Freight Brokers Academy

Training Manual

Freight Broker Basics Online Course:

Module 5: Developing Your Carrier Base

The Carrier

Approaching New Carriers?

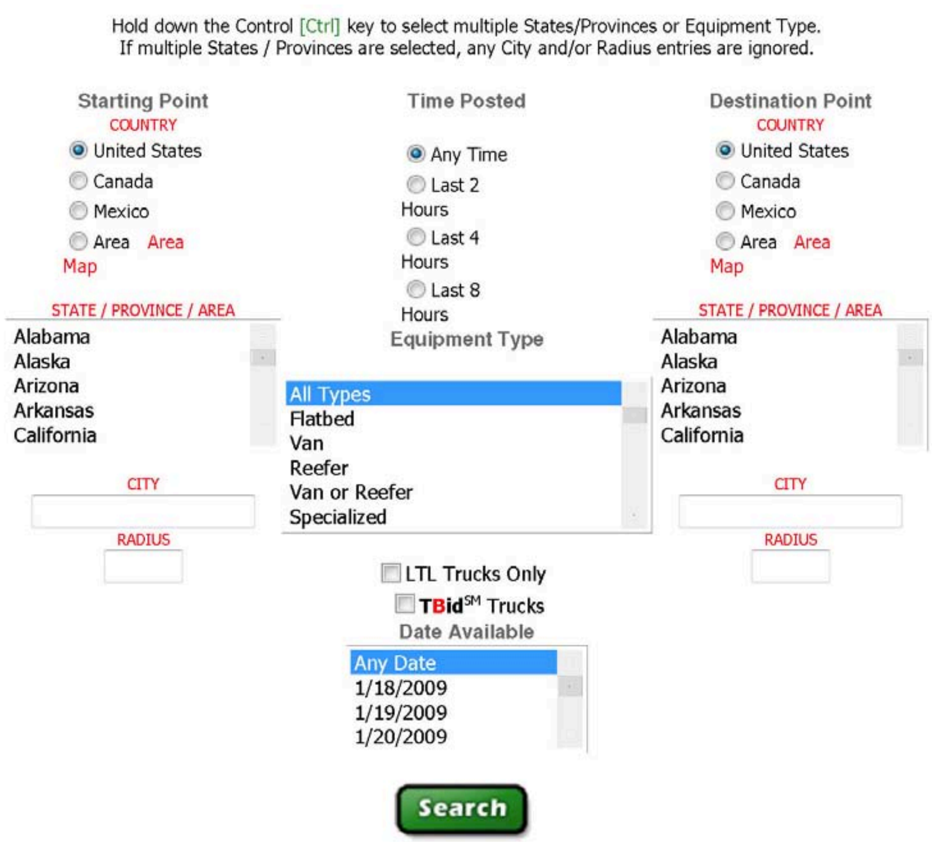
There are literally tens of thousands of carriers operating in the United States. They range from independent owner operators to fleets. You, as a freight broker, need to find the carriers that will provide reliable services to your shipper and your brokerage for reasonable rates. No matter what your target market or niche is, there is a carrier to be found to pull your freight.

You can find new carriers in a number of ways. You can find them by posting your loads on internet load boards, trade directories, trade publications, or from the FMCSA website. I personally find a number of carriers by speaking with companies that are already hauling my freight or through networking with other carriers who are taking my loads already. As a freight broker, you are continually searching for reliable carriers that will take your freight. Without them, you are out of business.

Internet Load Boards

If you are searching for new carriers on internet load boards by posting your freight, you will be looking for trucks in the vicinity of your loads. I am using "Internet Truckstop" as a representation of how to find them here. You will start by performing a "Super Search" for trucks.

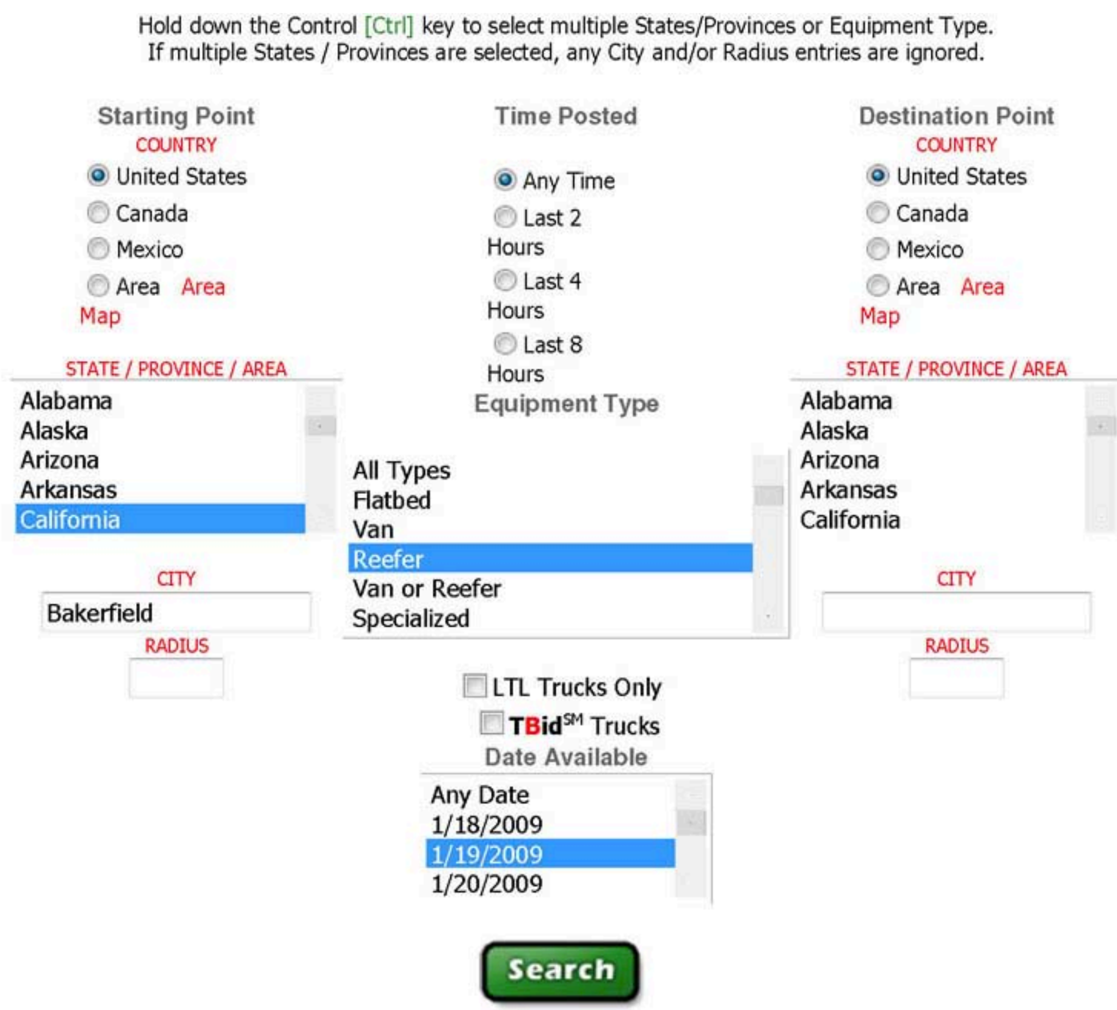
Screen Shot



The Carrier

Super Search "Internet Truckstop"

Once you have located the "Super Search" screen on the load board you will type in the pertinent details of where you freight is moving such as load origin and type of equipment desired.



Screen Shot

You will see by the representation that I am searching for a "Refrigerated Carrier" located in the vicinity of Bakersfield, California. I have input my data but not entered a "Destination Point", this is intentional as not to limit myself to carrier's seeking to travel to a certain point. I want to have as many carrier's listed as possible.

The Carrier

Super Search "Internet Truckstop"

Once you have performed the "Super Search" on the load board you will be furnished with a listing of carriers that matcl your criteria. You will then "Call" the carrier to offer them your freight. This is how you begin to build a database of carrier:

*Performance Rating is current as of the time the truck is posted.

PHONE NUMBER	TYPE TRLR	F L	DATE AVAIL.	HRS OLD	DIS FRM	AVAILABLE AT	DESIRED DESTINATION OR DIRECTION	COMPANY NAME	*PERF RTNG	HB ST	RATE/ MILE	MIN. HAUL
360-733-6670	53VR	F	1/19/09	6	0	BAKERSFIELD CA	VANCOUVER,BC-A7 A8	LUDTK	A	WA	Rates	0
559-333-3712	R53	F	1/19/09	6	0	BAKERSFIELD CA	PAMPANO BEACH,FL	JTC L	A	CA	Rates	0
559-333-3712	R53	F	1/19/09	6	0	BAKERSFIELD CA	ATLANTA,GA	JTC L	A	CA	Rates	0
661-472-4149	R	F	1/19/09	6	0	BAKERSFIELD CA	TX	B-LUC	A	CA	Rates	0
559-834-4818	53R	F	1/19/09	6	0	BAKERSFIELD CA	SEATTLE,WA	SANDH	A	CA	Rates	0
800-635-0886	R48	F	1/19/09	6	17	SHAFTER CA	ID, UT	TRUSC	A	ID	Rates	0
559-333-3712	R53	F	1/19/09	6	30	DELANO CA	MIAMI,FL	JTC L	A	CA	Rates	0
818-674-0514	R	F	1/19/09	6	65	CASTAIC CA	TAMPA,FL	JOSEP	A	FL	Rates	0
559-333-3712	R53	F	1/19/09	6	67	VISALIA CA	MIAMI,FL	JTC L	A	CA	Rates	0
541-245-9121	R48	F	1/19/09	6	81	OXNARD CA	MEDFORD,OR	ROBIN	A	OR	Rates	0
323-552-4346	53DR	F	1/19/09	6	83	SANTA MARIA CA	LOS ANGELES,CA	LJ LO	B	CA	Rates	0
320-217-3562	REEF	F	1/19/09	6	84	DINUBA CA	-A4 A5 A6	SALIN	A	MN	Rates	0
801-253-0777	R53	F	1/19/09	6	92	SAN LUIS OBIS CA	UT	DESER	A	UT	Rates	0
559-834-4818	53R	F	1/19/09	6	94	FOWLER CA	YUBA CITY,CA	SANDH	A	CA	Rates	0

utilizing an internet load board.

When you have a carrier that is interested in moving one of your loads, the first thing you should do is check his information for adequate safety ratings and insurance coverage. He will need to provide you with the following information on the phone.

- **Company Name**
- **Phone**
- **Fax**

- **ICC Authority (MC Number)** With this information, you can check out the motor carrier on the FMCSA website prior to faxing or emailing him a carrier package. This way, if he is an unsatisfactory carrier, you can simply disregard his request.

Carrier Safety Ratings

Carrier safety ratings will provide information on the safety performance of carriers to shippers, insurance companies, and the public and allow for more informed marketplace decisions. The FMCSA maintains the SAFERSYS website where complete information may be obtained instantly on any licensed motor carrier. http://www.safersys.org

How to Check Carrier Safety Ratings and Insurance Coverage

Before you move any load with a carrier, or you set them as a potential carrier to move your loads. A safety check should always be performed through the FMCSA database.

To check these ratings, simply type in the MC number the carrier has provided you and wait for the results. The website will provide you with the carrier safety record, insurance coverage, etc. Always check that the information provided to you by the carrier is listed on the ICC Authority.

- Check Valid Authority Information Here -http://www.safersys.org/CompanySnapshot.aspx
- Check Valid Insurance Here -http://li-public.fmcsa.dot.gov/LIVIEW/pkg_carrquery.prc_carrlist

The Golden Rule

- Use only carriers with a satisfactory rating or above.
- Liability insurance of minimum $1,000,000
- Cargo insurance of minimum $100,000

Occasionally, you will find a motor carrier that will contact you regarding a shipment that has been listed as a "conditional" carrier on the SAFERSYS website. These can be used to move your loads but discretion is advised.

Safety Ratings Explained

Safety Ratings

A compliance review results in a safety rating for the motor carrier. This rating can be satisfactory, conditional, or unsatisfactory.

Satisfactory Rating

A motor carrier that receives a satisfactory rating is found to be in compliance with the applicable FMCSR agencies, state regulations, and hazardous materials regulations, if applicable. Carriers with a satisfactory rating also are found to have adequate safety management controls. The FMSCA will administer a satisfactory rating no later than 60 days following the completion of the compliance review.

Unsatisfactory Rating

If a carrier is found to be unsatisfactory, the FMCSA will issue the notification no later than 45 days following the compliance review. Motor carriers receiving an unsatisfactory rating have their operating authority suspended 15 days after the date of the unsatisfactory notice. An out-of-service order is imposed, which prohibits the carrier from operating any motor vehicles in the United States, unless the carrier can prove errors in the compliance review within 10 days of the date of the notice.

Within 30 days of receiving the suspension order, the motor carrier must make the necessary corrections specified in the order to prevent the provisional operating authority from being revoked. A follow-up   review may take place to ensure that all necessary corrective actions were taken.

Conditional Rating

A conditional rating is issued by the FMCSA no later than 45 days following a compliance review. When a conditional rating is issued, the motor carrier's operating authority is revoked and an out-of-service order is imposed unless the carrier takes the necessary corrective action within 30 days of receiving the order. A follow-up review takes place to ensure that corrective actions have been made by the motor carrier.

Carrier “Set Up” Package

Start Doing Business

When you first start to do business with a new carrier you will need to get them **“Set Up”** in your carrier database, you will need the following information to be provided from the motor carrier.

FMCSA Contract Authority

The **“Authority”** or **“MC”** number of the motor carrier is required to be placed on file for your protection. You can check the accuracy of information provided by the motor carrier here:

- http://www.safersys.org/CompanySnapshot.aspx

Insurance

You will also need a copy of the motor carriers **“Liability & Cargo”** insurance. You verify the accuracy and minimum requirements here:

- http://li-public.fmcsa.dot.gov/LIVIEW/pkg_carrquery.prc_carrlist

IRS W-9 Form

You will also need a copy of the carriers IRS W-9 Form. You can download a blank one here:

- http://www.irs.gov/pub/irs-pdf/fw9.pdf

Broker Carrier Agreement

This agreement will govern the services to be provided by the carrier for your freight brokerage. It will also list the exclusionary rules of how the carrier should operate and also help prevent back solicitation of your customers.

Company Profile

In order to get a better idea of the capabilities that the motor carrier posses, I suggest having a **“Company Profile”** the profile should request the following information from the carrier:

- Payment Information • Factoring Company
- Type of Equipment • Dispatch Contacts
- Operating Areas • Emergency Contact Information
- Endorsements • Insurance Contacts

Carrier Rate Negotiations

The Profit

It is important to develop a relationship with your carrier base. Once you have accomplished this, you will have a better understanding to which carriers will move your loads for the rates you want. When moving a load, a carrier looks at the lane in which the load is traveling. For instance if you have a load going from California to Wisconsin and you carrier is from Illinois, the carrier is more likely to give you a better rate to move the load because it is traveling in the general direction of his yard. This is known as a backhaul.

Having a relationship with your carriers also benefits you in other ways by creating a separate income stream for your brokerage. If you know where your carriers are located and loads become available from other brokers, you can enter into a co-broker agreement with them and simply dispatch the carrier to the load. If you have the trucks the freight will find you, it is extremely important to have a firm hold on where your favorite carriers equipment is located at all times.

Lane Management

As much as knowing the carrier is important in negotiating the freight rate for the linehaul, having a good knowledge of lane rates is just as important. Lanes change frequently on loads. Lane rates are determined by fuel rates, equipment availability, seasonal changes and backhauls. Use the tools available on load boards such as Carrier Depot. Using these load boards you can simply input the pertinent data for the load and they will generate a rate for that lane based upon current market trends.

Carrier Rate Negotiations -Market Price

You Will Pay The Price….

A shipper has a load of produce leaving Salinas, CA in June, the load has (6) pickups and (3) deliveries in Jessup, MD. The shipper is offering you a rate that is marginal to get the load moved and you are getting no action from carriers for interest in the load.

- The reason nothing is happening with this load is because of the headaches involved. June is the busy season for produce in Salinas, CA and Jessup, MD is a very hard to get a backhaul.

- Another problem is the amount of pickups and deliveries on the load. When lanes are tight, such as the peak of the produce season, carriers become picky about the loads they take.

Let's say your shipper is offering you a rate on this load of $6000.00. This is an unrealistic rate as during this time of year it is not unusual for the carrier to command a rate of $2.60 per mile.

- Salinas, CA -Jessup, MD is 2869 practical miles, so if you do your math you will come up with a general rate of $7459.40.

There are however other variables to take into consideration such as the pickups and deliveries. A general rate for extra stops is $50.00 per stop, so you are looking at accessorial charges of $400.00 for the stops. The carrier will also most likely through in a headache fee for this load, I would think an additional few hundred dollars at least.

So the rate you would approach the shipper with would be is $8200.00. After you spend a bit of time talking with the carrier, you can probably get him to lower his per mile rate to around $2.35. This would allow you to make a potential profit $717.25 on this load.

This is a little bit less than the 10% that I like to average, but still a good margin because of the high gross on the load. You however will earn every penny on this freight because of all the pickups and deliveries. You will work almost as hard as the carrier.

Advances / Final Settlements To Carriers

Fuel Advances

A fuel advance is a portion of the payment amount given to the driver in the form of a T-Check, Com Check, or Wire Transfer. This advance is given only when you have received verifiable proof that the load has been picked up. You can verify this information by having the driver fax in the signed BOL's or scanned EDI copies to your company. A typical amount given for a fuel advance is 35%-40% of the gross amount of the load.

ComData -http://www.comdata.com

Comdata offers a simple, cost-effective alternative to paper checks for distributing funds to both banked and unbanked employees. Paying employees with the Comdata Card or Security Numbers provides the convenience and flexibility of electronic payroll in a secure, card-based solution without the need for the cardholder to have a bank account.

T-Chek -http://www.tchek.com

T-Chek Systems, Inc. is a leading provider of payment and information services to transportation-related organizations. Whether you are an owner operator, a small, medium, or large carrier, a truck stop, c-store, or freight broker, T-Chek can help you measure your business performance, make informed decisions, and manage your day-to-day operations. T-Chek's products and services give you the productivity, purchasing control, negotiating power, and information management you need to increase your bottom line.

Net 30

Net 30 is a form of trade credit which specifies payment is expected to be received in full 30 days after the goods are delivered. Net 30 terms are often coupled with a credit for early payment; e.g. the notation "2% 10, net 30" indicates that a 2% discount is provided if payment is received within 10 days of the delivery of goods, and that full payment is expected within 30 days.

Final Payments

Final payments to carriers should only be made after all issues on the load have been resolved. Things to be considered before issuing payments should be:

- Are the BOL's clean and free of discrepancies?
- Are there any claims against the load?
- Are all lumper receipts turned in?
- Are all weight tickets turned in?
- Did the carrier use pallets from the shipper and was he charged for them?
- Have all fuel advances been subtracted from the balance of payment?

Carrier Communication / Carrier Fines

In the transportation business, you need all cylinders of the engine running correctly at all times. Brokers will use a system of fines to impose on carriers to insure the successful transportation of the cargo and communication throughout the load. It is simply not enough to ask the carrier to do his job and move the load with no problems. A freight brokerage is not a day care center so we may not put the carrier in **"Time Out"** if he fails to hold up to his part of the contract moving the load.

A freight brokerage will use carrier fines to help avoid a multitude of problems. Below is a list of infractions in which a carrier will be fined. I have also included a suggested amount to charge for each infraction.

- **Daily Call Check** ($100.00 Per Instance) -It is important to impose fines on carriers who do not maintain communication with your brokerage. These fines are to be clearly listed on your rate confirmation sheet to the carrier. If these are not listed on your rate confirmation sheet, you have no legal recourse to impose the fine toward the carrier.

- **Late Delivery** (25% Of The Load) -This is generally only enforced if a shipper has placed time constraints on the arrival of the load. The above amount is on the high end of the spectrum. Fines could range from $100 -$1,500 per load.

- **Failure to Fax BOL's** within specified time ($100.00) -A number of shippers want the BOL's faxed to them within 4 -6 hours of the load being delivered.

- **Dispatching of Drivers** (%10 of the load) -Fine is enforced if the carrier requires you the broker to dispatch his driver. This is the carrier's responsibility. Do not create additional work for yourself.

- **Truck No Show Fee** -($250.00) -I bill the carrier's company this fine if the truck does not show up to take the load. This is a rarity.

- **Failure To Load Complete Order** -Occasionally, trucks will not load a complete order as prescribed by a shipper. It is my recommendation that you place specific quantities needed to be loaded on the rate confirmation sheet. If these are not on the rate confirmation sheet, the truck can literally leave half your order behind. This fine will vary depending on the load. This is on as needed basis.

Double Brokering / Co-Brokering

Is It Legal?

Double brokering contrary to popular belief is completely legal. Unfortunately, a number of transportation brokers have received improper training concerning this issue. The majority of transportation brokers will not knowingly double broker a load unless a co-broker agreement is on file. Double brokering may be prohibited by the originating shipper. It is best to establish the terms and conditions with all parties before co-brokering or double brokering any freight. Here are the drawbacks of double brokering or co-brokering a load.

- You have no control over the actions of the other broker. ***For example***, you pay the second broker for the linehaul, but he fails to pay the carrier. Now the carrier is seeking compensation from your brokerage and shipper. Although your payment has been made to the second broker, the carrier of record listed on the "Bill Of Lading" has not been paid by the second broker. The carrier responsible for the linehaul can place a lien on the freight until compensated or he can file against your bond.
- Your brokerage may be liable for any damages incurred during the load if a carrier is in an accident. This happens when the second broker uses carriers that are unreliable, have expired insurance, or authorities or faulty equipment.

Have You Been Double Brokered? Actions To Take:

Here are the steps to take if you have ever been the victim of double brokering. Believe me, this is rampant in the industry and it will happen, it is best to know the steps to take.

- First and foremost, it is very important to have this clearly spelled out in your carrier broker agreement and also your rate confirmation that if a load has been double brokered the rate for the load is null and void. If you use the carrier broker agreement that is contained within our manual we have addressed this issue.
- If you suspect that your load has been double brokered, contact the consignee, have the receiver of the load place the information of the carrier responsible for the linehaul on the original bill of lading when he unloads. He will need to provide the name of the carrier, MC authority number, and also the driver’s signature. If a carrier is legally leased to another company, he is required to have carrier paperwork to that effect in his truck and also signage should be displayed on the cab and trailer.
- Once you have taken these steps, you then re-negotiate the rate of the load with the carrier responsible for the linehaul. You are not responsible to pay this carrier, but it is a good way to build a loyal carrier following and also provide your shipper with secondary coverage against a possible repercussions.
- Once you have began negotiations of the rate with the carrier that actually moved the freight. Follow the same steps as setting up a new carrier, by having him complete a "Set Up" package and signing a new rate confirmation sheet, carrier broker agreement, and also lien waiver against the load.

Fuel Surcharges

Do They Go To The Carrier?

An additional charge imposed by motor carriers due to the increasing price for diesel. The charge is a percent added to each load based upon the U.S. National Average Diesel Fuel Index published weekly by the U.S. Department of Energy. Fuel surcharges will fluctuate accordingly as diesel prices raise or lower.

Hidden Profit

A Fuel Surcharge (FSC) is a great way to make additional profits for your brokerage. When a shipper is providing you with a freight rate for the linehaul, occasionally they will include a fuel surcharge in addition to the base rate. If the base rate is a decent rate for the haul, I usually just pocket the fuel surcharge on the load. It is a great way to increase the gross profit. I have found that most major companies will include a fuel surcharge, the smaller companies however will not.

Nearly every dispatcher will ask you if there is a fuel surcharge on the load. I will most generally give them a flat rate, depending on how hard the load is to cover in a specific lane.

Links

Energy Information Administration -http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp)

This is the website where the Department of Energy publishes weekly diesel prices across the country. Shippers will use this data on basing the rate of the fuel surcharge.

Dispatching Trucks

Ancillary Ways To Make Money

In addition to being a freight broker agent you can also apply your trade to major trucking companies as a truck agent , dispatcher. The role is basically the same with exception to the fact that you have access to many more trucks that are no available to the normal freight broker agent.

How It Works

As a truck agent you will be paid a commission of typically 8.5% to 9.0% for loading trucks in there carrier group many carrier groups offer intranet truck boards that you can have access to. You will simply match available freight to their fleet and get paid a commission for doing so.

Topics Covered

* General Knowledge & Legalities
* Establishing Shippers
* Claims & Insurance
* Freight Terms & Glossary
* Closing The Sale
* Working With Carriers
* Common Equipment Types
* Types Of Freight
* Freight Reference Desk

Topics Covered

* **Job Description**
* **Surety Bonds -BMC 84-85 Trust Fund**

Independent Truck Dispatcher

An independent truck dispatcher works the same as a truck agent with exception to the fact that you can represent multiple trucking entities at once. Owner Operators are independently owned trucking companies that often do not have dispatchers to keep them loaded. This is where you can get paid.

They are in need of your services to find freight and to keep them rolling. In addition to finding freight for their company, you will also be in charge of communication with the shipper, invoicing the load and also other miscellaneous services that the driver might need.

You will find loads on internet load boards from shippers, freight brokers and logistics companies. Since you represent the carrier directly you are not double brokering the freight. You simply transfer all of the Owner Operator's paperwork for him, sign the Rate Confirmation on his behalf and transfer the load details to him. Once he has accepted the load and it has been delivered you will bill him for a previously agreed upon percentage. I suggest 10% of the gross.