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# COMMERCIAL RESERVATIONS – WHERE WE ARE

## INTRODUCTION

On June 30<sup>th</sup>, a meeting was held with representatives of 15 companies that transport goods across the Gulf of St. Lawrence to discuss concerns with the commercial reservations system. The majority of these were small independent trucking companies for hire, with the others being companies that move their own products or have an exclusive arrangement to haul cargo for one customer. In the April to June period, approximately 200 to 250 companies moved approximately 26,000 commercial units with Marine Atlantic.

## MEETING OUTCOMES

A round table discussion enabled all participants to articulate their concern and frustration. Most were concerned with the challenges with the shifting of administrative burden to small head offices and the ability of some smaller carriers to compete against larger carriers within the parameters of the new system. Small carriers worked more often with short notice orders and were not able to plan and book in advance. Once they identified a job it was often too late to get the booking they wanted. The medium-sized and larger carriers had more continuous business and bookings and could offer clients greater access to reservations as a result. Consequently the smaller carriers found the transition to commercial reservations quite difficult. A number of participants were of the view that Marine Atlantic should abandon commercial reservations altogether since this would put all in the industry in the same circumstance.

## SUGGESTIONS

The following incorporates the principal suggestions made by the group. These have been reviewed and evaluated by Marine Atlantic, as discussed below.

It was agreed at the meeting to establish a waitlist, which was implemented on Friday, July 2nd. The waitlist allows truckers without reservations access to MAI terminals on a first-come first-served basis to use vessel spaces that are left at time of departure. There was a concern expressed that the waitlist might be insufficient to meet the needs of the independent truckers, as it would depend on space happening to be available on a sailing for them to get on the vessel. They suggested that a percentage of the deck space on each sailing should be set aside for the waitlist, to guarantee availability of space, with the remaining deck space available only for reservations.

In the first eleven days since the waitlist has been in place, there were 95 sailings, which would mean there were possibly as many as 950 waitlist spaces available. During this period, 39 units have used the waitlist. Of those approximately 80% moved on the next sailing and the remaining units were moved on sailings later that day or the next day. The low usage of the waitlist since its inception demonstrates that there is currently no need to create an additional allocation of deck space for the waitlist. There has been unused space available for waitlist use on 95% of the crossings. The low number of carriers needing the waitlist also suggests that the majority of the industry is now utilizing the reservation system.

Another suggestion was to change the current information requirements at the time of making a reservation. Under the current system, carriers are not required at the time of booking to have complete information about the unit that would be making the crossing, such as unit number, licence plate, or the driver's name, and this detail can be provided at check-in. It was set up this way in recognition of the fact that a company may have a commitment to a customer to move a load on a specific date but may not know with absolute certainty which unit or driver would be moving that load. It also recognised that circumstances could dictate a change in unit or driver in advance of the travel time. The intent of this suggested change was to limit the ability of companies to book well in advance as they would be unable to manage and provide the detailed information.

The key requirements from MAI's perspective are the trailer number and the commodity, as these signify a move. Several issues became apparent in examining how to operationalize this idea, including challenges around managing information, dealing with variances in the booking information and the unit that arrives, and so on. If the information is provided at the time of booking, is it subject to change? Drivers get sick, units develop mechanical problems, and commodities change when a load is cancelled or delayed and another load is picked up in replacement. Should changes in information be permitted? If it cannot be changed, what should be done if the carrier arrives without the booked unit? Should the booking be cancelled? Once it is cancelled, there is now an open space on that sailing. The carrier now does not have a reservation, so he should be permitted on the waitlist, and in many cases he will board the vessel. Implementing this suggestion would create a great deal of confusion for MAI and the industry and certainly reduce the efficiency of the reservation system for all. In the end it would undermine many of the benefits of the system related to effective and efficient supply chain management. While this would reduce the rationale for a reservation system it would offer little benefit to the independent truckers in addressing their primary concern, which is the availability of bookings in the short term.

A third suggestion was to make all bookings non-refundable and unchangeable, which would ensure that only bookings with an extremely high probability of utilisation would be made. This suggestion implies that there is significant overbooking and a high cancellation rate, which limits the availability of bookings in the medium to long term. A review of booking and cancellations in June 2010 identified a cancellation rate of less than 9%. Cancellation levels vary widely across the size of the company, with both small and large companies demonstrating low cancellation rates and high ones. Companies with very high levels have been contacted to reduce their cancellation rate with a view to even further reduce the number of cancellations. A further detailed review of recent cancellation rates is nearing completion and individual companies who have excessive cancellation levels will have limits placed on their bookings and ability to have cancellations refunded.

The ability to cancel a booking is a key component of the system, requested by the industry in recognition that sometimes customers cancel, a business deal doesn't close, or the cargo doesn't arrive for pick up when scheduled. It is a fundamental feature of most reservations in the world. A radical change to eliminate that option would be challenging to implement. A recent change increasing the cancellation timeframe from 12 hours to 24 was a concern for many carriers, large and small. It would be premature to move to all non-refundable bookings without significant consultation with a wider group within the trucking industry.

A fourth suggestion was to restrict the booking period to the next seven days, which was seen as possibly levelling the financial advantage of larger carriers. This would limit the planning timeframe to one week for all carriers, regardless of their business needs and customer commitments. Currently, most bookings are made within the next ten days, so the impact of limiting bookings to a seven day cycle would create increased demand for the eighth day as it becomes available. It is not clear that such a change would create any benefit for carriers. This approach would in effect translate into single day bookings, after the initial seven days. This would require all customers to go online or call each morning at the opening of Reservations, resulting in backlogs, uneven workloads in Reservations, long wait times for all customers, an inability to plan beyond one week, and so on. This would worsen administrative complaints amongst all carriers, including smaller companies. The lack of advanced booking would also undermine one of the key objectives, which is to give the sector the ability to plan and manage the supply chain.

However, while this proposed means of levelling the larger carrier's financial advantage is unworkable, another mechanism might provide smaller carriers with increased opportunity of booking further into the future. Marine Atlantic proposes to create an additional payment option for carriers who do not have commercial invoice accounts with us.

Those customers with invoice accounts, who tend to be larger carriers, will continue to use those accounts to make bookings. Customers with invoice accounts will not be able to opt into the new payment option discussed below without closing their invoice account.

Carriers who do not have invoice accounts with MAI can continue to pay for the reservation in full at the time of booking, under the same rules as present. As an alternative, those carriers can opt to pay only a deposit of \$150 at the time of booking and pay the remainder at check-in, prior to sailing. Changes can be made to this booking but the deposit is non-refundable. This would allow the smaller carrier to make bookings well into the future with minimal impact on their cash flow as the bulk of their payment would be made at time of travel, allowing them to better manage their cash flow challenges. It would have less financial impact than a fully paid, non-refundable, unchangeable booking, and provides sufficient flexibility to make changes to date and time of departure (under the same terms as present) to manage fluctuations in their business. The new payment option and the availability of a waitlist provide greater flexibility in the timing of cash flows and payments as well as increasing access to space on the vessels.

This new payment option will be available for telephone, fax, email, and in-person bookings on Monday, July 19th. Programming the significant changes required to the online reservations system has started, and this booking feature will be available online in a few weeks. In the interim, customers may still use the online system to make fully pre-paid bookings.

## CONCLUSIONS

The most prevalent concerns raised by independent truckers since the inception of commercial reservations included:

- the ability to get across due to capacity constraints;
- the ability to make reservations, due to the nature of their business being focused on last minute loads;
- the shifting of an administrative burden to head office, as reservations now had to be managed;
- the differences in ability to make reservations days in advance due to cash flow challenges with payment required at the time of booking and that some work on short-term appointments; and
- the desire by some to be able to get across the Gulf on a first-come, first-serve basis without reservations.

These issues have been raised by large and small carriers, and most were mentioned in the June 30th meeting as well. Each of these has been addressed over the last few weeks. Online bookings have been reported to have lessened the administrative burden. The check-in times were reduced to allow units to arrive at the terminal later, which improved their ability to plan, pick up cargo, and arrive for their departure. Marine Atlantic continuously monitors bookings and deck space, adjusting inventories to meet the emerging demand as best as possible within the capacity limits.

Several changes were implemented specifically to help the independent carriers. The cancellation timeframe was increased from 12 hours to 24 to free up bookings for last minute loads. The waitlist was created to carry on a first come first served basis those who need to travel without reservations, and space has been available for them to take advantage of the waitlist. And now a new payment option is being added to assist smaller carriers with cash flow challenges.

With the changes in recent weeks, reservations have been generally available out of Port aux Basques for most days of the week. Out of North Sydney, in addition to waitlist availability, a limited number of same day or next day reservations are available most mornings (albeit carriers are booking in advance the full inventory available 5 to 7 days out). A further detailed review of recent cancellation rates is nearing completion and individual companies who have excessive cancellation levels will have limits placed on their bookings and ability to have cancellations refunded.

We recognize that that the commercial reservations system has been a challenging evolution and would benefit from the increased capacity which will come on stream with the new vessels in 2011. This is why Marine Atlantic has engaged the industry throughout the process and continues to make adjustments. However there is compelling evidence that requiring reservations is a better system than the old approach when all had to line up and endure unpredictable wait times at the terminals. A recent extensive canvassing of the industry and industry associations shows overwhelming support for the system, albeit all users want to see both continuous improvements to the system and an increase in fleet capacity. The Atlantic Provinces Trucking Association recently polled its membership and reported that 70% supported the reservation system. End users, from business to consumers, are reporting substantial improvements in supply chain management, planning, predictability, reliability, fresh produce, less spoilage, and so on. It is Marine's Atlantic's estimate that the carriers supporting the system potentially account for as high as 85-90% of the commercial units moved in recent months.

The demand by the majority of users is to improve the system, while continuing to use it, while some are demanding that the system be abandoned altogether so that all are put on a first-come, first-serve basis and are subject to the same inefficiencies. We realise that for those who are focused only on the elimination of the system the many changes or improvements will not satisfy them, regardless of the actual benefits of those adjustments. However, now it is time to give these measures an opportunity to work.