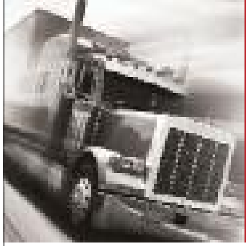

guest**editorial**

BY ADAM DOSS & SHELDON DOSS

CALIFORNIA'S IMPENDING CAPACITY CRUNCH

Capacity is a hot topic for the nation's trucking industry. From an onslaught of regulations the last two years to a shrinking pool of older drivers, one would think trucking has enough pressure to maintain profits. In addition, California, a state that has been slow to recover from the recession, has made the situation for itself and its neighbors substantially worse.

The biggest threat to West Coast capacity is a result of the California Air Resources Board's aim to clean up the air quality through enforcement of emissions from diesel truck engines. The rule was passed more than seven years ago, but statewide enforcement did not begin until 2011. According to a November 2011 report from CalHEAT Research, 54 percent of Class 8 trucks on the road in California were older than year 2000 models. Furthermore, through vetting our own carriers, we have found that more than 60 percent of them with less than 10 trucks and single truck owner-operators have no plans to adhere to the rules and don't have the revenue to meet these deadlines.

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California's regulations

CARB oversees the enactment and enforcement of Assembly Bill 32, which applies to all privately and federally owned diesel trucks and buses that operate in California. Enforcement of the regulation began in 2011 and is being phased in annually through 2014. This rule is a product of the U.S. Environmental Protection Agency mandating that California clean up the air or lose funding from the Department of Transportation. Three years ago, the rule was enacted on all of California's ports, and last year it was rolled out to the rest of the state. If an engine fails to comply with the timeline, there are only three options: sell the vehicle out of state, retrofit the engine for an approximate cost of $15,000 or replace it with a more expensive truck that is a year 2008 model or newer.

For carriers not based in California, unqualified vehicles may get a three-day pass once per year if the trucks don't meet specifications. Carriers in the state who do not meet the requirements face a maximum penalty of $10,000 per day, per truck. The rule also has language to include fining brokers and shippers for not using CARB-compliant carriers.

Owner-operators are not insulated from the regulation. They have 16 months before they are forced to buy or retrofit to cleaner equipment. This will create a capacity issue in California that might expand throughout the entire West Coast. Facing the current economic uncertainty, do the smaller fleets buy new trucks that are more expensive or operate as usual, putting the shipper at risk of fines?

Beyond California, in addition to the engine requirements, other federal regulations will not help the capacity issue. A regulatory measurement system called CSA (compliance, safety and accountability), which was rolled out to better use statistics of violations and crashes, has allowed the DOT to inspect unsafe carriers and owner-operators with greater accuracy. And mandatory electronic onboard computers for all commercial vehicles are making headwinds in the DOT.

What can you do?

From a shipping standpoint, the future of rate pricing looks unfair, regardless of the economy. In the less-than-truckload shipping sector, we have seen the large common carriers increase rates an average of more than 5 percent, year over year. Our company, Doss Logistics, an LTL flatbed provider based in California, has been able to keep rate increases substantially lower than the national average during that same time period by working closely with our customer base to offset larger increases in exchange for greater volumes of freight and dedicated lanes. With the programs we have created and new services that allow better transit times to truckloads with stops, our LTL and partial freight network sends orders throughout the West Coast and its neighbors.

In the next 16 months, AB 32 will be fully enforced in California. If shippers and distributors take the time to build relationships with West Coast carrier vendors and understand the issues they face, together they will be able to lessen the impact. Shippers on the West Coast need to start vetting their smaller carriers and owner-operators to be sure they are compliant and at least have a plan or face the possibility of much higher pricing when California lowers the hammer. ■

Adam Doss & Sheldon Doss are co-owners of Doss Logistics (www.dosslogistics.com). They oversee a large asset-based fleet, 3PL, brokerage and logistics company, headquartered in California. The companies specialize in flatbed LTL and truckloads on the West Coast.