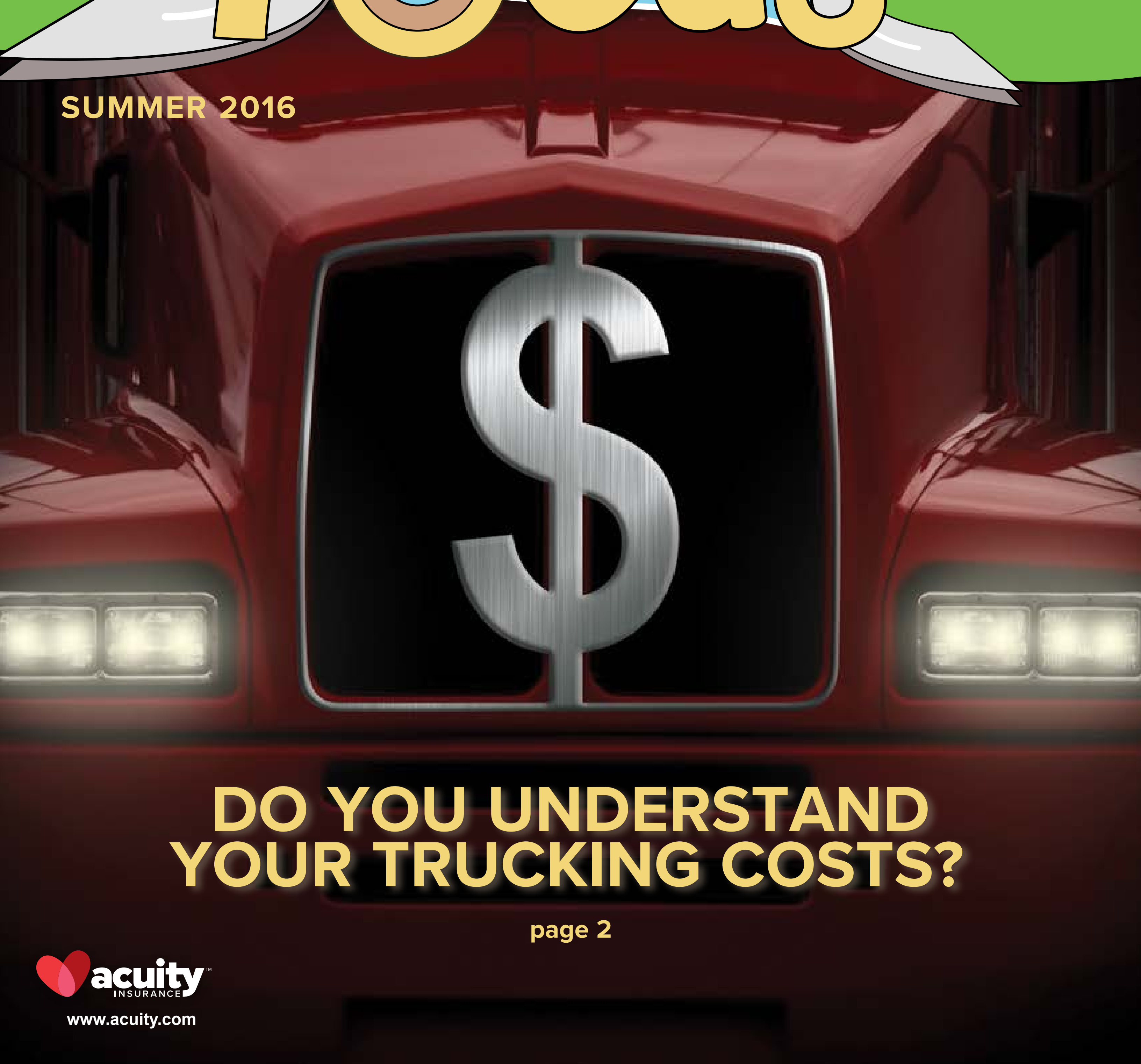
TIMELY TRANSPORTATION NEWS AND INFORMATION FROM ACUITY

Trucker Focus

SUMMER 2016



DO YOU UNDERSTAND YOUR TRUCKING COSTS?

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According to the most recent data from The American Transportation Research Institute (ATRI), the average marginal cost per mile in over-the-road trucking is now $1.70, an increase over the prior year. Despite lower fuel prices, the rise in average operating costs is attributed to a number of other factors, including wage increases caused by the ongoing driver shortage.

Do you understand your company's costs? Understanding how to calculate your costs is critical to success. If you don't, it can be difficult to determine whether the rate you receive from customers in a particular segment or haul is adequate to cover expenses and turn a profit.

Depending on the size of your business, the owner, bookkeeper, or accountant must choose a rate calculation method to use for your particular type of trucking operation. For an over-the-road (OTR) or less-than-load (LTL) carrier, basing a billing rate on cost per mile makes sense. But a dump truck, log hauling, or agricultural operation may wish to use an hourly or per-ton rate.

Determining how to break down your costs is straightforward if you have a few pieces of information on hand. One part of the calculation includes fixed operating costs, variable operating costs, and driver expenses. The other includes the number of miles driven, hours worked, or tons hauled. Be sure you use the same time period (monthly, quarterly, annually, etc.) in calculating items in both parts.

Fixed Operating Costs

These expenses are paid every month, whether or not a truck is being utilized, and include costs such as:

- Truck lease/loan payments
- Bank fees
- Utilities and phone
- Insurance (health, commercial auto, general liability, workers' compensation)
- Accounting/bookkeeping fees
- Property rental
- Parking and permits
- Other services

Variable Operating Costs

These expenses are related to how often trucks travel and include costs such as:

- Fuel and fuel taxes
- Other taxes
- Maintenance, tires, and labor on repairs
- Meals and lodging
- Tolls, scales, permits, and other fees

Driver Expenses

These expenses include:

- Salaries/wages
- Benefits
- Training and other costs

Determine your total expenses and divide by the appropriate measure for your business. For example, if using the cost-per-mile calculation, take your total operating costs and divide by the number of miles driven.

How does your company compare to your competition and the industry average? No matter what products you haul or type of operation you have, you face stiff competition. You need to provide a high level of service at a very competitive cost to maintain customer satisfaction. Factor in the escalating costs of equipment payments, parts, professional drivers, fuel, and other expenses, and it's clear that monitoring your cost ratio is essential.

Whether you're a startup looking to grow your own trucking business or a seasoned veteran keeping an eye on expenses, knowing your costs is critical to your success and longevity in the trucking business. You will have more control over your business, develop objective discussion points with your customers, and achieve a healthier bottom line.

UNDERSTANDING THE DRIVER COERCION RULE

It is important for motor carriers to have a clear understanding of the new driver coercion rule of the Federal Motor Carrier Safety Administration (FMCSA). Understanding the rule helps ensure that you stay compliant. You should also have a written policy that clearly states both your company and your drivers will follow hours-of-service (HOS) rules.

As the new HOS rules created by the FMCSA took shape, some raised concerns that carriers would attempt to coerce drivers into violating those rules by threatening to withhold payment, fire drivers, or other actions. Drivers and others who testified at FMCSA listening sessions and before Congress said that some motor carriers, shippers, receivers, tour guides, and brokers insist that a driver deliver a load or passengers on a schedule that would be impossible to meet without violating the HOS or other regulations. Drivers may also be pressured to operate vehicles with mechanical deficiencies, despite the restrictions imposed by the safety regulations.

To head off these concerns, the FMCSA adopted the Prohibiting Coercion of Commercial Motor Vehicle Drivers (Coercion Rule) in January 2016. The Coercion Rule explicitly prohibits motor carriers, shippers, receivers, and transportation intermediaries from coercing drivers into operating in violation of certain FMCSA regulations, including the drivers' hours-of-service limits, the commercial driver's license (CDL) regulations, the associated drug and alcohol testing rules, HMRs, and some of the Federal Motor Carrier Commercial Regulations (FMCSR). The Coercion Rule allows drivers to report incidents of coercion to FMCSA and authorizes FMCSA to issue penalties against motor carriers, shippers, receivers, or transportation intermediaries that have coerced drivers.

Coercion occurs when a motor carrier, shipper, receiver, or transportation intermediary threatens to withhold work from, take employment action against, or punish a driver for refusing to operate in violation of regulations. Violators of the requirement can be fined up to $16,000 per event. Coercion may be found to have taken place even if a regulation is not ultimately violated.

USE MIRROR CHECK STATIONS TO REDUCE ACCIDENTS

Most accidents happen when backing, turning, or changing lanes—all of which involve the use of mirrors. Correct mirror adjustment is essential to reducing accidents, and using a mirror check station is one of the best ways to achieve proper adjustment. It is also a very effective tool for training new hires in your driver orientation program.

Check stations are easy and inexpensive to set up provided you have access to a concrete or asphalt area of at least 50 by 100 feet. It's best if you can create a permanent station by painting lines on the pavement, but temporary stations can be created with tape.

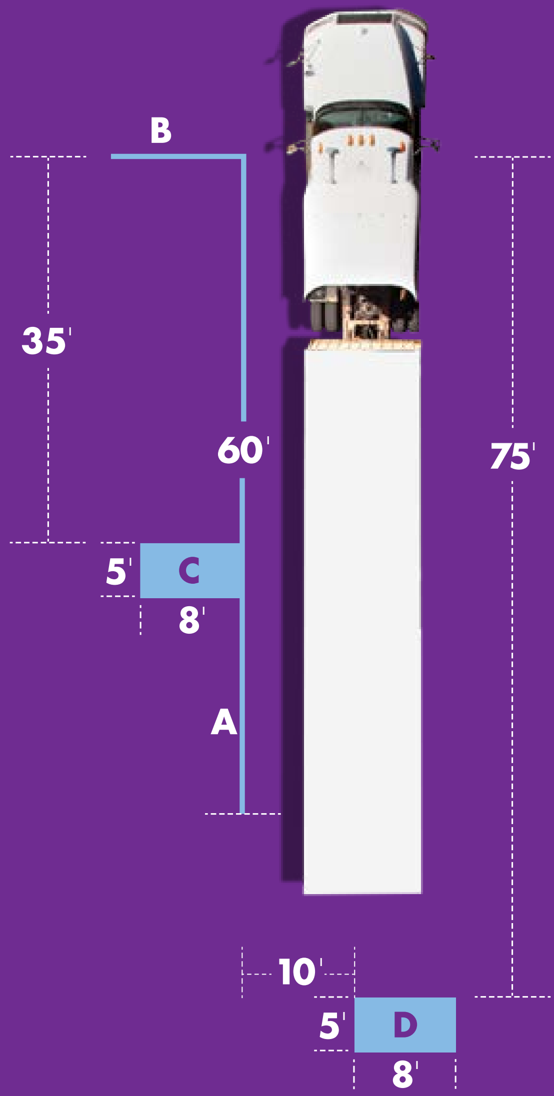
To build the station:

1. Make a straight line (Line A) 60 feet long and approximately 6 inches wide.
2. Make a straight line (Line B) extending from the top of Line A at a 90-degree angle
3. Make a 5- by 8-foot box (Target C) that begins 35 feet below Line B and immediately to the left of Line A.
4. Make a 5- by 8-foot box (Target D) 75 feet below Line B and 10 feet to the right of Line A.

To use the station:

1. Position a tractor parallel to and as close to Line A as possible.
2. Stop the tractor with its side mirror aligned with Line B.
3. Rotate each flat mirror horizontally until the left and right sides of the trailer are visible in the inside edge of the respective mirror.
4. Tilt each flat mirror vertically until Targets C and D, respectively, are visible in the bottom edge of the mirror.
5. Rotate each convex mirror horizontally until the inside edges show the left and right sides of the trailer.
6. Tilt each convex mirror vertically until Targets C and D are visible in the top edges of the mirrors.
7. Adjust the fender-mounted convex mirror so the side of the tractor shows in the inside edge of the mirror and the front tandems show in the upper portion.

It takes a very small investment of materials and time to create a mirror check station, but the investment will pay dividends in the number of reduced accidents. ●



DIESEL TECHNICIAN SHORTAGE LOOMS

The driver shortage may get most of the attention, but there is a shortage of good technicians as well. According to the U.S. Bureau of Labor Statistics, the trucking industry will need to recruit 67,000 new technicians by 2022 just to meet demand and replace retirees. This number does not include the more than 75,000 new diesel engine specialists the agency anticipates will also be needed by that date.

With only about 3,500 diesel and truck technicians entering the field each year, the challenge of finding, training, and keeping qualified people is significant. The trucking industry also competes with other sectors, such as aviation, for mechanics. Additionally, technicians need to be increasingly skilled to deal with the growing complexity of modern vehicle systems.

Keeping qualified technicians with your company will require efforts in several areas:

- **Compensation.** Expect to pay mechanics more if you want them to stay with your company, including offering a solid benefits package. Offer a bonus system for recruiting new technicians.
- **Tools.** With many technicians owning their own tools, consider programs to reimburse them. Be sure tools and equipment you provide are in top condition.
- **Training.** Support ongoing training and certification by paying for and providing time to take courses.
- **Listening.** Be sure to include your technicians as part of the team by asking for their input and listening to their feedback. Include mechanics on management committees. If technicians do leave the company, conduct exit interviews and follow up on any issues.
- **Education.** If there is a technical college in your area, reach out to build ties with their diesel mechanic program by donating equipment, providing facility tours, and creating internships.

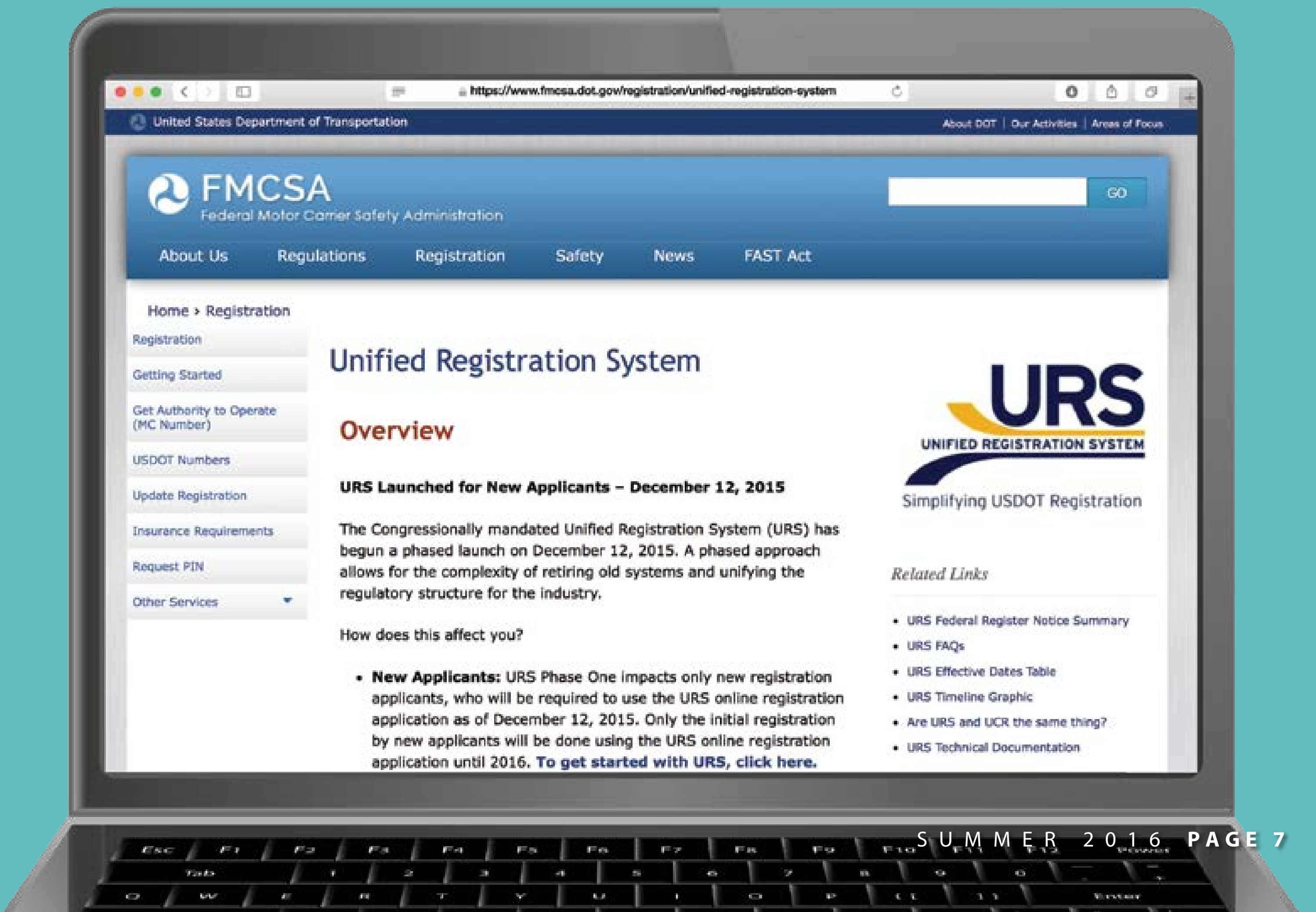
UNIFIED REGISTRATION

The Federal Motor Carrier Safety Administration's (FMCSA) latest phase of changes to the Unified Registration System (URS) will require motor carriers having or applying for their operating authority to use online registration. If a motor carrier currently has an MC number, be aware that the MC number will be discontinued from use, relying only on the DOT number. The system also maintains records of insurance filings and BOC-3 requirements.

URS applies to all motor carriers required to have operating authority, including private and for-hire passenger and property motor carriers, freight forwarders, brokers, intermodal equipment providers (IEPs), hazardous materials safety permit (HMSP) applicants/holders, and cargo tank manufacturing and repair facilities under regulation by the FMCSA, except Mexican-domiciled carriers conducting long-haul operations. This includes carriers who haul only their own goods and products across state lines and carriers transporting interstate goods even if their own vehicles do not leave the state.

New applicants have been using URS since December 2015. New applicants include entities that do not have and have never had an active USDOT, MC, MX, or FF number and that are applying for USDOT numbers and/or operating authority. For motor carriers already registered, the new system applies to registration-related transactions made after September 30. All interstate carriers must have filings in place with the URS system after December 31, 2016.

For additional information on this topic, please visit **fmcsa.dot.gov.**



Acuity Insurance
2800 South Taylor Drive
Sheboygan WI 53081

T: 800.242.7666
F: 920.458.1618

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