

Impact of Risk Sharing on Competitive Bidding in Truckload Transportation

by

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Abstract

The purpose of this research was to evaluate whether a shipper's fuel surcharge (FSC) program affected its per-load transportation costs in the United States full-truckload (TL) transportation industry. In this study, we restricted transportation costs to line-haul charges and fuel surcharge premiums. Using ordinary least squares (OLS) regression, we examined the effect of a shipper's FSC program on its line-haul charges. We controlled for well-established transportation cost drivers, including distance and geography. We found that carriers discounted their line-haul rates according to a shipper's FSC program. The more a shipper paid in FSC premiums, the less it paid in line-haul charges. For fuel prices above \$2.08 per gallon, however, the fuel surcharge premiums dwarfed the line-haul discount. This effect was most pronounced for shippers with low efficiency values. Shippers with lower efficiency values paid higher per-load transportation costs than shippers with higher efficiency values.

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