



Apocalypse now

By John A. Gentle, DLP

JUST WHEN YOU THOUGHT that all the surprises were over, out of nowhere warehouse employees are reporting that drivers are saying that their companies will be sending bids out to shippers for their capacity next year. Why that's ridiculous, you say. It doesn't work that way—buyers create bids and vendors bid.

Days later, rumors persist and you hear the same thing from a few other logistics and transportation peers. Then a call comes in from one of your national carriers asking for an urgent appointment. You wonder what this could be. They're an excellent carrier with superior performance, but you use them only sparingly to handle difficult customers and areas.

The meeting starts with their President painting the traditional picture of rising costs, the need for stronger ROI, further reduction of their fleet, constricted service areas, and the need for first-pass efficiency. Suddenly the President announces they'll be putting their capacity out for bid and asks whether you would like to be considered to participate.

What? You ask him to say that again. He repeats it slowly, and you say, "Tell me again why you want to do this? Why would I want to do this? What carriers are doing this besides you?"

The President's staff explains that shippers' unpredictable, non-stop, year-round bidding (each with 2-3 rounds and subsequent negotiations) is a terrible waste of his human resources. The bids create significant operating inefficiencies and have a negative impact on driver retention. Earnestly, the President says, "We just cannot sustain a reasonable ROI doing business this way. Carriers need a more stable operating environment."

Then, of course, his VP of sales chimes in: "As to why you'd want to do this... Like you always tell us, it's all about helping us keep our company and customers competitive. Many carriers are sacrificing insurance, maintenance, and safety just to stay

in business. Our trucking company isn't. If you like our culture, superior processes, risk management, exceptional customer service, and safety performance and would like an opportunity to minimize the financial and service liability risks associated with a lesser player when capacity gets tight again, then you should strongly consider this."

The President adds: "We will post a targeted rate and you can bid higher or lower with the capacity you are committing to use or pay for. If your bid is successful we'll let you know in 30 days. Then we'll guarantee in writing that your capacity and service will be there when you want it."

The carrier's controller then interjects: "You, of course, would have to be prequalified to be able to participate in the bid." She goes on to explain that you would have to attend a class, provide the three- and five-digit codes you would like them to service, along with the capacity that you are

willing to commit to specifically by day of the week.

Furthermore, we would need you to agree to paying us without setoffs within 30 days; agree to and sign the NITL/ATA model

contract; agree to our rules tariff for accessorial; and, of course, agree to a fuel surcharge program.

Composing yourself, you thank them for sharing their view of the future and that you'd get back to them. While they have valid points about liability, you question your ability to sell the "minimal risk concept" to your management or get more resources to be able to qualify other carriers.

While great service-based capacity will get tighter when business picks up, aren't there other good carriers out there that will want my business? I might be okay as long as all the rest of the really good carriers don't do this bidding thing. Then again, if only a few shippers bid, maybe I can get some really good rates.

Hoping that this is just an anomaly, you go back to work wondering whether they would have honored your existing contract period and if you should bid next year.

Then, all of sudden, your assistant interrupts and says that your two favorite core carriers called wanting an appointment to see you... about bids? **L**

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