
Reality-Based Driver Pay and Pricing Forum

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24 Years of Industry Changes

- Deregulation in mid 80's
- Driver shortage impact
- Emissions effect
- Impact of Long Haul Carriers breaking into short haul markets
- Equipment Size Changes



24 Years of Industry Changes Continued...

- Market rates effect on profit while other operational costs continue to increase
- Technology impact driver profitability
- Impact of overall congestion in the North East



It's Time To Get Real!

- TIRRA (1996) eliminated mileage-based Tariffs & the STB's recent ruling (Jan 1, 2008) ended Antitrust Immunity for Collective Rate Making and Freight Classification (*i.e.* – *The Household Goods Carrier Bureau*)
- SO Carriers, Shippers and Logistics Service Providers are truly FREE to negotiate rates based on any “mileage guide” (routing type) they choose



It's Time To Get Real!

- With diesel prices and tolls rising, fuel surcharge recovery issues, driver retention, and numerous other cost pressures, Carriers and Shippers need to base (or at least negotiate) rates based on REALITY...
- Other possibilities??



Activity Based Costing

- Data to support pricing
 - REAL miles impact on customer required mileage programs
- Cost factors: Variable vs. Fixed
- Actual Costs vs. Projected Costs
- Weighted operational efficiencies in model
- Inefficiencies- ie- tolls, congestion...
- Profit?



Changes in Transportation Pricing

- New technology developments
- Government and local regulations and policy Developments
- Tolls: Starting to become a political way to gain revenue for infrastructure development & maintenance. Examples include:
 - Indiana Toll Road Privatization
(Leased to Foreign Consortium for \$3.8B!)
 - 33% of all North American Toll Roads Increased rates in '08



Toll Changes

In 2008...

- - 80 toll roads saw an increase in toll rates
- - 245 toll roads in database

In 2009 already...

- - 36 toll roads have already increased their rates!



Changes in Transportation Pricing

- Some tolls are only in specific areas, so weighted toll averages are unfair to many shippers (outside of heavy toll regions) and do not recover costs for carriers.
- Carriers (or drivers) having to factor in (or absorb) toll costs to their rates is also Inaccurate (or unfair).



The Demand For Reality Based Pricing

- Also Affects Less-Than-Truckload
 - Industry Rate Convergence: Traditional LTL rating practices are evolving and now in some cases involving mileage software for base rate calculation and density pricing
 - More Competition = Individual carrier rating strategy changes
 - Rates based on ACTUAL miles/costs enhance profitability, but also provide true operating cost calculations



REAL vs. REGULATED MILES:

- Real Routes =
- Real Miles =
- Real Rates =
- Real Profits *or*
- Real Costs



- Real/Actual Miles are generated via Practical Routing, and Beyond (53' Trailer, National Network, HazMat, Toll Discouraged)



53 Foot Routing

- How does 53 foot routing stack against customer mileage?
- Impact of predominantly using 53 ft trailers in a rural market
- Rate Model, billing and driver pay impact of 53 ft routing
- CPT case study



Today's economic effect on Pricing & Operations

