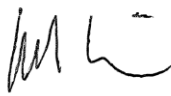


Freight Exchange - Evaluation



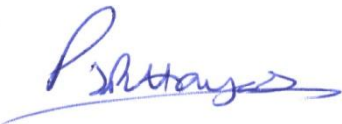
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Introduction

Capabilities on project:
Transportation

1 Introduction

This report has been developed to provide an evaluation of the success of an online Freight Exchange trial conducted on behalf of the Tyne and Wear Freight Partnership. The study has been commissioned as part of the year 5 action plan, Task 11 and Year 6, Task 7 in order to determine the potential benefits and dis-benefits that being an active member of an online Freight Exchange can have on freight operators in the North East. Six subscriptions to a Freight Exchange have been funded by the Tyne and Wear Partnership. The Freight Exchange chosen for the trial was the UK-wide service of Haulage Exchange.

This report will be disseminated by way of the Partnership's website informing potential users about Freight Exchanges.

This report has been structured as follows:

- Chapter 2 – What are Freight Exchanges;
- Chapter 3 - Trial Participants;
- Chapter 4 - Trial Evaluation; and
- Chapter 5 - Conclusions.

Freight Exchanges

Capabilities on project:
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2 Freight Exchanges

2.1 What is a Freight Exchange?

A Freight Exchange is an online real time website service which allows carriers to communicate freight traffic information to fellow operators such as transporters, forwarders and logistics companies. They allow forwarders to advertise their freight either privately or publicly to a large number of freight operators that are looking for loads. Online systems are normally subscription-based with a small charge for advertising (posting) and searching (consulting). There are now a limited number of Freight Exchanges which are free to register with, or who offer free trial subscriptions.

Freight exchanges have different charging mechanisms. Most will charge a "membership" fee whilst some charge a percentage of the agreed charge for the delivery. Most freight exchanges require that all users register and complete some form of registration that includes agreeing to a set of terms and conditions. These terms and conditions are in place to protect both hauliers and those wanting loads to be delivered and ordinarily include payment terms and a dispute resolution process.

Some freight exchanges also offer the opportunity for manufacturers or suppliers to conduct reverse auctions to achieve a lower price or to set an acceptable price band within which they will commit. The risk is that the haulier may find alternative loads at a higher price and the manufacturer or supplier are left having to pay a higher "fronthaul" price as well as risk failing to meet an agreed delivery or collection schedule.

2.2 Who is eligible to use a Freight Exchange?

In order to join most Freight Exchanges the company must be trade-only, for example not a member of the public or any other profession. Most will insist on the provision of vehicle insurance, Goods in Transit and ADR (if applicable) certificates as well as an Operators Licence (if applicable).

2.3 How is the consignment price agreed?

The usual procedure involves the consignor posting details of available loads on the Freight Exchange's website. The haulier will then bid for a space on the consignor's load. The consignor is usually able to see the details of all interested parties including the rates they are prepared to accept. The price is usually negotiated by freight companies on the website or forums of the Freight Exchange provider. This continues until a deal is struck. Where there is significant interest from hauliers the consignor may be able to secure a much lower price than they originally advertised. If there is no significant interest from hauliers the consignor may need to increase the price they are prepared to pay.

It is this bartering system that many operators have criticised for keeping profit margins at 'rock bottom' levels throughout the industry.

2.4 Potential Benefits of a Freight Exchange

It is perceived that the operational benefits to the hauliers involved with Online Freight Exchanges will include:

- Potential to increase load fill on vehicles travelling to and from the North East;
- Enhanced networking in looking for more business;
- Increased opportunities for backloading;
- Reducing empty running; and
- Helping to establish more cost effective fleet management.

2.5 Perceived dis-benefits/concerns

It is perceived that the operational dis-benefits to hauliers involved with Online Freight Exchanges will include:

- Customers cease trading before payment is received (particularly smaller operators);
- Being 'gazumped' by competitors;
- Difficulty in receiving payments; and
- Requirement to re-route to pick up backloads increasing lorry miles

Trial Participants

Capabilities on project:
Transportation

3 Trial Participants

3.1 Which Freight Exchange for the trial?

Following extensive research into the services that are available in the market place it was decided to use Haulage Exchange as the Freight Exchange operator for the trial.

Haulage Exchange is one of the largest Freight Exchanges in Europe and acts as a matching service for suitable operators to try to not only pick up loads but to help users develop ongoing working relationships with the operator. It processes regular consignments through their systems to the North East and as a result was the best candidate to provide a fair view of the effects that exchanges can have. It was felt that a smaller and less well populated exchange would not provide a fair assessment of the possible benefits. The Haulage Exchange also provided the facility to allow usage of the service to be monitored

The group embraces the latest technologies allowing members to receive alerts of available loads via e-mail, SMS and push mobile data. In 2009 the group introduced a new 'Regular Runs' service which allows posting of runs in a timetable format, which is then matched to consignors loads. It is possible for this to be used in a private capacity between operators so only those within a chosen private network can see the loads available.

The exchange actively encourages collaboration between operators and facilitates ongoing relationships providing help in relation to disputes and contractual agreements. Haulage Exchange has also developed Courier Exchange, using the same principles but for smaller demand responsive loads using vehicles up to 3.5t. The membership fee to belong to Haulage/Courier Exchange ranges from £50-£90 a month.

3.2 Overview of the Trial

The trial was undertaken across two 6 month time-periods, with quarterly reports provided at the end of each period.

A number of operators were selected to take part in the trial. The Tyne and Wear Freight Partnership approached five keen hauliers to determine the impact that utilising a Freight Exchange can have on the effectiveness of their operations in the North East.

These operators were chosen to provide a mix of company types and size in order to ensure the evaluation could assess the differing impacts that Freight Exchanges can have on various businesses. However a key requirement for the trial was the ability for the companies to be able to carry a range of goods and products to maximise use of the system i.e a general haulage company.

Prior to undertaking the trial, operators were asked a number of questions to allow profiling of their existing operations and also to allow baselines to be set from which improvements could be measured. All but one of the operators were unable to provide a clear picture of current empty running and most already had a policy of not undertaking journeys which necessitated empty loads. Combined with the fact that 4 of the 5 initial operators were or had been freight exchange users the impact of the trial was in some going to be reduced.

Capabilities on project:
Transportation

3.3 The Operators

3.3.1 JR Adams

JR Adams is based in Gateshead, close to the A1 and the Metrocentre. It operates nationally, and mainly hauls heavy machinery and steel.

It is a current user of a Freight Exchange called 'Freight Ex' and felt this provided a good choice for the services it provides, but it was willing to try Haulage Exchange to see if this would provide a better fit to its business and provide more opportunity for work.

The company operates approximately 50 vehicles and employs around 80 staff.



Operator Summary

- Mainly operates Flat-bed HGVs
- Current users of Freight Exchange
- Generally transports heavy equipment, machinery and vehicles
- Operates approximately 50 vehicles and employs 80 staff

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3.3.2 Tyneside Express Transport Limited



Tyneside Express Transport (TET) Limited is a Gateshead-based road haulage specialist that was established in 1998, dealing with a variety of products and services. At the start of the trial it had approximately 60 staff and 12 vehicles. It was not currently using a Freight Exchange but had used one prior to this trial.

Types of load that TET carries are:

Freight Items	Pallets, Parcels, Plant Machinery Shipping, Road Freight, Sea Freight, Single Items, Trailers
Distribution Services' Work	Commercial Distribution, Consolidation Service, Freight Forwarding, International Couriers, Logistics, Order Picking, Warehouses
Road Haulage Distribution Services	Commercial Distribution, Freight Forwarding, Freight Handling, Heavy Haulage, Light Haulage, Logistics, Palletised Distribution, Storage, Unloading
Shipping & Forwarding Services	Overseas Collection, Palletised Distribution, Relocation Service, Shipments, Stevedores, Storage
Types of Loads	Loads, Part Loads, Container Loads, Dangerous Goods, Fragile Goods, Full Loads, Heavy Loads
Vehicle Fleets	Curtain Sided Lorries, Dropside Lorries, Extendable Trailers, Hiabs, Low Loaders, Tail Lift Vehicles, Tippers, Trucks

The company's' aspiration was to use the Freight Exchange to subcontract out work and reduce empty running.

Operator Summary

- Operates internationally
- Previous Freight Exchange user
- Carries all types of load
- Operates a variety of vehicle and trailer types
- Operates 12 vehicles and employs 60 staff

Capabilities on project:
Transportation

3.3.3 Fergusons Transport

Fergusons Transport, part of the Fergusons Blyth Group, is the largest privately owned haulier in the North East of England, operating from several locations throughout the UK.



Fergusons has developed a portfolio of customers comprising of local, national and international companies from all sectors of industry. Whilst transport remains the core business, Fergusons diversified into related operational areas including, warehousing, logistics, removals, contract hire and business unit rentals.

At the start of the trial Fergusons had approximately 200 staff and 100 vehicles. It was an existing user of a Freight Exchange and they were hoping to utilise the trial to sell loads and reduce empty running.

Operator Summary

- Operates internationally
- Carries all types of load
- Operates a variety of vehicle and trailer types
- Existing user of a freight exchange
- 200 Staff and 100 vehicles

Capabilities on project:
Transportation

3.3.4 Gap Haulage



GAP Haulage is a Tyneside based company, offering a general haulage service both locally and nationally from a single pallet to 28 tonnes of palletised and non-palletised goods.

At the start of the trial it had 7 staff and 12 vehicles ranging from 7.5 tonnes to 44 tonnes. It is an existing user of a Freight Exchange and hoped to use the trial for backloads and placing loads.

GAP provides a diverse range of services:

- Local and National Haulage;
- Full and Part loads transported;
- HGV Trailer hire;
- Vehicles equipped with satellite tracking, navigation and 2 way data flow;
- Saturday and Sunday working available by prior arrangement;
- Waste carriers license;
- 14,000sq ft of stowage available; and
- Access platform (cherry picker) hire.

Operator Summary

- Carries both palletised and non-palletised goods
- Operates nationally
- Relatively small operator - Operates 12 vehicles and employs 7 staff
- Existing freight Exchange user
- Provides a very diverse range of services to maximise income

3.3.5 Davison European

Davison European is a family-run, international haulage and freight forwarding company based in County Durham. It offers overnight and same day delivery, as well as next day delivery services and delivers Europe wide.

Davison European has a contract for the collection of empty pallets North East, Scotland and North Yorkshire. They collect pallets from distribution centres and transport them down to Widnes. They envisaged that Haulage Exchange could assist them in delivering this contract.

It stated that prior to the trial it experienced approximately four or five empty loads per week, losing approximately 30 miles. They also ran a number of half loads. At the start of the trial they had a total of 10 staff and 6 vehicles.



Operator Summary

- Operates internationally
- Carries maximum weight of 27 tonnes within UK
- Relatively small operator - Operate 6 vehicles and employs 10 staff
- Has regular empty mileage that can be filled

Capabilities on project:
Transportation

3.3.6 George Allinson Transport



George Allinson Transport (GAT) was established in 1955 and is a privately owned family business.. The company combines a modern diverse fleet of vehicles and trailers and has over 250,000 square feet of dry storage space as well as one of the most modern container storage and handling facilities available in the north east of England.

The head office is located in Darlington, County Durham less than 1 mile from the A1(M) and also has two smaller depots in Earith (Cambridgeshire) and Cinderford (Gloucestershire).

The company has 100 vehicles and over 250 trailers. GAT has a diverse fleet of equipment that is constantly upgraded and modernised.

George Allinson Transport was selected to replace JR Adams in September 2010 as a replacement for J R Adams. They envisaged that they would be able to subcontract loads out to other member of Haulage Exchange.

Operator Summary

- Large operator – Over 100 vehicles and 250 trailers
- Provides over 250,000 square feet of dry storage space
- Container storage and handling facilities
- Two depots located in the South of England

Trial Results

Capabilities on project:
Transportation

4 Trial Results

This section details the results of the trial, encompassing operator experiences of using Haulage Exchange, usage data and outputs relating to the impact of using Haulage Exchange.

4.1 Results

Table 4.1 demonstrates the usage data relating to the six companies that took part in all or some of the trial. Tyneside Express Transport logged on the most of all six participants, whilst Fergusons Transport and Davison European were also regular users of the site.

Davison European posted the most loads on Haulage Exchange, and also subcontracted the most loads through the exchange. GAP Haulage posted the majority of return journeys on the system, whilst Tyneside Express Transport Ltd has received the most bookings from the system.

Overall, three of the six operators (Tyneside Express Transport, GAP Haulage and Davison European Ltd) could be described as regular users of Haulage Exchange and this has resulted in the majority of those bookings that have been taken from the system.

Table 4.1 Haulage Exchange Usage Data (whole trial data)

Company Name	Member Since	Logons	Loads Posted on system(1)	Loads Booked (2)	Returned Journeys Posted (3)	Bookings Received(4)
George Allinson Transport*	23/09/2010	33	14	3	0	1
Tyneside Express Transport Ltd	18/12/2009	266	43	0	1	5
Fergusons Transport Ltd	18/12/2009	183	7	0	1	1
GAP Haulage	16/02/2010	54	22	2	28	4
Davison European Ltd	12/01/2010	181	95	13	2	4
J R Adams Newcastle Ltd**	13/01/2010	15	0	0	4	1
Total		732	181	18	36	16

* Did not take part in initial six month time period ** Did not decide to continue with programme after initial six month time period

(1)- Loads posted – number of loads they have put on the system, (2) Loads booked – numbers of the loads they have subcontracted to other members, (3) Return journeys posted – number of empty vehicles they have posted on the system, (4) Bookings received – Number of loads that they have taken from the system

4.2 Operator Feedback

In addition to output data provided by Haulage Exchange, operators were contacted every three months to provide feedback on a number of factors including:-

- Change to vehicle fill;
- Change in empty running;
- Loads received through using site ;
- Operator Experiences;
- Operational advantage;
- Spin-off benefits;
- Dealing with other members;
- Problems encountered; and
- How those issues managed and resolved.

4.2.1 Fergusons Transport

Ferguson Transport started using Haulage Exchange in December 2009 and during the first six month time period logged on to the site regularly. However usage was low, with only one load being received from Haulage Exchange. As a result the impact on vehicle fill, empty running for the fleet and vehicle mileage for the company was limited.

Capabilities on project:
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Fergusons Transport did make £1,500 using an alternative Freight Exchange (returnloads.com) however it stated that the profit margin on this transaction was low. It felt that the spin off benefits of using a Freight Exchange would be creating additional contacts, although this did not occur during the course of the trial.

One of the key issues that it found in using Haulage Exchange was the difficulty in receiving payment, and the complexity of the website. There were also some initial IT issues.

Fergusons Transport felt that its solid customer base results in the company having little or no use for a Freight Exchange website, however it was happy to take part in the full trial. However, they did not feel that continuing to use Haulage Exchange would be beneficial.

Summary

- Usage of Haulage Exchange was low
- Found difficulty in receiving payment
- Found website complex to use
- Solid customer base meant that the company had little or no use for FE website
- Would not be continuing with the subscription to Haulage Exchange

4.2.2 Davison European

Davison European stated that it did not regularly use Haulage Exchange as it had a preferred Freight Exchange (returnloads.com) that it felt was a superior website. The company has had great difficulty in using the Haulage Exchange website, with which it experienced a number of technical issues, particularly being logged out of the website whilst using it. Whilst this issue was eventually resolved, it represented a great inconvenience to the user.

Due to the length of time it had been subscribing to *returnloads.com* and the fact that it is able to use that website free of charge, representing a significant advantage over Haulage Exchange, Davison European did not feel that Haulage Exchange represented value for money and would not be re-subscribing to the website.

Therefore usage of Haulage Exchange reduced over the course of the trial, due in part to the IT issues experienced and the operator's preference for using *returnloads.com*.

Feedback from a contact at Davison European in May 2010 suggested that fleet mileage had naturally increased by an estimated 5% as a result of using Haulage Exchange due to the requirement to re-route to pick up extra loads.

However, when the operator was contacted at the end of the trial in March 2011 they reported no change to empty running totals and vehicle fill rates as the company runs 100% full loads only.

Summary

- Technical issues experienced with website
- Will not be re-subscribing to Haulage Exchange
- Company prefers to use an alternative more familiar Freight Exchange
- Negligible effect on empty mileages

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4.2.3 GAP Haulage

GAP Haulage has been a regular user of Haulage Exchange over the course of the trial, although usage has been reduced in recent months due to a higher general workload. GAP Haulage has indicated that it will continue to subscribe to the site once the trial is complete, as it has saved the company approximately £4,000 over the last 12 months. The company has also purchased a new van, which will provide additional capacity that could be utilised by bookings from Haulage Exchange.

There have been no issues using the site, other than in receiving payments from other operators. GAP indicated that it has been waiting for one payment for over four months, although it did state that mediation through the site was good.

GAP also expressed concern that the rates for loads received through the site were low, often at less than £1 per mile. GAP expected a moderate increase in fleet mileage as a result of picking up additional backloads.

Whilst GAP have not kept records as to which loads it has booked and received through Haulage Exchange, it did indicate that a number of bookings had arisen as a result of relationships that had been formed via the website, but not actually processed through the website showing that the statistics from Haulage Exchange do not tell the whole story. GAP used Haulage Exchange primarily for backloads.

Summary

- Found using Haulage Exchange profitable - £4,000 over the year
- Will be re-subscribing to the website
- Difficulty in receiving payment
- Low profit margins
- Has formed a number of relationships with other operators through Haulage Exchange
- Conducted business with new contacts outside of Haulage Exchange

4.2.4 Tyneside Express Transport (TET) Ltd

Tyneside Express Transport felt that Haulage Exchange was easy to use, well run and the standard of companies that use the website was good. However, it was felt that loads placed on Haulage Exchange were generally more suitable for smaller operators such as owner-drivers or those with smaller vehicles.

It was felt that returnloads.com had more general haulage loads posted, which are more compatible with TET's operations (including packaging, paper, bitumen, and steel) and is cheaper to use. Therefore, TET has decided not to renew their subscription to Haulage Exchange.

TET stated that it had subcontracted out approximately 10 loads on Haulage Exchange and taken on 6-8 loads over the course of the trial. Approximately 10% of loads placed on Haulage Exchange by the company were taken up. Given that the company only operates full loads the impact on empty running and vehicle fill was minimal.

As a result of the length of time the company had been operating, it has established relationships with many of the operators that use Haulage Exchange, and therefore uses the website as an alternative to contacting each operator individually.

Capabilities on project:
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Summary

- Haulage Exchange was easy to use, well run with a good standard of subscribed companies
- Felt that Haulage Exchange was better for smaller loads and operators
- Preferred to use returnloads.com as more suited to its business
- Used website as an alternative to contacting operators on an individual basis
- Will not renew its subscription to Haulage Exchange

4.2.5 J R Adams

JR Adams found very little added benefit of involvement with Haulage Exchange and felt that given the nature of its business (flat-bed HGVs transporting heavy equipment, machinery and vehicles) the benefits of using a Freight Exchange were limited, and therefore sought no further part in the exercise following the initial 6 month trial period. They were current users of the MOD Freight –Ex site and due to a number of ongoing arrangements scope for use of the Haulage Exchange was limited.

Summary

- Did not feel the loads posted on Haulage Exchange was compatible with its business
- Preferred to use alternative Freight Exchange site
- Did not continue with its subscription after the initial six month trial

4.2.6 George Allinson Transport

George Allinson Transport replaced JR Adams for the second part of the trial and commenced using Haulage Exchange in September 2010.

George Allinson Transport felt that Haulage Exchange was a very good idea in principle. The company had been more inclined to give work out through the website as opposed to receiving it, as they generally ran full loads. It felt that the website was easy to use and had not experienced any issues.

However, there were concerns over the viability of other Haulage Exchange members, as the company had experienced a number of incidents where another operator had ceased trading before payment had been received. It felt that a large number of Haulage Exchange members were smaller operators, which were more likely to experience difficulties and therefore represented more a risk. This made the company more reluctant to use Haulage Exchange, particularly to undertake work on behalf of another operator. It felt that the website would be improved if it included larger manufacturers amongst its members.

It would not be subscribing to Haulage Exchange once the trial has ended.

Summary

- Found website easy to use
- Concern over viability of other members
- Felt Haulage Exchange should include larger operators
- Will not be continuing its subscription

Conclusions

Capabilities on project:
Transportation

5 Conclusions

As expected with a trial of this nature feedback from the participants was mixed with some having very positive experiences and others seeing little added value from use of the site. It must be noted that 4 of the 5 original participants were already existing users so this affected the usefulness of the Exchange system for them.

A number of participants preferred to use existing, more familiar exchanges as they were cheaper to use and contained more compatible loads than those available through the Exchange as well as the fact that they already had established relationships and thus could get more piece of mind using those they already know.

There were also concerns over the viability of other members of the Exchange, as it featured a large number of smaller operators, such as owner-drivers who are considered by many to be less stable partners to deal with, especially in the current economic climate. A number of participants experienced difficulties in receiving payment for loads undertaken via Haulage Exchange.

Beyond some initial teething IT issues, that were swiftly dealt with by the Exchange, the participants reported that the website was generally easy to use and that mediation through the website was good.

All respondents were in agreement that a Freight Exchange is an excellent initiative, regardless of whether they were regular users or not, which is demonstrated by the number of logons that occurred over the course of the trial. There was also evidence that a number of relationships had formed as a result of using the site which has led to work being contracted outside of the Exchange environment.

Feedback would suggest that currently Freight Exchanges are more appropriate for small operators, and that the addition of larger operators would encourage greater use of the website through increased faith that they will get paid for work and that their subcontracted goods will get delivered on time.

GAP haulage was the only company to really record any monetary benefits showing that Exchanges can provide real added value to a transport operation, although it was noted that profit margins are very slim as rates are extremely low due to the bidding system in place on the Exchange.

It is evident that Freight Exchanges continue to play an important role in freight operations and that there is a wealth of options and opportunities for operators to exploit. It was also clear that the majority of operators tend to have already investigated and used freight exchanges to some extent and that once good working relationships had been formed that the exchanges have been an invaluable part of their daily operating environment. It is simply the matter of finding the most suitable exchange for their operations. Importantly an operator must carefully take into account the cost of on-going subscription against the profits made from loads subcontracted and collected as only one of the operators taking part in the trial is planning to continue to use the system.