White Paper Reveals Key to Trucking Industry Profits Under New 'Hours-of-Service' Rules

The Department of Transportation's new 'hours-of-service' rules require adjustments by carriers, shippers to limit increase in shipping costs. This white paper shows long-haul carriers how to stay profitable under the new rules.

Columbus, OH (PRWEB) January 2, 2004 -- As the clock ticks down to January 4, when the Department of Transportation's new 'hours-of-service' rules go into effect, long-haul carriers are bracing for impact.

Although designed to improve highway safety by reducing fatigue-related crashes, the rules are expected to drive up carrier costs and, as a result, increase shipping costs.

"To operate under the new rules, truckers must know and document their costs and make more efficient use of drivers and equipment," said Duff Swain, president of transportation consultants the TRINCON GROUP and author of a white paper that shows truckers how to profit under the new rules.

In the white paper, Swain offers a comprehensive solution to the 'hours-of-service' problems that will force more carriers to consolidate or go out of business. He outlines options for increasing productivity, such as decreasing loading and waiting time and using drop-and-hook operations.

Swain wrote the white paper based on an activity based cost-accounting system that he has used to improve profits for trucking industry clients since 1982. The document may be downloaded from the TRINCON Web site, www.trincongroup.com, beginning Jan. 5, 2004. Advance copies are available via e-mail from pr@greencrest.com.

The stakes are high. According to a DOT press release, a one-percent change in shipping costs has a $98 billion impact on the economy.

"Truckers must also educate shippers about how their actions affect costs," Swain added. "Since loading and waiting time count as on-duty time for drivers, shippers cannot use drivers for loading or leave trucks sitting idle while they assemble loads. A one-hour delay could erase the profits of a 1,000-mile trip."

Noting that shippers have indicated they won't accept across-the-board rate increases based on the new rules, Swain said, "Carriers can't wait for shippers to begin discussing rate increases. They must carry the ball and begin negotiating with shippers based on accurate cost data."

The paper outlines how different driving scenarios affect variable costs. Reducing waiting time and adding additional trailers for "drop and hook" operations can significantly cut the cost per mile of a typical trip.

"In a capital-intensive industry like trucking, it is imperative to make efficient use of equipment," he said. "Accelerated depreciation allows a carrier to write off trucks over three years. The average truck has a warranty life of 700,000 miles and a useful life of 1 million miles. To maximize profitability, carriers should find ways to drive trucks at least 700,000 miles in three years. You cannot do that with a one-driver-per-truck operating philosophy."

He noted that an average driver turnover of 100 percent each year continued to aggravate a shortage of licensed truck drivers. "The new rules make efficient use of labor even more critical," he said.

"Carriers must get a handle on their costs of operation if they are to successfully adapt to industry changes."

The TRINCON GROUP is a business advisory company that provides strategies, planning and implementation services to the ownership and top management of corporations in the transportation industry. President Duff Swain has more than 30 years of industry experience. Since 1982, TRINCON GROUP helped owners and top management of long-haul carriers profit and respond to market pressures. TRINCON GROUP is a division of Transition Solutions, Inc. For more information, visit the company's Web site, www.trincongroup.com.

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