

DARYL FLOOD
DEPENDABLE

CORPORATE RELOCATION



TRANSPORTATION INDUSTRY UPDATES

DARYL FLOOD
relocation & logistics

www.daryl-flood.com

Summer 2014 Corporate Relocation Whitebook

CSA

(Compliance, Safety, Accountability)

Current Situation

Compliance, Safety, Accountability (CSA) is a Federal Motor Carrier Safety Administration (FMCSA) initiative set to improve large truck and bus safety while ultimately reducing crashes, injuries, and fatalities that are related to commercial motor vehicles. Rolled out in December 2010, the program established a new nationwide system for making the roads safer for motor carriers and the public.

The CSA program measures all trucking organizations on six (6) main criteria: Driver Fitness, Vehicle Maintenance, Drug & Alcohol Testing, Crash Indicators, HAZMAT (not applicable for household goods) and Hours of Service. These CSA regulations are closely scrutinized with threats of significant fines and penalties, causing household goods carriers to make significant investments and changes to their safety initiatives to remain in compliance. These changes will come at an added cost to the van operator, the carrier and most likely to customers.



Daryl Flood Dependable Solution

At Daryl Flood, we support the Federal Motor Carrier Safety Administration's Compliance, Safety and Accountability (CSA) initiative; making highway safety a #1 priority. The Daryl Flood Safety Department has quadrupled in the past two years with increased staff, knowledge and experience. Since 2013, our company has more than doubled its investment in safety and compliance. While accident rates are low, and consistent performance places us in the Top 10% of carriers in our size category, we can never rest in improving the safety of our teams. The steps that Daryl Flood is taking to remain in compliance will ensure that our fleet operates in a safe manner, without exposing our clients to unnecessary costs. Our ultimate goal is to achieve excellence in safety by building a compliant fleet that reduces risks, liability and discouraging outcomes for our business and clients.

DRIVER SHORTAGE

Current Situation

A study conducted by the U.S. Bureau of Labor and Statistics in 2013, found that the number of van operators employed nationwide continues to decline. This shortage is primarily attributed to the widening gap between average US wages and average Van Operator wages. Over the past 12 years, the average US wage has increased 34.6 percent, while the average van operator wage only increased by 19.8 percent. Combined with

the toughened regulations on van operators and the rise in equipment costs, the wage disparity has resulted in a steep decline in the number of household goods van operators in recent years. Since 2010, the turnover rate of large truckload carriers has risen to 39 percent. In short, our industry will continue to see a reduction in household goods van operators. Unfortunately, the profession of performing household goods relocations is becoming less desirable to van operators. Hours of Service Regulations, CSA Compliance, rising equipment costs, increased cost of insurance and healthcare, and the need to invest in new technology all make it very difficult to recruit and retain household good van operators. The continued decrease in van operators will result in more pressure and strain on the industry in the peak season, it may result in reduced flexibility and longer transit times and as demand surpasses the supply the cost of the service will rise.



Daryl Flood Dependable Solution

The Daryl Flood team is continually analyzing the demand of our fleet. We're constantly looking for ways to maximize efficiencies within our network of providers to minimize the effect that driver shortage has on our clients and customers. Daryl Flood will continue to recruit the highest quality van operators in the household goods industry. We are fortunate to serve many wonderful clients that allow our business to grow so that we can recruit and retain quality drivers. Although the industry turnover rate for van operators is nearing 40 percent, the Daryl Flood turnover rates remains below 10 percent annually. We will continue to analyze this situation across the industry and make appropriate adjustments to service our clients and their transferees with the "best of the best" in our industry.

HOS

(Hours of Service) Regulations

Current Situation

As of July 1, 2013 the Federal Motor Carrier Safety Administration (FMCSA) sought to reduce the number of accidents and injuries on US highways by updating its regulations on the trucking industry to minimize driver fatigue. Specifically, the FMCSA changed its Hours of Service terms by lowering the average maximum work week for drivers by 15%, from 82 hours to 70 hours per week. This poses unique challenges for household goods carriers as these regulations are enforced as a "one size fits all" approach, affecting the entire trucking industry that is large and diverse. Since many household goods carriers are "irregular route" carriers (operating without specific scheduled origin and destination points) and the fact that van operators have to be "on duty" to load and unload their vans, make these regulations compounded.



Since its inception, it is estimated that the new Hours of Service regulations have decreased the production of household goods van operators by as much as 18%. The decrease in productivity is resulting in an overall decrease of income to the van operator, as well as increased cost and van capacity for household goods carriers. Van operators simply are not going to be able to be "on duty" for as many hours per day and per week and therefore will be classified as "off duty" and not available for service. These HOS regulations are going to reduce available van capacity and availability. Secondly, because the number of hours that a driver can operate a commercial vehicle are reduced, clients and transferees may experience longer transit times and an increase in delivery day options. This may result in rise indirect household goods relocation costs such as per diem, temporary housing, car rental, etc.

Daryl Flood Dependable Solution

Daryl Flood will require that Electronic Logging Devices (ELD's) be installed in all over the road vehicles by the end of 2015. This is a significant investment for Daryl Flood, but a necessary measure to prevent driver fatigue. Installing these devices will ensure that our fleet is in full compliance with hours-of-service regulations and FMCSA documentation requirements. ELD's provide real time calculations to help drivers monitor their available hours-of-service and operate their equipment safely within Federal regulations. We will closely monitor our driver's activity on a daily basis in order to maximize the productivity, efficiency and van capacity of our entire fleet.

CARB

Current Situation

The State of California and the California Environmental Protection Agency in conjunction with the California Air Resources Board (CARB) have passed a law in the state of California that regulates trucks and buses that operate in California to be upgraded to reduce emissions. Current exemptions to this law expire July 1, 2014. After that time, all tractors must be CARB compliant, with tractors newer than 2007 or those that have an emissions filter installed, to operate in or enter California. Penalties for non-CARB compliant tractors include severe fines and potential impoundment of the vehicle.

The average installation of an emissions filter is \$15,000 per unit. 44% of the trucks that operate in the state of California are older than 2007. Van operators that relocate families in to and out of California with a tractor older than 2007, are faced with a tough decision. They can install a filter on their tractor, purchase a newer tractor to be compliant with the law, or simply choose not to enter the state of California. Due to the increased cost of equipment upgrades, it is likely that the number of van operators delivering household goods shipments to and from the state of California will be significantly reduced, this season. We also expect that with the increased cost to the industry, clients will be asked to absorb at least a portion of those costs on shipments going to or leaving California. Service and cost will be affected, to what degree is still to be determined.

Daryl Flood Dependable Solution

Our goal is to maximize CARB compliance within the Daryl Flood fleet in order to service as many transferees in the state of California. The Daryl Flood Fleet and Safety team have been working hard with our van operators to assess each individual situation with the van operator. Because of the cost of the filter and the current economic situation, many van operators have chosen to purchase newer tractors to meet CARB regulations. In all, it is estimated that 15% of the Daryl Flood fleet is utilized to deliver shipments in and out of California, on an annual basis. As of May 1, 2014, 40% percent of the Daryl Flood pack, load and haul fleet are CARB compliant.



**REDUCE
EMISSIONS
AHEAD**