AmWINS Group, Inc.

CLIENT ADVISORY

8 AREAS IN WHICH THE ELECTRONIC LOGGING MANDATE WILL IMPACT TRUCKING

The Federal Motor Carrier Safety Administration (FMCSA) mandate which requires nearly all U.S. truck operators to use electronic logging devices (ELDs) to track duty status has been upheld in court, meaning that the agency's 516-page rule will take effect December 16, 2017. The mandate will impact not just the trucking industry, but the trucking insurance sector as well. Agents should be aware of several areas of impact to best advise and serve their trucking clients.

Hiring. The ELD mandate was put in place largely to help ensure that drivers are not being asked to operate beyond Hours of Service (HoS) that the FMCSA deems as safe. The rule makes it illegal for carriers to use the devices to harass drivers and puts in place fines if carriers do so. However, there will be many drivers who are not comfortable with ELDs because of concerns regarding privacy and other issues, and some will leave the industry as a result. Considering there is already a driver shortage, this will exacerbate the problem.

Compliance costs. Complying with the mandate carries a cost of investment for those companies that have not already implemented ELDs. The average cost of a basic device is estimated at $40 per vehicle per month. Costs increase as the number of safety features—lane deviation, front and rear facing cameras, yaw and pitch tracking, and so on—are included. $480 a year may not seem like much, but margins in the industry are already tight.

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Operational costs. The impact of ELDs on operational costs is mixed. In general, automating a paper-based process produces cost savings. However, although drivers will no longer be required to keep and maintain paper logs, they will still be required to maintain supporting documentation that they submit to their employer or keep on file, so any process-improvement savings may be offset. Also, since the most frequent SMS (Safety Management System) violations are "form and manner" problems and logs not being kept current—both of which are generally caused by human error—carriers that eliminate those violations through ELDs will see operational benefits.

Capacity and productivity. Since some carriers, particularly smaller operations that may fly under regulatory radar, are not fully complying with HoS, expect to see those experience a drop in driver productivity. Todd Amen of the American Truck Business Services (ATBS) predicts the 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 likely.

Shipping costs. Reduction in capacity is expected to drive up shipping costs, particularly when combined with other regulations that are pending. The ATBS expects costs to jump at least 10%.

Insurance premiums. Improved compliance and driver/vehicle monitoring brought about by the implementation of ELDs should translate into safer roadways, fewer accidents, and lower insurance premiums. Electronic logging may also reduce or eliminate one avenue for tort claims in which plaintiffs allege that drivers were operating outside HoS limits, leading to fatigue.

Used truck prices. Because the mandate includes a waiver for trucks older than the year 2000, expect the resale market for those trucks to skyrocket as some carriers try to use that loophole to avoid compliance. However, this strategy as a cost-savings measure is unsustainable for the long term and is ultimately shortsighted because older equipment carriers higher maintenance costs and lower fuel efficiency.

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Insurance underwriting. Underwriters judge companies against their peers. Carriers that have adopted ELDs in general have better SMS scores than those that have not. Standard use of ELDs across the industry should help level the field. Retail agents should counsel their trucking customers who have not adopted ELDs to get on board before the 2017 deadline because late adopters will be at an increasing disadvantage over those that have. Additionally, ELDs generate information, and carriers that invest in more fully-featured devices with greater reporting capabilities can use this information to gain more favorable insurance terms and pricing from underwriters.

As the industry moves closer to the 2017 deadline, retail agents can expect to receive questions from carriers that have not yet made the investment in ELDs. Agents can differentiate themselves in the marketplace by being informed on the impacts of the mandate. Additionally, they can seize the opportunity by being proactive and reaching out to trucking clients to provide counsel on ELDs and their impact on insurance and other costs.

A full version of the final rule is available on fmcsa.dot.gov.

This article was authored by Liam Hutelmyer, Vice President of Underwriting and Operations for AmWINS Transportation Underwriters.