

Today's Trucking Regulations' Economic Impact on Industry — Electronic Logging Devices



Author

Allan Welch
corporate transportation manager,
Olympic Steel Inc., Bedford Heights,
Ohio, USA
allan.welch@olysteel.com

Newly implemented federal electronic logging device regulations will reduce daily productivity of drivers, increase freight costs and reduce the current commercial driver pool, as many drivers can no longer operate profitably. This paper will discuss what shippers should include in their logistics strategic and tactical planning; the effects it will have on other parts of the supply chain, including rail, barge, ocean, warehousing and distribution centers; Federal Motor Carrier Safety Administration and U.S. Department of Transportation regulatory compliance; and the impact on freight costing and shipping capacity. This new regulation will have an impact on production scheduling, raw material purchasing, sales and the ability to meet customer delivery demands.

Nearly 70% of the freight shipped throughout the U.S. travels by truck at some point in its journey. According to the American Trucking Associations (ATA), goods hauled by truck are expected to grow at a 3% rate per year over the next five years. Beginning in 2017, the growth was expected to be 2.8%, increasing to 3.4% in 2018 and remaining at that level through 2023.¹

Electronic Logging Devices (ELDs) — ELDs were mandated by Congress as part of the larger rule making MAP-21 regulations. The implementation and compliance date was 18 December 2017. An ELD measures and records the Hours of

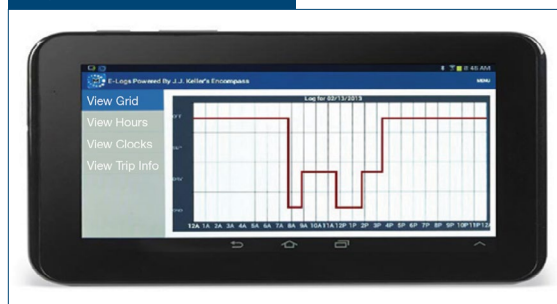
Service (HOS) that a driver operates daily, weekly and monthly.

E-Logs and Mileage: Lanes that fall into the 450- to 600-mile bucket could turn into two-day transit hauls instead of one because of HOS enforcement. Similarly, 900- to 1,200-mile lanes could turn from two-day to three-day hauls, etc. Keeping in mind the time it takes to load and unload shipments, not just the time spent in transit, many lanes will need to be reworked. Shippers will need to adjust pickup/delivery windows, taking driver breaks into account. Fleets that already have some kind of electronic logging technology will have until December 2019 to ensure compliance.²

Increase in Safety

The Alliance for Driver Safety and Security, a.k.a. the Trucking Alliance: The coalition contends the rule will improve road safety by reducing driver fatigue. Opponents of the ELD mandate may object to the intrusion on daily activities, but Steve Williams, founder and president of the

Figure 1



Electronic logging device (ELD).

Trucking Alliance, stated that operating commercial trucks on U.S. highways carries with it a moral and ethical responsibility to operate as safely as possible.

The group also expects ELDs to improve the working environment for truckers, forcing an improvement to supply chain efficiency from shippers, receivers, brokers and others — rather than forcing drivers to adjust their logbooks to make it all work.

“The nation’s supply chain shouldn’t place its inefficiencies on the backs of our nation’s truck drivers,” said Williams. “We’ll finally have the information needed to improve the quality of the driving experience for commercial truck drivers. Installing ELDs in commercial trucks will improve the lifestyle and pay scale of our nation’s commercial drivers and play an important role in reducing large truck crashes on our nation’s highways,” Williams continued.

“Congress mandated ELDs in 2012, as part of MAP-21, and the Trump administration could have delayed the requirement, pending a congressional repeal, but we have President Trump and his administration to thank for supporting public safety above anything else.”³

Financial Impact — The Federal Motor Carrier Safety Administration (FMCSA) estimates an annual savings of US\$700/year on average through a reduction in 20 man-hours required to manage paper logs and a 15% vehicle downtime reduction versus the old method. It is estimated that there will be a 5% reduction in preventable crashes and a 12% reduction in all crash rates by forcing drivers to take mandatory rest breaks.

ELD Cost to the Industry: The FMCSA believes the total annual cost of ELD adoption will be US\$975 million, which includes all equipment for carriers and commercial truck inspectors, as well as inspector and driver training. To be fair to the business changes that may result from compliance with the ELD mandate, another US\$604 million was budgeted for “extra drivers and commercial motor vehicles needed to ensure that no driver exceeds HOS limits.” The ELD on average costs about US\$500 per vehicle. There is also a US\$30 monthly ELD subscription.

Impact on Shipping Productivity — Numerous reports have emerged that claim quite the opposite from the FMCSA. John Larkin, managing director of Transportation Capital Markets Research, estimates the trucking industry will actually lose between 3% and 5% of its overall productivity once the federal regulations for ELDs go into full effect. He adds that small carriers will be most negatively affected, losing an estimated 6% to 10% of overall productivity.⁴

Many drivers are not comfortable with ELDs because of concerns regarding privacy and other issues, and some will leave the industry as a result. According to a high-ranking member of the ATA, the trucking

Figure 2



Hours of Service display on an ELD.

industry is currently short by 30,000 to 35,000 drivers and is only projected to get worse. By 2022, there may be a driver shortage of 245,000. Many predict the ELD mandate will create a capacity shortage equivalent to about 200,000 to 300,000 trucks. While this estimate may be high, an impact on the industry is a certainty.⁵

Conclusion

Financial Impact on Freight Costs — Reduction in capacity is expected to drive up shipping costs by at least 10%, particularly when combined with other regulations that are pending. Most carriers that have implemented ELDs have reported productivity decreases of approximately 15% with fewer miles driven per day. The maximum impact on truckload rates will have occurred in 2018 and will have a lasting effect for two or three years afterward. Load-to-truck ratio imbalance may increase 30–60%. As a result, expect a 5–15% increase in spot rates as well as the re-benchmarking of the industry.⁶

References

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