Companies Begin to Test Hybrid Business Models

By Daniel P. Bearth
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Some companies appear to be testing a hybrid business model in which a carrier or logistics firm uses freight-forwarding authority to contract with small fleets and owner-operators for capacity.

Under such an arrangement, which some are calling a 2PL to distinguish it from companies that are third-party logistics service providers, or 3PLs, freight is hauled by truck operators who have their own motor carrier operating authority and who are responsible for insurance and compliance with safety regulations.

Unlike freight brokers who help drivers find loads to haul or motor carriers who must keep dealings with owner-operators at arm's length, freight forwarders retain liability only for the cargo, and companies with forwarding authority — also called "settlement" carriers — can exert considerable control over trucks and drivers through dedicated service agreements.

Jason Smith, executive vice president of TrueNorth Cos., an insurance firm in Cedar Rapids, Iowa, that provides coverage for trucking companies and truck drivers, said his company has developed a proprietary version of the business model, called Independent Carrier Extension, or ICX, and has implemented the program at six companies — including home-delivery specialist Linn Star Transfer, which also is based in Cedar Rapids, and R.A.S. Delivery Services headquartered in Muskego, Wis.


TrueNorth Cos.

Smith

Smith said he hopes that the new business model will make it easier for freight carriers and brokerage firms to do business with independent owner-operators who represent a major share of the nation's freight-hauling capacity.

"We always believed the industry wants to use an asset-light business model," Smith said. "At the same time, there is a group of people who want to be independent and work for themselves. We want to encourage that entrepreneurial spirit."

Some industry officials are skeptical of the new business model.

Todd Amen, president of American Truck Business Services, an agency based in Lakewood, Colo., that handles bookkeeping and licensing for owner-operators, said he doesn't see much of a financial advantage for owner-operators to have their own operating authority.

"It will add thousands of dollars to the operating model," he said. "I can see carriers making it cost-neutral [to the owner-operator], but it will cost somebody money to do it."

Michael Komadina, a former fleet owner and business consultant who lives in O'Fallon, Mo., and writes a blog at *www.18wheelsofjustice.com*, said he likes the concept for drivers who are capable of managing their business and are looking for the chance to grow.

"There has been a huge increase in the number of motor carrier authority filings over the past five years," Komadina said. "Many operators set out to stake their claim in our industry and want to be in more control of their business. It's not just about money, either; many operators have dreams of owning a second truck, a third truck and possibly an entire fleet of their own trucks."

TrueNorth's Smith said he believes the new business model also will protect carriers and shippers from legal entanglements over employee classification.