OPERATIONAL CHANGES

ABOUT THE NATIONAL CARHAUL TENTATIVE AGREEMENT

The carhaul industry has seen meaningful changes since the Great Recession requiring the parties to look at how better to compete with non-union carriers. Gone are long-term carrier contracts with guaranteed increases from the OEMs. Bidding on the business now comes annually or every six months from carriers of all sizes and shapes, lots of new ones whose names are unfamiliar but now get awarded large pieces of traffic. Based on real-time demand, large production shifts and quick plant retoolings are the norm. As a consequence, carhaulers have new service standards to meet if they want to keep the business. One is the ability to respond to “hot products” and “hot spots” in a much more timely manner.

Hot products are popular finished vehicles that have accelerated production schedules and need to speed to market to meet higher consumer demand. Every season seems to now have these vehicles—it’s no longer September or a particular month that’s the focus. The second reality is the increased occurrence of “product holds,” which has become the norm at all OEMs, particularly seen at GM lately, as a result of the continuous vehicle review process and concern over safety items. It’s not unusual for example, to have thousands of vehicles held for days in Ft. Wayne, Indiana or Fairfax, Kansas on a moment’s notice and released to the auto carriers on a similar moment’s notice without any recourse but get them moved. In terms of manpower and equipment utilization, it can be disaster for a carhaul company that must dedicate limited resources across a large book of business.

Once released, it may take a month for a carrier to catch up with the backlog of thousands of vehicles when considered along with all the regular, on-going production that also must be hauled. We think the modest changes contained in this tentative agreement will help our carriers survive in this new model of vehicle production.

Voluntary Open Board (VOB)

To improve our carriers’ ability to compete in this environment, the union agreed to a Voluntary Open Board (VOB) that allows up to 10 percent of a terminal’s drivers to sign up weekly (and for up to two weeks) to work the carrier’s system out of central dispatch with the goal of staying loaded and pulling trips where back-up assets are needed. The purpose is not to dry up an existing terminal’s load board but rather assist where and when drivers are needed elsewhere in the system, including **hauling vehicles out of railheads, non-union, and non-traditional locations not currently serviced by union carriers.**

For example, the largest union carrier, Jack Cooper Transport, has invested in sophisticated software and technology that allows it to see where all the loads, drivers and equipment types are located and then uses an algorithm to determine, based on demand, where assets can be deployed in the most efficient manner per the contract. To ensure that a driver isn’t simply dispatched to another terminal to work their board for a week, the union insisted that VOB drivers have to keep moving and can’t pull more than two loads out of any one terminal per tour. **The union will closely monitor the work of these drivers to make sure all dispatch is done in strict compliance with the NMATA.**

The second feature of the tentative contract relates to the fact that drivers need more headhaul, loaded miles and income opportunities once on the road. Toward that end, a driver may now be required to pull a maximum of one additional trip away from his home terminal at the highest applicable loaded mile rate in the agreement, regardless if there is traffic heading toward his home terminal. This would only be after the load has been made available to the domiciled drivers at the dispatching terminal. In most instances, drivers would rattle back empty or get a load paying the “frozen” rate (or lower). Now the driver can earn more money with one more trip away at the top loaded mile rate. This new feature also assists our two remaining auto transporters with equipment utilization requirements and expands their ability to gain and maintain traffic with their primary OEMs in this speed-to-market environment. Unless our carriers can begin to reverse the long-trending market share decline over the next four years, Teamster-represented carhaulers will continue to see their incomes fall and job security weakened.