How Freight Classification Changes Impact Shippers

Q: What are some of the recent and proposed changes to the National Motor Freight Classification (NMFC) used to determine the class for rating less-than-truckload (LTL) shipments?

A: The most notable change—effective Dec. 1, 2012—was in classifying computer equipment. Under the new classification, this product type moved to a density-based rating with the lowest possible class being 60 and the highest possible at 400. Other commodity classification changes can be found on the NMFC Web site.

2013 will bring additional freight classification changes that will likely affect LTL shipping costs for medical kits, hand tools, TVs, and other products. The classification trend has been to favor density-based ratings.

Q: What is driving the NMFC changes?

A: A significant factor is the change in material composition and packaging. Production and building materials are shifting from heavy metals to lightweight plastics and polymers. Yesterday's cast iron lawn furniture, pipes, and fittings have been replaced with polycarbonate and polyvinylchloride versions. In electronics, the switch from CRTs to LCDs significantly reduces product weight while often increasing value liability.

The use of lightweight materials can reduce tonnage by more than half, which, in turn, reduces rates charged shippers. But operating costs and truck space required remain the same or may increase, creating a business challenge for LTL carriers. To compensate for less weight, some carriers are looking for higher freight classifications to offset lower charges compared to their costs.

Q: What can shippers do to avoid higher freight classifications and better control costs?

A: Errors and oversights in LTL freight billing can be common, especially in product classification. The NMFC system can be confusing, and products may be classified incorrectly, resulting in higher rates. Additionally, products may have been arbitrarily assigned a general Freight-All-Kinds classification, which may be higher than the actual product classification.

Shippers should audit freight bills—or ask their third-party logistics (3PL) provider to do it. For starters, 3PLs will audit the NMFC code on the freight's bill of lading to ensure it hasn't been misclassified at a higher rate. Determining a misclassification is not always obvious; it may require the knowledge and expertise of an experienced logistics professional.

Although routinely checking bills of lading can help contain freight costs, doing so often requires substantial staff to manage the process in-house. Regularly reviewing NMFC classifications to keep up-to-date with changes involves time, which may stretch an in-house staff.

In addition to uncovering and preventing potential freight errors, 3PLs can quickly obtain and compare quotes from multiple carriers, and follow up with shipment status. Relying on the resources of a dependable, proven 3PL can give shippers both a logistics and a competitive advantage.

RR Donnelley Logistics | 877-744-3818
www.rrdonnelley.com

CHUCK FATTORE
President
RR Donnelley Logistics