



Broker margins and spot rates reporting

Owner-operator perspectives on freight-market transparency

This February 2024 survey report follows [Overdrive's close look at a DAT analysis of broker margins, which found averages between 13% and 15%, depending on the segment](#). That said, there are thousands of brokers and carriers, moving millions of loads. The

DAT analysis and *Overdrive* reporting revealed some brokers making massive, 100% or more margins. Conversely, sometimes brokers lose money. Here, see what small business truckers think about broker margins, transparency, and data from big brokers.

Many independent owner-operators live and die by the spot market and brokered freight. A subset of owners and brokers alike voraciously consume the data products of load boards like DAT and Truckstop, especially the rates indices, calculating broad averages in dry van, reefer and flatbed segments, even along individual lanes in some cases.

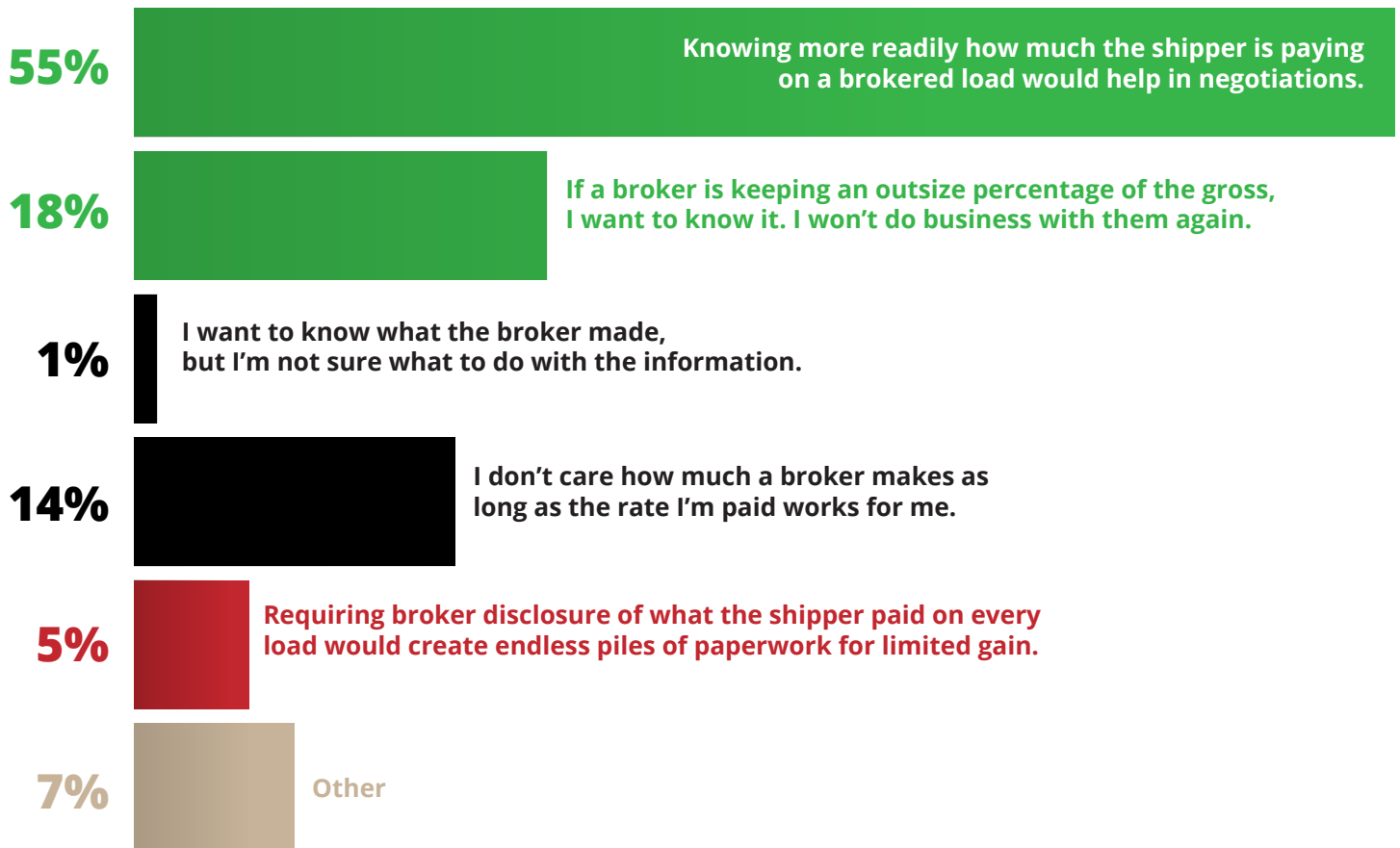
Yet there's a problem: Those rate averages are [reported principally by sizable carriers and brokers](#), the latter the owner-operator's principal rival, or maybe dance partner (depending on your perspective), in load negotiations. Plenty spot haulers keep an eye on average rates, but a heaping helping of that plenty also don't exactly trust they reflect broad market reality. Any successful owner, furthermore, always negotiates rates with their own expenses and profit expectations most high in mind.

That's partly why discussions around the issue of brokered freight "transparency," for lack of a better word, get so heated.

Carriers are entitled to review all records of any brokered transaction to which they are a party -- [an entitlement codified in 49 Code of Federal Regulations 371.3\(c\)](#). That includes all freight charges (what the shipper paid, for instance). Brokers often enough include clauses in their contracts with carriers that prevent them exercising that right, shielding the broker's take of the rate. Some agreements might even attempt to restrict the carrier's ability to communicate about their own rate through nondisclosure clauses, further stifling the possibility of small carriers coming to their own consensus about what's fair for rates.

With the Federal Motor Carrier Safety Administration considering [proposals to require automatic disclosure of brokered-transaction records](#) upon completion of any brokered move, *Overdrive* asked two questions in an online survey format to get a better picture of how small carriers and owner-operators view the transparency issue, likewise how they view the reliability and utility of rate-index data products. 300-plus respondents weighed in over a few weeks in January of 2024.

How owners reported feeling about the broker transparency issue



As shown in the chart, for the outright majority of respondents (55%) the transparency issue comes down to a kitchen-table economic question. Ken Adamo, chief of analytics at DAT Freight & Analytics, load board and provider of average rates data in both spot and contract markets, echoed respondents who felt knowing what the shipper paid would help in negotiations. "Carriers and brokers don't have equal access" to information on what shippers pay, he said.

In other words, when the broker knows exactly how much money is in a load, and the carrier can only guess, more power sits on the broker's side of the table, particularly in a down market. The dynamic gives rise to suspicion in the carrier-broker interaction, nicely summed up in the second-most-chosen response to the question. Almost 1 in 5 respondents viewed access to transaction records as a way to screen out brokers who keep an outside take of the gross.

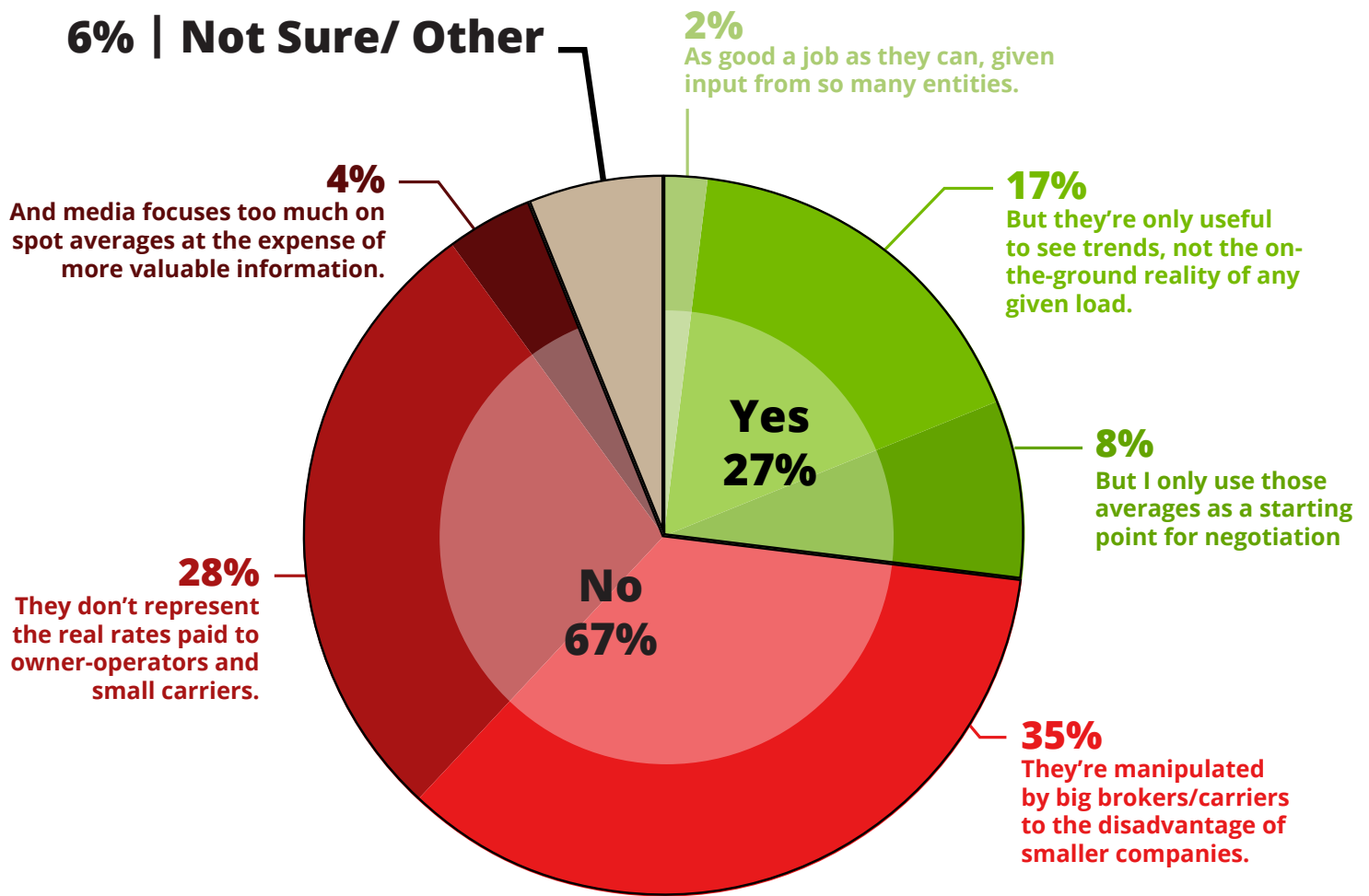
Among the nearly 1 in 10 respondents in the "Other" column, commentary compared brokered freight transactions to real estate deals, where there is full disclosure of

who gets paid what and how much the entire transaction costs. One respondent tried to game out how full transparency would shake out in the spot market: "While transparency is good in many situations, this is not. Imagine what would happen if every large carrier and broker knew all the rates." The commenter felt "rates would be driven down" as low as possible, with a "negative impact on small truck lines and owner-operators."

Yet another proposed a sort of truce between brokers and carriers, imagining a scenario in which brokers were forced to disclose rates from the shipper "upfront" -- notably, that's not what the aforementioned transparency petitions the FMCSA is considering would require. The commenter felt such a scenario would simply lead to more subterfuge on brokers' part, with carriers "right back where they started."

With an enforcement mechanism in place, though, and a "10-20 percent cap" on a broker's margin, it might work, the commenter added, going on to recommend "FMCSA quarterly audits for broker honesty all in exchange" for carriers agreeing not to "take a broker's customers."

Do major spot rate indices do a good job illustrating ups and downs of the market?



The most prominent finding from the rates-indices question's results, shown above, is that fully 35% of respondents outright reject spot rate averages, saying they're manipulated by big brokers and fleets.

Another 28% didn't go for outright "manipulation" ([a recent Overdrive look at the issue found such difficult, if not impossible, to prove](#)), but still dismissed the averages. A small percentage of carriers said these rates, easily searchable and reportable, get too much focus in trucking media, while more valuable information gets left behind.

Even respondents in the "Yes" camp signaled limited utility for rates indices, useful "only to see trends, not the on-the-ground reality" (17%). DAT's Adamo would agree with that, and the spot rate indices are not advertised as foolproof, definitive

or final points for negotiations.

"I only use those averages as a starting point for negotiation," said another 8%, going a step further from the previous group.

As for true believers, small carriers that think spot rate indices do as good a job as they possibly can given the considerable fragmentation and quite actual chaos in the spot market. ... True believers are quite few and far between (2% of respondents).

Comments that came along with this question are colorful and informative, but almost unanimous: Big brokers, especially widely distrusted ones, manipulate the rates, many owners said, and the intense focus on rates too often comes without the necessary context -- considering owners' costs.

In 1906, novelist and journalist Upton Sinclair wrote "The Jungle," which exposed dangerous practices in the meatpacking industry in Chicago as packers there literally worked their fingers to the bone for substandard compensation so that stores around the country could stock meat.

Today, Sinclair might be best known for a quote: "It is difficult to get a man to understand something when his salary depends on his not understanding it."

What might the spot market look like if, instead of average rates per mile, brokers and load boards (and carriers,

for that matter) spent more time and effort analyzing their freight partners' costs, factoring in diesel, insurance, maintenance and other stubborn forms of overhead that only seem to rise as rates fluctuate up and down?

Brokers and carriers are smart people. They understand averages, they understand costs. They both fight hard in negotiations to secure the best rate for their side. Yet when it comes to the spot market today, each side's income depends on understanding their own costs and needs, while ignoring the other's. ■

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