

# Connections

TECHNOLOGY

SAFETY

COMMUNICATIONS

EQUIPMENT



DEDICATION

INGENUITY

EXPERIENCE

## The Cost of Delays

**With increased border clearance times, delays at customer docks, and the impending shorter work-hours legislation coming into effect in 2004, drivers are frustrated – and they are leaving the industry**

"It's going to take a cooperative effort from everyone to improve efficiency," says Enno Jakobson, Vice President of Risk Management, Challenger Motor Freight.

Despite FAST accreditation, drivers have seen waiting times at the border steadily increase over the past year. The additional burden of the new Hours of Service legislation taking effect in the United States on January 4, 2004 and the looming Canadian Hours of Work proposal is expected to have a further impact on long haul drivers' earning potential. The following changes in US legislation will be implemented:

- On the positive side, allowed driving time is being increased from 10 hours to 11 hours
- Negatively, off duty time is being increased from 8 hours to 10 hours, which must be taken in 2 intervals of no fewer than 2 hours each
- Total work time is decreasing from 15 hours to 14 hours

Challenger supports the spirit of the legislation and has to date been the only Canadian participant in the joint Fatigue

Management Pilot with Transport Canada and the Federal Highway Motor Carrier Safety Administration. We also recognize there will be an unintentional reduction in productivity in some areas of our business when compared with the current legislation. Areas of concern are these:

- Excessive time loading and unloading
- Manual Customs clearances
- Multiple pick-ups and deliveries

The issue here is the 10 hours of "off duty" time, which must be taken in two increments of two hours minimum. This means that a two-hour wait at the border or dock can be logged as "off duty" but the next break must be a minimum of eight hours to meet the regulated 10 hours. This time-split is significant for drivers with multiple deliveries or international shipments, where loading time and possibly two border crossings have used-up the minimum two-hour rest time. Subsequent blocks of non-driving time under eight hours are completely lost.

Driver productivity will be negatively affected in these cases. Unfortunately, the driver's pay cheque will be equally affected because drivers will no longer

be able to generate the distances they previously had. This happens at a time when drivers and owner operators deserve an increase in their rates.

Given the existing lifestyle compromises, regulations, and customs registration requirements for the drivers, coupled with the potential for reduced earnings, it is not unreasonable to expect an increased exodus of drivers from this industry. Our challenge will be to recruit and retain qualified drivers. We are presently looking at the impact the new legislation will have on some of our existing routes and where decreased efficiency is found. Rates for these lanes will have to be adjusted.

"The volume of business is increasing. The supply of qualified drivers is decreasing, and the number of viable carriers is also on the decline – so capacity is also going to be a real issue," Enno adds. "We're in for some interesting times. Everyone needs to keep these changes in mind to minimize the amount of non-driving activity a driver is involved in when handling shipments. Together we can work on mitigating the financial impact this will have on all of us."



# The Importance of Managing Capacity

by Mike Bradey, Director of Sales & Marketing

It is no secret that available capacity in the trucking industry is virtually non-existent these days, and that many factors have, in the past year, been instrumental in leading to this situation. Challenger addresses and acts-upon every issue, such as the five that follow, to ensure our customers remain confident in our service level.

- Lack of qualified drivers – Background screening requirements for drivers crossing the Canada–US border (FAST, CT-PAT, CSA), as well as new regulations for drivers hauling haz-mat product, have made it more difficult for operators to find enough capable drivers. Challenger remains not only committed to these initiatives but on the leading edge with a significant number of our driving professionals already approved in these programs. Other carriers who are unable to fully comply with these directives will experience additional border crossing delays, potentially jeopardizing on-time delivery and having an impact on their overall efficiency.
- New hours of service regulations – By complying with the new mandate that goes into effect in the US on January 4, 2004, many carriers – depending on the length of the haul and the time required for loading and unloading – will be forced into hiring additional drivers from the already shrinking driver pool to handle the same freight volumes that they do today.
- New truck purchases – Many buyers and fleet managers have put new tractor purchases on hold over concerns about the additional cost, performance, and overall reliability of the low emission engines built during the last year. Challenger remains committed to working with its supplier partners and has consistently purchased new trucks during this time frame allowing us to keep our fleet average age of trucks at less-than three years. This responsible approach to purchasing allows us to continue providing reliable on-time service to you, our valued customers.
- Increased insurance premiums – Significant increases have put some carriers out of business while levying a huge burden on many others. To continue operating, many fleets have had to significantly reduce their levels of coverage and to increase their deductible. Challenger's safety record, due in no small part to our in-house training programs, has allowed us to continue to provide a high level of coverage for our clients.
- Challenger Logistics – While recent capacity issues have caught many carriers off-guard, the tremendous growth of our in-house 3PL division has allowed Challenger to continue to focus its asset base in the most productive way possible and at the same time provide our customers with solid options on lane opportunities that may have had an impact on our operating efficiencies.

Despite the increasing number of obstacles in delivering reliable capacity levels to the industry - Challenger has maintained its ability to provide many service options for our customers, and we will continue to keep these issues at the forefront of our objectives in the future.

***“There has never been a more critical time for carriers and clients to work together in a harmonious partnership so that we may understand and address each other’s needs.”***

## Blackout 2003... Business as Usual

While much of the eastern seaboard came to a halt this August during North America's worst power blackout, Challenger's systems ran uninterrupted. Schedules, deliveries, the safety of our drivers, and the timely delivery of our freight was the overriding priority both during and after the crisis stage.

“It was a lot less chaotic than you might expect,” said Brad Bebbington, Director of Operations for Challenger Motor Freight. “I saw the lights flicker, and that was about it. We have a power generator that kicks-in immediately. Basically everything on the operations floor is hooked-up, including the phones, so we didn't notice a thing.”

Challenger's Information Systems Director, Eveline Gaede, explained the extent of the powerful emergency systems they have in place. “The computers, along with essential services, are attached to a UPS (uninterrupted power supply battery) that filters the raw electrical current coming from the generator and keeps us going as long as we need it.”

Though Challenger was in no danger of down-time, once the magnitude of the blackout was realized, they immediately reviewed the schedules of their en route trucks and destinations. “We phoned our drivers and any customers who could answer. In some cases we delayed the freight near its

destination until power was restored, in others we stopped the truck before it got too far out,” Brad said. “The drivers had plenty of fuel on board, even at 600-mile distances – but with no power the receivers couldn't off-load. In many cases, especially for US customers, we rescheduled or expedited shipments for Monday delivery to ensure manufacturing didn't stop. Most of the US eastern seaboard had already been shut-down for two days.”

Eveline relates a similar instance where Challenger pitched-in to help. “One interesting story comes from our Internet service provider,” she said. “They know that the Internet and e-mail is a business-critical

# Letter From Dan



In a year when the trucking industry has been subjected to more obstacles than ever before, many carriers are looking to 2004 for relief. The future holds little respite. While SARS, mad cow disease, and changing border-crossing issues with FAST have already put the industry into turmoil – new obstacles, such as the decreasing US dollar and proposed new hours of service can only aggravate ongoing conditions.

The significance of the strengthening Canadian dollar on our trucking industry cannot be underestimated, especially by those who do cross-border business, those who pay, or those who are paid in US dollars. Profit margins are being decimated by the exchange value, and Canadian exports have become less competitive. In addition, we are already in our third year of escalating insurance costs with only three or four

companies left willing to write policies for carriers. Subsequently, rates continue to rise.

I have just returned from the American Trucking Association annual meeting in San Antonio and their thoughts for the coming year reiterate my own. Supply will be tight, and demand high. But the traditional supply tightness that we see every fall will carry through to next year in a much more significant way.

While this year's market for new trucks has dropped to 145,000, the industry requires a yearly 175,000 just to keep up with replacement numbers. The forecasted 200,000 production run for next year provides a slim 15% allowance to cover the backlog, meaning we will see a deficit of trucks for carriers who have waited too long for replacements.

The new Hours of Service legislation, many think, could result in a loss of productivity of 3% to 19%, having the obvious effect on increasing rates and driver recruitment.

Because of all this, the landscape we have this year will be nowhere near the same one we have next year. Among all the issues in the months ahead, we can expect a dramatic shift and change of players as they face these challenges and adapt to them or fail. As you read through this issue of Connections, you will gain a fuller appreciation for the limitations placed on our industry and how Challenger rises to meet them.

Thank you for your continued support in 2003, and I look forward to working with you in the years ahead.

A handwritten signature in black ink, appearing to read "Dan Einwechter". The signature is fluid and cursive, written over a white background.

Dan Einwechter

service for us – and that we depend on them as a provider to cover our requirements in an emergency. The funny thing was that in this emergency they had to call us to ask if we could give them diesel fuel for their generator. They had always assumed that if they ever ran out, someone within a hundred-mile radius could sell them more. Not so this time!"

In every case, Challenger was ready and waiting to deliver our customers' freight.



# Technology – Customization – and Wayne Scott

An innovative team



Challenger is pleased to introduce Wayne Scott as our new Director of Maintenance. Wayne, a twenty-year veteran of the trucking industry, is a licensed mechanic with a highly respected background as a district service manager and corporate trainer for Freightliner Corporation. Along with assuming responsibility for the maintenance of the Ontario and Québec Challenger facilities, Wayne is already researching and implementing several new technological advancements for our equipment, and he can see how keeping in communication with the sales force is a major factor in customer satisfaction.

“As the new guy,” says Wayne, “I’ve been impressed with not only the equipment that we have here at Challenger, but also by our high-caliber sales representatives who go beyond selling basic trucking services. Each person takes the time to sit down with our customers and really find out what their expectations are – and then bring them back to us for development.”

Looking specifically at the unique customer opportunities Challenger has had in developing the high gross weight trucks

in British Columbia and the 10 new high-volume trucks at the Cambridge facility, Wayne recognizes that both designs were the result of several experts working together. From maximizing the engineering and legislative limits such as height and weight requirements – to space gained by a tapered no-step-deck trailer in the high-volume trucks, these specially designed trucks and trailers have opened new opportunities for all our customers with similar shipping concerns.

“On the maintenance side,” says Wayne, “I then look at how to take this design and improve on the technology. Some new features have already been implemented, while others will be installed on the trucks arriving in January.”

These are a few recent design enhancements:

- **Automated FreedomLine Transmissions by Meritor** – The new two-pedal systems are arriving on trucks this January and are expected to help alleviate driver fatigue, and increase fuel mileage. “New drivers will be able to hop in and let the transmission do the work. This also lowers the learning curve dramatically,” Wayne explains.

- **Hendrickson Airtek front air-ride suspensions** – Air ride suspension is not new in the industry and has been around for several years on the cab and rear suspension, but now it is available on the front steering axles, further reducing driver fatigue, as well as increasing driver comfort and handling over various road conditions. By making a softer ride, potential damage to our valuable cargo is reduced. Ontario’s Freightliner Columbia tractors are already equipped with air-ride suspensions with successful results.

- **Rollover Stability Control (RSC) by Meritor** – The newest piece of technology has been slated for integration into the units arriving this January. As the name implies, it senses the lateral acceleration of the truck during a quick lane change manoeuvre. The RSC is hooked into four critical areas of the truck. By reducing the engine torque while simultaneously applying the engine retarder, as well as the brakes where required on the tractor and trailer, the RSC further reduces the chance of a rollover.

In further working with our business partners on the service side, Challenger is integrating the best technology available to address our top three priorities – customer product safety, increased driver retention and safety, and greater equipment efficiency.

For more info, call Wayne Scott at ext: 2213.

**Connections**

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