

SECTION III — TRANSPORTATION COST COMPARISONS

For many of the modal alternatives discussed in Section II it is impossible to obtain hypothetical rates without providing the transport organization or carrier with exact details of a specific movement. The ballpark figures obtained from some of the companies, however, can be used to illustrate how rates vary according to weight and distance shipped by mode. Rate variations are described in tabular form for small quantity shipments and for single (or occasional) and large annual quantity full load shipments.

In cases where no data is provided for one of the above types of movement, it is because service is not available or is impractical — for example railways do not handle less than carload shipments. Rate data provided herein are not to be taken as firm rate quotations but as illustrations of relative costs as of May 1984.

Small Shipment Rates

Organizations involved in small (less than 10,000 lb.) shipment service include airlines, air forwarders, motor carriers, and surface intermediaries (that is, freight forwarders, brokers, shippers' associations and shippers' agents). Rates for air transport (including air forwarders) are the highest among the modes. The best air freight rates are available from those air carriers offering direct flights between the shipper's city of origin and the market destination city. Therefore, as suggested in Section II, if your circumstances require you to ship by air, you should review the schedules or otherwise determine which airlines offer direct service.

Although most airlines will quote rates between most city pairs, rates to cities not served directly by them will be very high. If attractive rates are offered to a city not served by an airline, it is because that airline plans to truck your goods to one of its terminals from which it offers direct service to the Southern U.S. point in question or, it will act as an intermediary by turning your goods over to another airline offering direct service and earn a substantial commission for itself. If such is the case, you would be better off to seek out the air carrier offering the direct service yourself, or give the assignment to an air forwarder whose rates are similar to, but less complicated, than those of the airlines.

For many small shipments (e.g. 100 lb.) motor carrier rates are also very high but taper down quickly as shipment size increases. Transportation selection suggestions discussed in Section II indicate that a shipper offering less than full load shipments is better off to use an intermediary who can select from a wide range of options (including low-cost independent truckers seeking backhauls) to provide the best rate possible. *The importance of trying to increase ship-*

ment size and of "shopping" for rates cannot be overemphasized.

Occasional and Large Annual Volume Full Load Rates

More attractive rates are available to shippers who are able to tender full truck, car, or container load shipments to transportation companies. Rates improve further for shippers offering substantial regular volumes. For occasional full loads, one will find class rates for motor carrier truckload, rail carload and intermodal trailerload to be essentially identical depending on the carrier and the commodity. Intermodal shippers' agents' rates would be about 10 per cent lower. Shippers who can offer large volumes (e.g. one hundred 40,000 lb. loads of a specific commodity to a specific destination per year) should be able to receive discounts in the neighbourhood of 25 per cent off class rates directly from carriers.

Various intermediaries such as forwarders, transportation brokers, and shippers' associations making regular use of independent truckers (e.g. fruit and vegetable backhaulers to Florida and Texas) and who can obtain large volume discounts from all types of carriers, can offer rates averaging 25 per cent lower than common carrier rates. The only marine carrier offering non-bulk general commodity service estimates its rates to be roughly 30 per cent lower. Finally, a shipper confident enough to make his own arrangements with an independent truck owner-operator might achieve savings of 50 per cent off common carrier class rates. The attraction of these various rates should be balanced against the service, speed, legal and liability considerations discussed in Section II.

Variations in Rate According to Commodity Class

The rate examples provided are based on shipments of freight of all kinds. However, common motor carriers, railways and airlines often differentiate rates according to the commodity carried; the other transportation organizations usually make no differentiation as to commodity. The following factors may be multiplied against rates shown for carriers which base rates on commodity classifications in order to estimate the rate you might expect to pay.

Sample Commodity Group	Rate Multiplication Factors
1. Freight All Kinds	1.00
2. Industrial Machinery and Equipment	0.85
3. Manufactured Products (e.g. office furniture, kitchen cabinets)	1.25
4. Fabricated Metal Products (e.g. architectural millwork)	0.85