



## **Take Charge of Your Commercial Freight Costs:**

### ***Understanding Accessorial Charges***



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## Executive Summary

The majority of companies doing business in today's market incur shipping charges for products they purchase and products they sell. Freight companies have “hidden fees;” fees that are added after the freight is quoted and passed on to the shipper at the time of invoice. These fees are known as **accessorial charges**.

These charges range in cost based on the carrier. Companies have the ability to avoid some fees but need to be aware of their available options before selecting a carrier.

## What is an Accessorial Charge?

An accessorial charge is a fee that is assessed for anything outside of the normal procedures of shipping freight. According to The Freight Rate Co., the normal procedure of shipping freight involves the truck driver backing up to a loading dock, the shipper (consignor) loading the cargo, the driver transporting the cargo to the receiver's (consignee) loading dock to be unloaded by the consignee.

 *Accessorials now make up over 11% of the charges for commercial freight*

A few of the common accessorial charges include:

- Delivery notification
- Detention – with or without power
- Fuel surcharge
- Hazardous materials charge
- Inside delivery
- Liftgate service
- Redelivery charge
- Residential adjustments
- Sorting and segregating
- Stop-off charges
- Weight adjustments



## 5 Tips for Managing Accessorial Charges

Accessorial charges are typically assessed post-shipment. This makes it very difficult for companies to stay within their logistics and supply chain budgets.

 *Charges must be visible in order to manage them*

 *Check and verify weight and measurements prior to shipping*

 *Stay up-to-date on NMFC*

1. *Companies must be aware of what they are being charged.* Ask for a break-down of the charges and review each invoice. If your company is unaware of what charges you are paying, you are unable to correct the problem to prevent it in the future. For example, it might seem convenient to have the carrier call and make an appointment for delivery but some carriers charge \$50 to do so. Shippers may be unaware that their carriers are charging that fee until they are able to analyze the break-down of charges.
2. *Accurately measure and weigh shipments.* Take the time to ensure the shipment weight and measurements are precise. If the weight and measurements are incorrect, the carrier will re-weigh the shipment, which will result in a fee. The scales at ISO 9000 companies must be certified; therefore, having the certification to prove your scales are accurate can assist a company in fighting re-weigh fees on packages they ship. Non-ISO 9000 companies can also have their scales certified. Some freight companies have scales built into their forklifts and compare the weight against the bill of lading. If you dispute the re-weigh fee, you will need to have supporting documentation to reverse the fee.
3. *Know your freight classes.* The National Motor Freight Classifications (NMFC) periodically changes these classes so it is imperative the correct class is entered on the bill of lading. If the class is incorrect, the carrier will re-class your shipment, which will result in a fee.



 *Know your carriers*

 *Hire knowledgeable help*

4. *Make the right selection.* Be knowledgeable about the carriers you are using and where they want freight. For example, don't use long haul carriers in short haul lanes and vice versa. The "lowest cost provider" may not actually be the lowest cost in certain situations. Also, optimize your shipment volume by consolidating smaller shipments, then deconsolidate at a location near its final destination.
5. *Hire a third-party logistics provider (3PL).* 3PL's can act as a company's traffic manager. They have the ability to negotiate contracts for a company with the knowledge and experience of knowing the strengths and weaknesses of each carrier. Utilizing a 3PL also gives companies the ability to make one payment to the 3PL, who will pay the various vendors. They will also analyze your invoices and can provide an itemized list of the accessorial charges by each carrier. If an accessorial was invoiced incorrectly, the 3PL can interface with the carrier on a company's behalf. They can also help negotiate freight claims on your company's behalf.

## Become a "Preferred Shipper"

"Shippers are looking for ways to improve their transportation operations, and a significant way to do so is by aligning efforts with their carrier partners to improve efficiency and overall benefits to all parties," said Ben Cubitt, senior vice president, consulting & engineering for Transplace. Transplace, a 3PL and technology company, conducted a survey of 75 transportation carriers to collect best practices for companies to achieve "preferred shipper" status with carriers.

The results of the study indicate the following:

- *Economics is the most important factor.* Elements such as competitive rates, fuel surcharges, payment terms,

 *Stay competitive*

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 *Help create efficiencies*

 *Make the facility welcoming for drivers*

 *Build relationships*

length of time until payment, volume potential and positive credit ratings were all rated as being very important to carriers.

- *Focus on driver productivity.* One of the most critical factors to a carrier is making the driver as productive as possible. Factors such as dwell time, in-transit delays, ability to use drop trailer, shipper load count and type of freight all affect the output of drivers.
- *Ensure facilities are driver-friendly.* Having driver-friendly facilities helps increase the productivity of the drivers. Onsite parking, available restroom and break room, updates on loading and unloading and guard shacks all factor into the driver's experience at a shipper's facility.
- *Relationship is key.* The scope of the relationship and level of the partnership affects the carrier's preference status of a shipper. The ability to understand a carrier's costs with relationship to equipment and recruiting drivers, willingness to discuss issues and treating drivers with respect and as a valuable asset can have an impact on how the shipper is viewed by the carrier.

Utilizing the principles outlined in this white paper, companies can effectively manage their accessorial costs and in turn, spend less money on their shipping expenses.

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