On December 13, 2014, Congress passed the 2015 Omnibus Appropriations Bill, which provides funding to the vast majority of the U.S. Federal Government, including the Department of Transportation, for the current fiscal year. The bill includes language that provides relief from two current restrictions within the motor carrier sector’s Hours of Service (HOS) restart rule. Specifically, the legislation suspends the requirement that all qualifying restarts contain two consecutive periods of time between 1 a.m. and 5 a.m., and that it can only be used once every 168 hours (or seven days). All other HOS rules, including the 30-minute rest break provision, remain unchanged and compliance will be enforced.

The restart rule reverts back to the 34-hour restart provision, which originally was in effect from 2003 to June 2013. Through the enactment of this rule, drivers are permitted to restart their weekly hours by taking at least 34 consecutive hours off-duty, regardless of whether or not it includes two periods of time between 1 a.m. and 5 a.m. A driver also can utilize the restart option more than once per week if necessary.

Most industry analysts predict that this change will result in a slight improvement in truck capacity with most estimates ranging from one to three percent. These predictions reflect the view of FTR Transportation Intelligence, BB&T Capital Partners and Stifel Equity Research Group.

FTR Transportation Intelligence noted that while that this change should improve industry driver productivity by two percent immediately, it expects utilization levels to remain above 95 percent, which will continue to reflect a tight capacity environment. The most immediate area that is expected to benefit from this improvement is the spot market, which should help moderate spot market rate inflation, especially compared to the levels experienced in 2014.
Although the 34-hour HOS restart provision is good news for shippers and carriers alike, continued vigilance around managing tight capacity is essential for maintaining assured supply. Armada has implemented ongoing initiatives to reduce rush orders, process short lead time orders and eliminate extended transit in order to remain a carrier’s “customer of choice” — a carrier’s customer whose freight allows for optimal productivity for their drivers and equipment. We are also realigning our network with specific carriers to improve tender acceptance (T/A), capacity coverage and service performance.

By ensuring that optimal processes and operating practices are in place, Armada can improve the productivity of our clients’ transportation networks. To-date, our efforts to improve service and reduce premium freight expense in terms of accountability have included:

**In the Armada Supply Chain Operations Center:**
- Revamped daily operations review protocol
- Enhanced daily exception reporting
- Re-engineered premium freight exception management process
- Implemented brokerage accountability initiative
- Realigning low T/A lanes with carrier power lanes
- Resourcing consistently poor performing lanes

**With Armada’s Carriers:**
- Confirmed schedule “A” capacity commitments
- Assigned additional co-primary carriers on 150+ lanes
- Finalizing brokerage rationalization initiative
- Increasing frequency and changing tone of carrier meetings

**With Stakeholders:**
- Deployed transparency summary information
- Continuing behavior change discussions to reduce non-value costs
- Implemented semi-annual DC GM meeting program

Since focusing on these efforts, there has been steady improvement with more than 200 lanes resourced to better align volume with carrier capacity and performance capability, with an additional 190+ lanes under review for possible resourcing. In conjunction with the on-boarding of 20+ new carriers, this endeavor is improving T/A and service performance levels YTD.

In addition, network suppliers and DCs have been very supportive of Armada’s improvement efforts and have reduced YOY dwell for load and unload times, established a dozen new drop trailer programs and adjusted hours of operation and/or order patterns to reduce the number of excess transit lanes. These actions are strengthening the carriers’ perception of our network as a preferred “customer of choice.”

These efforts will continue as Armada works to provide consistent, efficient assured supply to our network.

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For more information regarding Armada's Transportation Solutions or ReDistribution operations, contact:
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Sources:
FTR Transportation Intelligence,
BB&T Capital Partners and
Stifel Equity Research Group