How New Hours of Service Changes Will Impact Carriers

On January fourth a new hours of service rule for truck drivers will become effective. It is imperative that your company learns what potential impact the new rule will have on your bottom line. The transportation cost increase to companies will depend on what mix and types of truckload and less than truckload (LTL) operations you utilize within your supply chain network and what loading/unloading practices you have established.

New Hours of Service Rules

The change that will have the largest impact is the new rule requiring truck drivers to have 14 hours of "on-duty" time followed by ten hours of mandatory rest time before the 14-hour clock is reset for the driver. This will have the most significant impact on the truckload carriers, especially those with the multi-stop and competitive short haul (under 250 mile) moves.

With the current regulations, a driver may log 15 hours on duty, with ten hours being pure driving, and a driver's breaks can extend that window of time after which the driver must log eight cumulative hours of rest. Under the new hours of service rules, a driver may only be on duty for 14 consecutive hours and breaks do not extend the on-duty time. In other words, under the current regulations when a driver is waiting at your dock for 2-4 hours the driver can log that as break time and extend his on duty time. Under the new regulations the idle waiting time is counted towards the driver's on-duty time.

The Impact to Truckload Carriers

To fully grasp the impact to the truckload carriers and ultimately understand why the carriers are going to increase their charges for detention and stop offs, let's look at two examples:

Example 1: A minimum truckload move.

The carrier knows he has to make a minimum amount everyday per tractor/driver and this is the key component to setting his prices. Currently, Everyday is defined as 15 hours on duty and eight hours off-duty. Under the current regulations, if a driver has a four-hour drive with two hours of detention at the pick up and two hours of detention at the delivery, the driver could conceivably make two of these moves a day. On duty hours can be extended because current regulations allow the driver to count portions of the idle time at pick up and delivery as "break time."

Under the new regulations, a driver could only perform 1.5 of these moves per day. Three hours into the second trip the driver would hit his maximum 14 hours of "on-duty" time and must take the mandatory 10-hour cumulative rest. This partial trip lost can have a major impact on the carrier both in terms of lost revenue and the increased cost of having equipment and drivers to cover the demand.

Example 2: A long haul, two stop-off truckload move. As with the example above, a carrier has minimum moves he must do each day in order to cover the cost of the driver and he also must factor in the backhaul demand from the end of the route. In this example, the two stop-off move covers 450 miles and can be picked up at the company's facility in one hour. The first stop is 200 miles out and will take two hours to deliver and the second stop will also take two hours to deliver. The carrier offers a competitive rate because he also has a load 50 miles from the company's last stop to bring back. Assuming an average driving speed of 50 miles per hour, under the current regulations the carrier could pickup the load and make the two stop-offs and pick up the return load in the same move. As was the case in the previous example, the on-duty hours can be extended. Under the new regulations, a driver would have to stop at the second delivery since he has hit his maximum 14 hours "on-duty" time. As you can see in this example, there is not only a cost issue to the carrier, but it has impacted their service because the return load will have to be picked up and moved a day later.

The Impact to LTL Carriers

The effect of the new regulations on the LTL carrier segment should not be as drastic as the truckload sector, however there will be certain operational practices that they will have to address including both their line haul and local terminal operations.

LTL line haul operations The national LTL carriers all follow the same basic model of combining freight from geographic regions at hub locations and running static line haul routes between these hubs on a daily basis. Another one of the new rules will increase in driving time from ten to eleven hours. This may actually benefit some carriers in some instances where they can extend their line haul routes.

The inter-regional portion of their business along with their regional counterparts is where they will have the biggest exposure to increased costs. In these shorter distance line haul routes, the national carriers and their regional competitors implore a variety of line haul practices to move freight on a daily basis. The most common is similar to the first example of the truckload scenario. Carriers currently count on each line haul driver to make a certain amount of moves between terminals every night with any delays being absorbed as "off-duty" time and thus extend the drivers shift. Under the new rules, the carriers are going to have to either adjust their schedules or put stricter internal standards in place that ensure loads are ready at each turn point when the drivers arrive.

Another common practice in these regional operations is referred to as "pick and switch." This is a practice where the driver can drive from an origin terminal to an intermediate terminal and have some of his freight removed and freight from that terminal added to his load before moving onto his ultimate destination. Under the current system if someone else is performing this work, he can count this time as "off-duty" and can perform these moves multiple times during the same tour of duty.

LTL local operations Currently it is common practice in local terminal operations for local drivers to log 12-15 hour days and only complete logs showing 5 or 6 hours on duty. They can log time waiting at pickup and deliveries as off-duty thereby extending their day without violating the on-duty regulation. While the weekly on-duty restrictions prevent five days of this nature repetitively, it does allow for workdays to be in excess of 15 hours. Under the new regulations, 14 hours in any given day will be the maximum allowed regardless of delays at customer's docks.

What You Can Do

Whether or not you have the type of situation that would negatively affect the carrier in terms of these new regulations, chances are you will be in conversations about rate increases as a direct result of these changes in the near future. The best defense to these tactics is a good offense.

First, now would be a good time to revisit your practices and standards in relation to loading and unloading trucks on your receiving and shipping docks. Look for opportunities to eliminate driver wait time. Make sure that any time a driver is waiting around your facility it's not because he knows it's a good place to hide from his dispatcher or because you have the best selection in vending machines for him to get his lunch.

Second, if you currently utilize carrier personnel for palletizing, sorting, counting or any other function, find out the dollar value of that service so when the time comes you can make a realistic cost comparison of paying higher freight rates versus performing the activities with your own staff, temporary or contract labor.

Finally, if you utilize appointment scheduling for your inbound goods deliveries or outbound goods pickups, be aware of your notify to delivery/pickup times and make sure that you are not scheduling further out than needed and that carriers are not extending your day or times for their convenience.

As for finished product delivery to your customers, begin developing a list of those customers that historically delay the arrival of their goods from you. Either in the form of scheduling deliveries too far out or delaying drivers for various sorting, counting, palletizing functions or generally making carriers wait excessively to get unloaded. Know who these customers are and begin working with your sales and marketing departments to educate them on the increased costs that are now going to be assessed because of the delay time.

Final Thoughts

What effect the new hours-of-service rules will have on improved carrier safety or their overall operations is still a matter of debate and only time will tell what the true impacts will be. What we do know is that the carrier community has been hungry for an excuse to raise their rates and these hours-of-service changes will provide them with the ammunition to begin a rate increase process.

You can take steps now to proactively understand if your business will truly impact the carrier in terms of these hours-of-service changes. If it doesn't, you can use that in the rate negotiation process. If it does, begin making changes now and inform them of those changes to limit your exposure.

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