

ROLLING WITH THE CHANGES: IN WAKE OF ELD MANDATE, IT'S TIME FOR CANADA CROSS-BORDER SHIPPERS TO REEVALUATE SUPPLY CHAINS

When the Federal Motor Carrier Safety Administration's (FMCSA) [electronic logging device \(ELD\) mandate](#) went into effect in the United States in December 2017, it wasn't just domestic U.S. carriers that were affected – Canadian carriers driving freight across the border into the U.S. were also affected.

The goal of the mandate is to ensure hours of service (HOS) compliance. An ELD is a device that is synchronized with a truck's engine, so it can electronically log the number of hours that the truck is in service. ELDs are meant to replace paper logs that drivers could easily falsify in order to log more hours of driving than is allowed by HOS laws.

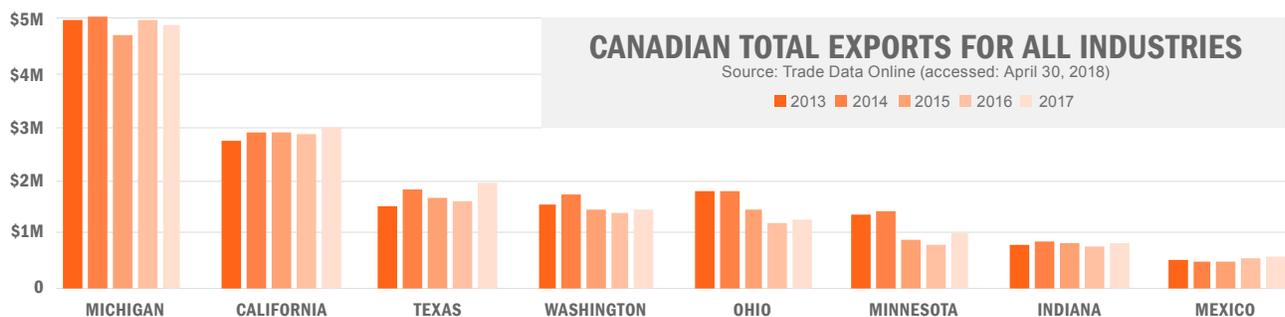


BYPRODUCT OF THE ELD MANDATE: A TWO-COUNTRY CAPACITY CRUNCH

While the ELD mandate is intended to make roads safer by preventing drivers from spending too much consecutive time on the road, it has caused a decrease in available capacity options – shippers in both the United States and Canada are feeling the [effects of the cross-border capacity crunch](#).

About 80,000 Canadian trucks¹ travel into the United States on a regular basis, and they are now all required to be ELD compliant. Some carriers decided to avoid the ELD mandate by favoring intra-Canada freight or no longer traveling into the U.S. at all.

Trucking plays a major role in business between the United States and Canada. Trucks transport 45.1 percent of Canadian exports to the United States and 73.5 percent of imports from the United States to Canada². As some Canadian carriers avoided the ELD mandate by no longer moving freight into the United States, more loads traveled into Canada than left Canada. Solicitation of freight at this time decreased and rates spiked as much as 20–30 percent.



CANADA'S OWN ELD MANDATE IS ON THE HORIZON

Following the ELD mandate in the United States, the Canadian government announced its own ELD mandate: **Canadian fleets are required to install ELDs by 2020.**³

The Canadian mandate will likely adopt most of the provisions of the U.S. mandate. **Similarities** include:

- ELDs synchronize with the vehicle's engine and include GPS tracking
- ELDs capture time automatically, including unidentified driving
- ELDs have a mechanism to verify logs and agree to edits
- Pre-2000 vehicles are exempt from the mandates

The Canadian mandate has some **differences** from the U.S. mandate, such as:

- Not including a central system for roadside inspections, which means that each province will be responsible for its own inspection mechanism
- Not requiring capture of the VIN number
- An exemption for rental vehicles used less than 30 days
- Requiring the ELD to allow for a mechanism to enter hours captured elsewhere (e.g., driving for another company)⁴

When the Canadian ELD mandate goes into effect, it will be important to be prepared for some level of capacity crunch that may occur, as results with any regulatory change.

REGULATORY CHANGES DRIVE NEED TO REEVALUATE SUPPLY CHAINS

A major regulatory change will likely impact shippers' supply chains. It is vital for shippers to regularly examine their supply chains and see if efficiencies can be gained by making changes. Intermodal shipping may not have made sense before, but with rising truckload rates and insufficient available capacity, now it might be the right option.

While cost is likely to be a motivator in switching from truckload to intermodal, two other factors should be considered when determining if it's the right decision:

1. Geography

When determining which shipping mode is the most viable option, geography must be considered. The majority of freight in Canada is coming out of Toronto or Montreal. If the U.S.-bound freight is moving beyond the northeast, Michigan or Ohio, an intermodal approach will make the most sense – and cents.



INTERMODAL TRANSIT IS MOST VIABLE TO AREAS OVER 450 MILES AWAY.

*Orange color denotes states which receive most exports from Canada.

2. The Carrier

Ideally, a switch in transportation modes doesn't mean a switch in carriers. Sometimes, however, a switch is necessary, and there is a lot to consider when [choosing the right carrier](#). Working with a multimodal carrier provides the most flexibility when it comes to cross-border shipping in the aftermath of the ELD mandate or other regulatory changes. Not all freight is created equal, and a multimodal carrier can provide the best option for each type of freight or delivery situation. Because multimodal carriers offer both truckload and intermodal shipping, they won't be motivated to recommend a less efficient mode of shipping just to keep your business. Shipping some loads intermodal may also free up some truckload capacity that can allow the provider to move your freight with a shorter length of haul.

Another factor to consider in cross-border transportation providers is whether they are asset-based. Owning its own assets, like chassis and intermodal containers, shows a carrier's commitment to intermodal shipping and opens up availability of equipment, which is scarce in today's shared pools. It's important to choose an intermodal provider that controls its own drays, with its own drivers and assets. This will provide the shipper more control and consistency at a better cost.

SCHNEIDER INTERMODAL ASSETS



A good cross-border intermodal carrier will have years of experience and familiarity with the complexities of cross-border transportation. It will also have the customer service and technological capabilities, like freight tracking, to give shippers peace of mind. If a carrier doesn't deliver on these points, it may be time for a new one.

An intermodal carrier that has close relationships with the major railroads carrying freight throughout North America can also provide speedier transit times with priority status and the ability to collaboratively provide solutions for customers.

Changes in North American transportation regulations can send waves across borders. When major changes like the ELD mandate occur, shippers should take the time to examine how regulations have affected their supply chains and evaluate what changes need to be made.

Whether it's truckload or intermodal, asset-based or brokerage, learn how an experienced expert like Schneider can help you evaluate your supply chain and meet your [cross-border shipping](#) needs.