relieved from work, and all responsibilities to perform work.
Owner-Operator	Person who owns and operates their own semi-truck
On-Duty Time	The time a driver is required to be ready to work or, when working, the time until a driver is relieved from work and all duties.
Out of Service	Authorized personnel shall declare and mark "out of service" any motor vehicle, which by reason of its mechanical condition or loading would likely cause an accident or a breakdown. An "Out of Service Vehicle" sticker shall be used to ark vehicles "out of service".
Outbound Consolidation (break bulk)	Consolidation of several small shipments for various customers into a full truckload. Shipped to a location near the customers; then has the carrier distribute the small shipments to the customers.
Pallet Block	Term used to describe how many cases are stacked per layer on a pallet.
Pallet Exchange	A requirement by some customers, that the cargo will be pre-loaded on wooden pallets for shipment and the carrier is required to turn in empty pallets to turn in empty pallets for the next shipment. In the event the carrier does not have empty packets to turn in for deposit on a pallet exchange load a charge of from $4.00 to $10.00 each is usually taken from the carrier. Upon delivery of a pallet exchange load the carrier, in like manner, should receive empty pallets from the consignee.
Pallets	A platform on which cargo is stacked to facilitate loading and unloading. Openings in which a forklift can lift are made on all four sides of the pallet. Standard size 48" x 40", but many other dimensions are manufactured.
Parcel Shipments	The smallest truck (and air) shipments, which are by far the most expensive in terms of cost per unit (per pound or hundredweight).
Parent Broker	Brokerage firm in which an agent works for.
Pickups and Stop-offs Destination	Any extra loading points past the point of origin are extra pickups. There is a varying charge for this service. In like manner any drops of cargo before final destinations are considered stop-offs. Likewise, there are varying charges for stop- offs. The customer is never charged for the loading at origin or delivery to the final drop (stop).

Pig Tail	The cable that carries electrical power to the trailer from the tractor.
POD	An abbreviation for "Proof of Delivery" such as a signed Bill of Lading (BOL) or digital scan of arrival.
Port of Entry	Points in a state, normally on a major highway, where commercial vehicles enter and are checked by public safety personnel to make sure that all licenses, permits, log books, weight restrictions, vehicle inspections or any other matter concerning safety or interstate commerce are adhered to before entering that state. (When transporting perishable goods or live animals that all paperwork and inspections have been made.)
Power Unit	Semi-Truck
Practical Route	A mileage routing determination based on the most practical route for commercial motor vehicles.
Prepay and add	The seller pays the carrier and adds the freight charges onto the invoice for goods purchased.
Private carriers	Those motor carriers whose primary business is other than transportation; manufacturers of distributors who use their own private business.
Proof of Delivery (P.O.D)	A receipt by the consignee for the goods and condition of it.
Property Broker	A person or company who has been granted legal permission to arrange for goods to be transported via interstate commerce.
Public Warehouse	A firm that specializes in warehousing and holds itself out to serve the public, like a for-hire carrier. One pays only for space used.
Rate Confirmation	An agreement which solidifies the line haul rate between brokers and carriers.
Receivables	Unpaid invoices that have not been collected by the person that is owed.
Receiver	Also known on the bill of lading as the consignee. The party taking possession of the goods when they are unloaded off the trailer.
Reciprocity	Authority to enter border provinces of Canada.
Re-consignment	Changing the consignee in transit. Carrier charges the shipper for this service.
Reefer	Temperature controlled refrigerated trailer.
Refer	A van trailer with the addition of a refrigeration or cooling unit and insulation in the walls, sides, roof, floor, and doors. Can be used to transport perishable goods (produce, meats, dairy goods, etc.) or dry or non-perishable goods. Because of the insulation in the walls, roof, and floor the refer trailers loses some load space.

Reverse Logistics	A specialized segment of contract logistics management; the back side of logistics, logistics after the sale and after the initial delivery to the customer.
RGN	Removable Goose Neck trailers for transporting equipment.
Roll Up Door	Door made into sections that roll on a track. When open this door is suspended from a track inside of the trailer. This type of door reduces clearance level for cargo.
Roll-Up Doors	A roll-up door is like a garage door that rises vertically to allow for the loading of cargo. A roll-up door is normally seen on city pickup and delivery trailers.
Routing Guide	Instructions for the supplier concerning carrier to use and other requirements.
SCAC	Standard Carrier Alpha Code issued by the National Motor Freight Traffic Association (NMFTA).
Scale Tickets	A Certification of weight of the tractor/trailer loaded with cargo and without cargo. Needed by some customers because they sell to consignees by weight.
SDDC	Surface Deployment and Distribution Command for the Department of Defense
Seal	A metal or plastic band placed through trailer handle and handle base to prevent undetected entry to a trailer.
Semi-trailer	A trailer with wheels in the back. The front of the trailer rests on the rear of a tractor.
Setup Contract	Slang used to reference a contractual agreement between two parties.
Shipper	Also known on the bill of lading as the consignor. Usually the manufacturer of the goods being shipped on the trailer.
Skid	Another term used by drivers for pallets.
Sleeper	That portion of a tractor used as rest or sleeping quarters.
Slip Sheet	A very thick, normally one inch, piece of cardboard on which cargo is stacked. Used much like a pallet. Requires a slip sheet machine to lift the cargo and place on or off the trailer.
Specialized For-Hire Truck Carrier	Transports heavy machinery, liquid petroleum, refrigerated products, agricultural commodities, motor vehicles, building materials, household goods, and other specialized items.
SPLC (Standard Point Location Code)	A unique code used to identify shipping and receiving points by geographic location.
Spread Axel	Refers to an axel on a trailer that is spread more than 108 inches apart.
STB (Surface Transportation Board)	A Federal agency of the U.S. Department of Transportation.

Stop Off	Term used to reference an additional pick-up/drop-off between the origin and ultimate destination.
Stop-Off Consolidation	The consolidation of several large shipments in which the carrier may pick up or deliver while in transition to a larger consignee. A premium is charged for this service.
Straight Bill of Lading	One, which is non-negotiable; the contract between shipper and carrier for a shipment direct to a consignee.
Subcontractor	An individual or company that agrees to perform all or part of the obligations for the contractor.
Surety Bond	A form of credit that guarantees the performance of the person being bonded.
Swing Door	Doors open outward and swing to the side of the trailer where they can be fastened to prevent damage when backing into a loading facility.
Tail Gate Delivery	When a driver is required to deliver product from within the trailer to the rear of the trailer so the receiver can accept it from his own dock.
Tail of a Trailer	The back-end area or rear of the trailer.
Tarp	A nylon or plastic or canvas blanket used to cover shipments on flat bed trailers to protect from pilferage and weather damages.
Tare Weight	The Gross Vehicle Weight (GVW) of a commercial motor vehicle that is empty, unloaded and ready for dispatch.
Tariff	A publication used to reference 'common' motor carriers' rates, charges and rules for transporting freight.
Team	When there are two drivers working together on a truck.
Temporary Permit	A temporary grant of legal permission authorizing motor carriers to transport freight under special requirements.
Terminal	The city that a carrier is based in or the city in which the truck is based.
TEU (twenty-foot equivalent unit)	Refers to the quantity of 20-foot containers a vessel can carry.
Third-Party Logistics(3PL)	A 3PL is easily defined as a Travel Agent for freight. Brokers act as consultants for customers on how to move their freight from point A to point B with ease and advises the most cost-efficient transportation mode available to them. Brokers negotiate with the customer on a price and then pay carriers a lesser rate.
Time-Critical Shipments	Non-stop, door-to-door delivery; not co-mingled with freight of other shippers.
Time-Definite Services	Delivery is guaranteed at a certain time of the day. Shippers pay a premium for this service.
Tracing	Trying to locate a shipment that has been reported undelivered by the consignee; finding the status of the

	shipment. Tracing has become more effective using EDI (electronic data interchange).
Tractor	The power unit needed to pull the trailer.
Truck Ordered Not Used	Compensation for sending a carrier in for loading and the cargo is not ready for shipment within a reasonable time and the truck order is Canceled.
Truckload	Carriers handle approximately 41 percent of all truck shipments (Volume) and earn 37 percent of total truck revenues.
Trust Fund	A collateralized form of assets or cash that guarantees the performance of the person being trusted.
UCC Filing	Uniform Commercial Code Filing - A filing performed by lending institutions that notifies other lenders of your obligations.
Unimodal	Term used to describe the transportation of freight or passengers using one distinct method of transportation.
Unit	The refrigerated unit mounted on trailers for temperature control products.
Unloading	The reverse of loading. Taking the goods off the trailer and putting it in the receiver's warehouse. Normally done mechanically but can be done manually.
USDOT	United States Department of Transportation
Van	An enclosed or box van is our primary means of transportation. Length varies from 45 to 57 feet. It has a wooden floor with sides and a roof. Exterior width varies from a 96 to a maximum of 102 inches. The load space on a regular 48 x 102 trailer is 47.5' x 8.0' x 9.2' or 3480 cubic feet. Used to transport non-perishable goods. (Paper goods, manufacturing goods, furniture, etc.)
Vented Trailer	A trailer with holes in the front and in the rear doors to facilitate the flow of air across the cargo and keep ventilated. Used normally in transporting semi- perishable goods (potatoes, and watermelons).
Wash Out	When trailer is power washed on the inside to remove dirt and debris from the walls and floor.
Waybill	Shipping document that provides information about goods being shipped or carried via aircraft.