

# FREIGHT MANAGEMENT TRAINING

Instructions and Tips

# What is Freight Management?

- Definition: To handle or direct with a degree of skill, to exercise executive, administrative and supervisory direction of the loading and transporting of goods that need to be shipped or transported from one destination to another resulting in compensation.

# Purchasing Freight Manager

- State Purchasing hired a freight manager to analyze freight and develop freight contracts to save transportation dollars.
- “Nothing moves for free”.
- Purchasing agents have the right to route freight.
- The state always has the option to use the vendor’s carrier or to choose another source.

# Benchmark Program

- In a bid response, vendors are required to include:
  - 1) F.O.B. Origin, less freight and
  - 2) F.O.B. Destination, with freight
- Upon request our freight manager will compare the vendor's freight rates with freight prices offered by other carriers. Based on product, weight, shipping point and destination.
- Our expectation is the vendor's freight allowance will usually beat our state freight rates.
- The difference between the F.O.B. Origin and F.O.B. Destination prices is the vendor's freight allowance.

# What Has Worked

- Analysis of vendor bids ensures the proper type of state carrier pricing is compared against vendor's freight prices (freight allowance). The awarded bids include the optimal carrier's rates with no change in transit times or service.
- State freight program annual cost avoidance is \$500,000.00.

# What Has Worked cont...

- State Purchasing freight manager can advise and consult with agencies and political subdivisions to determine proper carrier selection, i.e. air, small package ground, LTL or truckload, to meet their needs for both inbound and outbound shipping.
- Provide agencies with freight pricing tools, i.e. LTL rate disks, to enable them to make informed freight pricing decisions. Most carrier rates are posted on the State website.
- Measurable freight savings program.
- Agencies retain their freight dollars saved.

# State of Utah Freight Contracts

Small Package Delivery  
Contract

I-----  
1 oz.  
MA454 Fed Ex  
(WSCA Contract)

Less-Than-Truckload  
(LTL) Contract

I-----  
+/- 200 lbs.  
PD-136 UPS Freight  
(formerly Overnite)

Truckload

I-----I-----  
10,000 lbs. 44,000 lbs.+  
Carrier  
C.R. England, Inc.  
All-Ways Trucking, Inc.

Contracts apply to intrastate, interstate and international shipments.

Ref: [www.purchasing.utah.gov](http://www.purchasing.utah.gov) (Other freight contracts are posted on web site)

# Some Ways Freight Dollars Were Saved in Past Purchases

- Classroom Furniture for School District
- Vendor freight proposal: \$14,000 for two truckloads of shipping from Los Angeles to Salt Lake City. State carrier charged \$6,800 total for both truckloads. Cost savings of \$7,200.00.

# Some Ways Freight Dollars Were Saved in Past Purchases cont...

- New Boiler System for State University
- An over dimension truck plus two additional flatbed truckloads. Vendor freight quote: \$44,902.00. State freight carrier cost: \$19,550.00. Savings of \$25,352.00. Note: Vendor's freight quote was for a total of six truckloads.
- Bookcases & Shelves for State Prison
- Vendor Quote: \$1,060. State carrier LTL price: \$410.00. Freight Savings \$649.00

# Western States Contracting Alliance (WSCA)

## Small Package Delivery Contracts

- This multi-state consolidation of shipping volume to achieve greater freight savings and service can be accessed on the State Cooperative Contract #MA-454 with FedEx at the State Purchasing Website  
[www.purchasing.utah.gov](http://www.purchasing.utah.gov)

# Additional Contract Information

- Contract #MA-454 has no shipping minimum volume required. Significant measurable savings through no pick-up fees, capped fuel surcharges and lower rates. Rates are frozen for one year. Contracts became effective: August 28, 2006. Uniform rates apply to inbound, outbound, intrastate and interstate shipments.
- Fifteen participating states as of September 2008: Utah (lead State) Alaska, Arizona, Arkansas, California, Colorado, Idaho, Minnesota, Montana, Nevada, New Hampshire, Oregon, South Dakota, Washington and Wyoming.

# Ongoing Benefits of Freight Program Cost Avoidance

- Freight analysis continues to help control and reduce state shipping costs.
- More agency buyers now analyze vendor freight cost and service options. Call state freight manager when necessary on an as needed basis.
- Requiring vendors to justify additional fuel surcharge requests on existing state and agency contracts saves money.
- Sole source freight pricing is being scrutinized by State Purchasing.

# Future Challenges and Opportunities

- Watch bids where a % of total cost is quoted as the freight price.
- Obtain actual freight cost versus “shipping and handling” “where possible”.
- Avoid vendor bid response – F.O.B. Origin Freight Collect (Sarbanes Oxley Act of 2002).

# Future Challenges and Opportunities cont...

- Shipment routing instructions on purchase orders must be specific for vendors to follow.
- State Agencies are allowed to get phone quotes for purchases totaling less than \$5,000. Buyer should make sure you request the freight charges as part of that quote.
- When submitting a sole source justification to State Purchasing for approval, your cost estimate must include freight costs.

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