

# How does the LTL - Less Than Truckload Industry Work

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# Matching the right freight mode to shipping needs delivers significant cost savings

PRICE



## Express Air Freight (Domestic U.S.)

- Urgent palletized freight for Same-day, Overnight or 1 to 2-business days



## Less-Than-Truckload (LTL)

- 1, 2, 3+ days via surface, with time & day-definite delivery of all LTL freight shipments



## Full Truckload (TL)

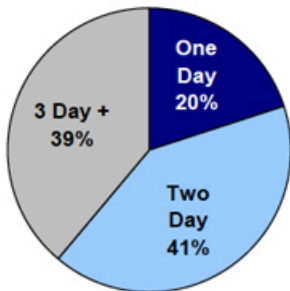
- Large freight shipments up to 20,000lbs, in 53' trailers, 5-10 days delivery



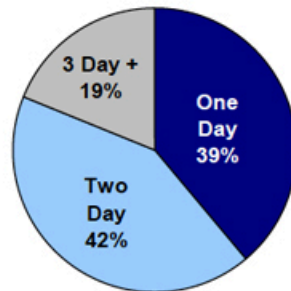
• Many next day and <500 miles DOD shipments can move in the LTL industry

# 60-70% of LTL carrier shipments are 1 & 2-day deliveries. Why spend more on air freight?

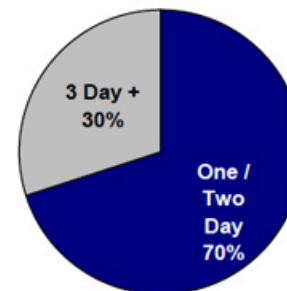
ABF Freight Shipments by Transit Time



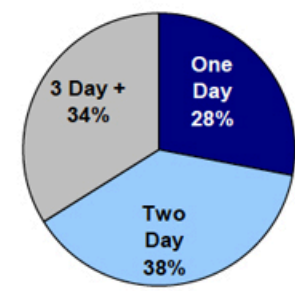
CNW Freight Shipments by Transit Time



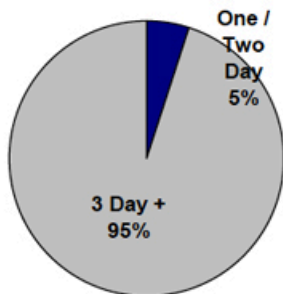
FDX Freight Shipments by Transit Time



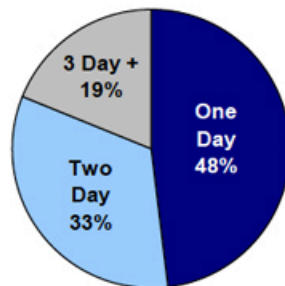
ODFL Shipments by Transit Time



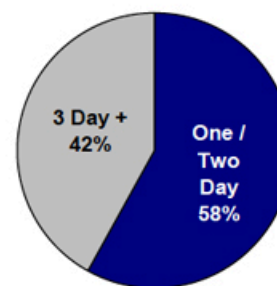
RRTS LTL Shipments by Transit Time



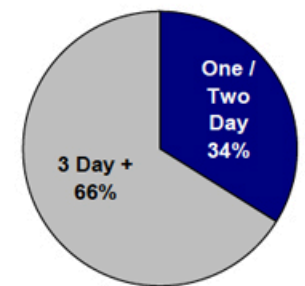
SAIA LTL Shipments by Transit Time



VTNC Shipments by Transit Time



YRCW LTL Shipments by Transit Time



- Plus, most LTL carriers are making deliveries on Military Bases and can coordinate base pick-ups with deliveries = efficiency and savings

Source: Morgan Stanley, December 2013 Freight Transportation. LTL Industry Primer

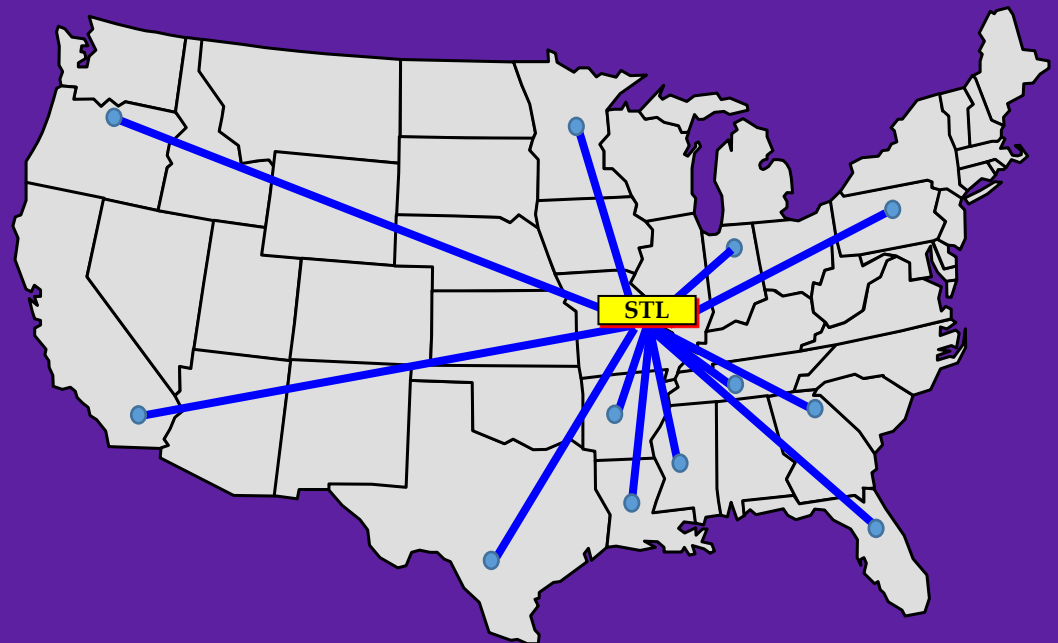
CNW = Con-way, now XPO Logistics

VTNC<sub>3</sub> = Vitran

RRTS = Road Runner

# Understanding the Less-Than-Truckload (LTL) industry

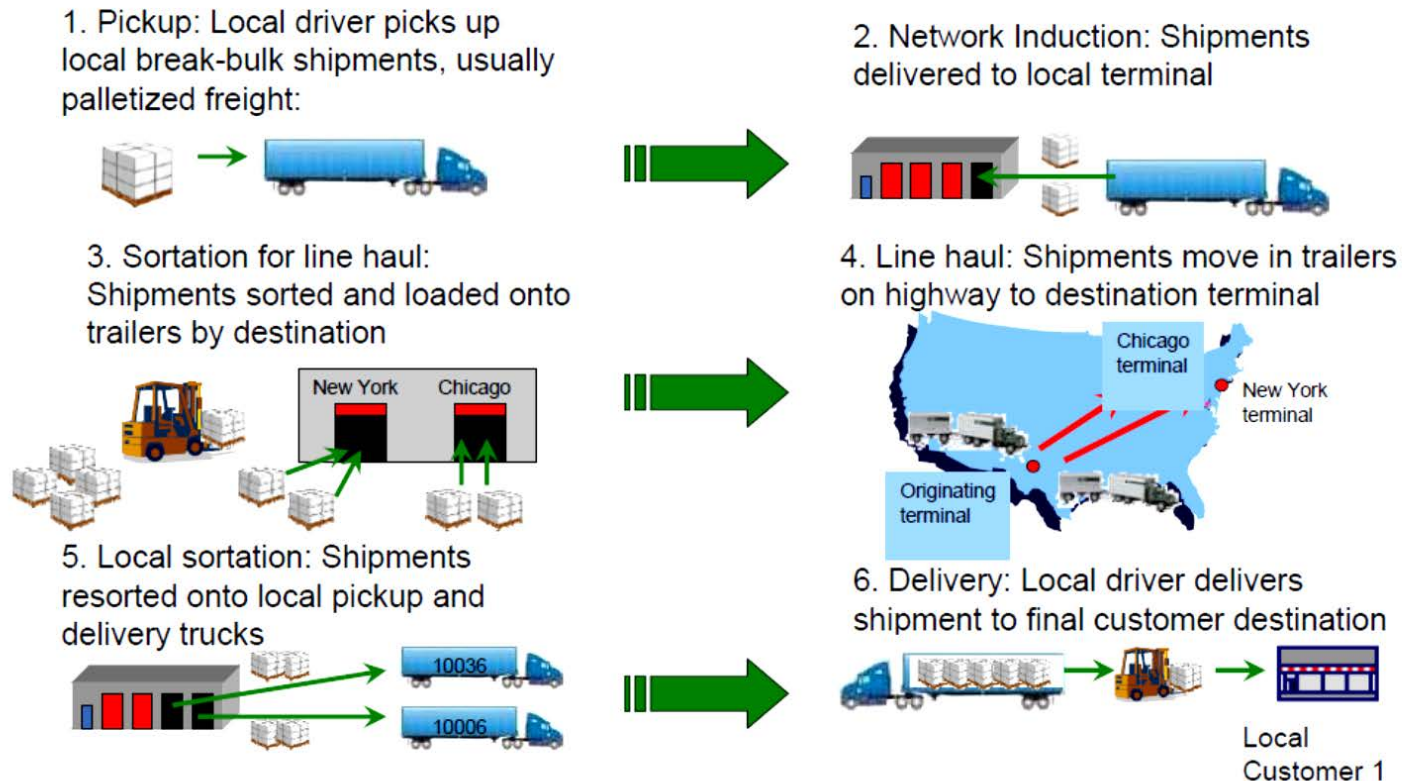
- Hub and Spoke networks allow for fast transit times to major metro areas
- Virtually every major LTL carriers offers 90%+ ZIP code coverage<sup>1</sup>
- To save customers money, LTL shipments are consolidated in local terminals before moving into nationwide networks
- Major LTL carriers have hundreds of terminals and offer a variety of time-sensitive services to enhance their 1,2 and 3-day delivery services:
  - Shipment visibility
  - 10:30 AM next-day delivery
  - You call - we haul



# Allowing Transportation Officers management of pick-ups improves DOD shipment efficiency

- TO use of online pick-up scheduling, Customer Service and calling local dispatch/terminals would inject DOD freight into LTL networks more quickly

## Less-Than-Truckload Business Model



# Savings can be realized in the scheduling process itself

- Besides selecting LTL for current air freight 1-day and <500 mile pick-ups, DOD can achieve cost savings through alignment of ATR tendering system to LTL industry standards:

- Current state requires LTL carriers commit manpower to process of accepting shipments (instead of automation)



- Transportation Officer (TO) flexibility to use LTL industry standard systems for tendering shipments would help carriers reduce manpower and manage DOD rates:

- Online pick-up scheduling
- Customer service
- Call local dispatch/terminal



# Comparing LTL industry transit times to DOD standards demonstrates opportunity

Miles/Distance	DoD Standard	Industry Standard
Less than 500 Miles	3 Days	1 Day
501 Miles to 1000 Miles	4 Days	1-2 Days
1001 Miles to 1500 Miles	5 Days	2-3 Days
1501 Miles to 2000 Miles	6 Days	3-4 Days
2001 Miles to 2500 Miles +	7 Days	4-5 Days

Source: SDDC MFTURP

# Recommendation

## Option 1

- Recommendation to Enhance Current MFTURP – MILITARY FREIGHT TRAFFIC UNIFIED RULES PUBLICATION-1 (MFTURP-1) to LTL Industry Standards:
  - Result would be that you would use less higher cost services of Expedited Service and or Air Freight

## Option 2

### Adjust ATR System to a Best Mode/Mode Neutral Option:

- Rates are filed by LTL, Expedited & Air carriers based upon Transit Times and or Service Required – ETA.

- **Option 3**

- **Adjust ATR System to more automation & flexibility**

- Eliminate LTL carrier accepting shipments in ATR System or allow carrier to accept all shipments for LTL