

CTM/GE2054/JHU

Geneva, 7 November 2013

GUIDELINES FOR THE SAFE USE OF FREIGHT EXCHANGES

Unanimously adopted by the IRU Goods Transport Council (CTM) meeting, held in Geneva on 7 November 2013

I. ANALYSIS

After the successful completion of a transport contract, many transport operators, especially small and medium sized carriers, often return to their depots empty because no suitable freight could be found. To address this issue, transport operators are increasingly turning to internet based freight exchanges.

1. Definition

A freight exchange is an online service for transport operators, logistics providers and freight forwarders. It allows transport companies to search for freight, and freight forwarders/logistics providers to offer freight to be transported. These online systems are normally subscription based applications charging for advertising and searching.

2. Forms of freight exchanges

- Open freight exchanges are platforms operated independently of any shipper for the brokerage of loads and load space within the context of day-to-day business. They can be accessed by all the companies registered with the corresponding service provider. They function as "blackboards" posting information concerning available shipments and transport capacities. The contractual negotiations themselves are then conducted directly between the partners.
- Closed freight exchanges are run by major shippers and freight forwarders. They focus on high-volume contracts. Only transport companies and freight forwarders selected by the customer may participate.

3. Freight exchange companies

The companies/agencies involved in the freight exchange market fluctuate dramatically, staying in the market often for only a short period of time (sometimes only months) and for every freight exchange company that goes out of business, two more begin. Furthermore, the freight exchange market is characterised by a large variety of services offered. Below is an overview of some established freight exchanges.

http://teleroute.com/en_en (this is thought to be the world's first electronic freight exchange which was launched in France in 1985 - internationally operating freight exchange)

<http://www.timocom.co.uk/> (internationally operating freight exchange)

<http://www.trans.eu/> (internationally operating freight exchange)

<http://www.1a-cargo.com/> (nationally operating freight exchange)

<http://www.logifix.com/en/> (nationally operating freight exchange)

<http://www.transp.ro/> (nationally operating freight exchange)

<http://www.freight-x.net/page-96.htm> (list of freight exchanges in the US, Canada and Mexico)

According to figures from freight exchange operators, 70 per cent of the companies for which the use of an open freight exchange is an option already make use of at least one of these facilities. In addition, scientific analysis estimates that freight exchanges represent between 10 and 15 per cent of day-to-day transport business.

II. ANALYSIS OF BUSINESS OPPORTUNITIES, CHALLENGES AND FRAUDULENT PRACTICES

Generally, transport operators can pass on the operating costs (such as infrastructure charges) to their customers. This however works only for the loaded trip and the costs for the empty trip - normally the return trip – can rarely be passed on. Reducing empty trips is therefore a key cost saving strategy for transport operators and acquiring a truck load via a freight exchange can obviously do exactly that:

- reduce empty trips;
- increase general load factor of vehicles;
- react in a flexible way to market demands; and
- enhancement of networking and business opportunities.

However, it has also been noted that the road transport industry is highly competitive and internet based freight exchange where transport operators have to compete with numerous others to offer the lowest prices increases the general price pressure within the sector and, ultimately, penalises hauliers who strive for sustainable, trustworthy long-term business relationships with their customers.

Another rather important negative issue is that the chain of custody of a consignment is not uninterrupted as the system permits for repeated subcontracting of a consignment obscuring the identity of the contracting party.

Furthermore, and speaking in pure economic terms, backloading acquired via a freight exchange only makes economic sense if the new load is within a reasonable distance of the original delivery, if it is available for pick-up without unreasonable delays and if the load is suited to the kind of vehicle that is used.

Lastly, transport companies who use freight exchanges are confronted from time to time with unreliable customers who might regularly postpone outstanding payments and who might even cancel entire shipments. The additional costs of these two practices have then to be borne by the road transport operator.

Some of the above mentioned difficulties for transport operators can even be exacerbated. As a matter of fact, in recent years fraudulent and even organised criminal activities were observed related to freight exchanges. These criminal practices, which were confirmed by IRU Members through the results of a questionnaire, range mainly from the use of (ordered by the number of replies):

- a) false or invalid documentation (e.g. insurance documents, driver licences)
- b) payment not received for the transport service
- c) information used for vehicle and/or load theft

Bearing in mind the overall risk of freight exchanges and the negative effects that they have on the road transport sector, freight exchanges are a reality and are used by the road transport sector.

Considering that caution should be taken when it comes to freight exchanges and the fact that there is a lack of guidance for dealing with freight exchanges (as equally revealed by the IRU questionnaire) the IRU Secretariat General proposes the following guidelines:

III. GUIDELINES FOR THE SAFE USE OF FREIGHT EXCHANGES

Choose a reliable freight exchange:

- Choose only freight exchanges that have a robust control procedure before admitting new members (e.g. financial credibility, business history, contact details which include the address and fixed telephone number).
- Choose preferably freight exchanges that have been in business for long time and have a proven record with a large number of signed contracts.
- Choose preferably freight exchanges that are available in many countries and that have web sites in various languages.
- Choose preferably freight exchanges that have a good additional customer service (e.g. national hotline, 24 hour service).

Check who you are working with:

- Simple checks should be performed on the identity of the driver (a copy of the driving license should be provided, the licence plate should be noted, as should the company website).
- Valuable loads should only be placed with known partners.

Provide instructions for drivers:

- Instructions for drivers should be clear and provided in writing. If the delivery instructions are changed at the last minute, written confirmation of the changes should be obtained from a senior company executive.
- Ask for clear proof of delivery which includes a clear signature and a printed name.

Prevent information leaks:

- Don't provide information on the routes (origin and destination), the load and the vehicle capacity to unknown people. In case of doubt, information should be immediately provided to senior company management.
- New company personnel should be screened (to the extent feasible and legally allowed) before granting them access to classified information linked to freight exchange contracts. New drivers might even not be allowed to transport easy marketable cargo.

Use standard contracts with dedicated adaptations:

- Use standard contracts which include a clear indication on payment procedures (include fees for payment delays).
- Include a special agreement in the contract which specifies charges in case of non-delivery/delay at the place of loading.
- Consider a special insurance.

Reporting fraudulent incidents:

- Report all fraudulent and criminal activities, for example by using the CEN Standard on "Logistics - Specifications for Reporting Crime Incidents", related to freight exchanges to the freight exchange operator and to the police.