

Double brokering is a bad thing

By Steve Fernlund



Co-brokering is a legitimate method of arranging transportation for your customers. Two brokers that are party to these arrangements are known to each other, even if they are not both known to the shipper or carrier.

Typically there is a written “co-broker” agreement in place that spells out the rights and responsibilities of both parties. Many successful, long-term business relationships grow from co-brokerage situations. Co-brokering is a good thing.

Double brokering, which is not co-brokering, is a very bad thing.

Double brokering is when one party represents itself as a motor carrier (and they may be a motor carrier), even signing a “broker-carrier” agreement as the carrier for a shipment while they proceed to broker the load to yet another carrier—unbeknownst to the first broker. The first broker remains blissfully ignorant of this event until a problem arises—a claim, a payment issue, or worst of all, an accident with significant personal injury.

Transparency is the key to success in the brokerage business. All parties—shipper, broker, carrier, and consignee—need to know the identity, roles and responsibilities of each party. Double brokering drapes a dark curtain over one part of the transaction, placing everyone at unnecessary risk. Preparation, vigilance, and action are needed to help you manage the consequences of

double brokering—complete prevention is impossible.

Matt, a broker of my acquaintance, has handled a couple of these incidents successfully.

Matt agreed to arrange a shipment for one of his regular customers a while back. He posted it on one of the load boards and proceeded to contact his regular carriers. Shortly after, he received a call from a carrier (let’s call him Carrier #1) interested in providing the transportation. Matt had the carrier sign a broker/carrier agreement, did his “due diligence,” and booked the load with Carrier #1 to pick up the following afternoon. Matt went home that night confident—but vigilant too—that the load would pick up the next day.

Grabbing a cup of coffee the next morning, Matt called Carrier #1 to verify the pickup was happening. The dispatcher sounded a bit vague to Matt (a gut reaction) so he asked that the driver call him directly for directions to the shipping location. When the driver finally called in, he identified himself as a driver with Carrier #2. Matt’s gut reacted again, and he went into action immediately.

Matt called the dispatcher at Carrier #1 and asked directly if he had brokered the load to Carrier #2. To his credit, the dispatcher confessed—rather sheepishly I’m told—that he had double brokered the load. Matt then called the dispatcher at Carrier #2, had him complete the carrier packet, performed his due diligence, and promised to pay Carrier #2 the same rate negotiated with Carrier #1. Carrier #2 hauled the load without a hitch.

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Meanwhile, Matt sent a letter by fax to the President of Carrier #1 informing him that his company had violated the prohibition against double brokering in the broker/carrier agreement, that his company would not be paid for this shipment, and that they were flagged in the system as a “no load” carrier.

Another time Matt arranged a load with Carrier #3, a company that had previously transported one other shipment without incident. This second load seemed to be going well also, at least until it wasn't delivered as expected. Obviously Carrier #3 wasn't real truthful with transit reports they'd given to Matt.

It turns out that Carrier #3 had brought the freight to a warehouse and transloaded it (double brokered) to Carrier #4, who delivered the load several days after its original schedule. Matt later found out that Carrier #3 had promised to pay Carrier #4 hundreds of dollars more than Matt was paying. Not only did Carrier #3 double broker, they didn't intend to pay Carrier #4 at all.

Springing to action, Matt made sure that his company did not pay Carrier #3. After prolonged haggling, he got Carrier #4 to accept the amount originally agreed to with Carrier #3. Matt was in a good negotiating position because he had no previous agreement with Carrier #4 and the original bill of lading was long lost.

In brokering, due diligence doesn't end once the load is dispatched. Your contract should contain a clause prohibiting double brokering without your consent—and your consent should come in the form of a fully signed co-broker agreement (assuming

the carrier has a broker license—and if they don't, run away.)

Your brokers should be encouraged to trust their gut. When something doesn't seem right, investigate—and investigate now. Ronald Reagan is famous for saying “Trust but verify” in his negotiations with the Soviet Union. Journalists learn that you need to verify everything. Even if your own mother says she loves you, verify with two other sources before you believe her. If your broker senses something out of the ordinary, there's a potential problem.

Finally, your brokers should be empowered and expected to take immediate action when a double brokered load happens. Double brokering will cost you money, time, and customers. Transparency, preparation, vigilance and swift effective action will minimize any risk you face from an unscrupulous carrier.

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