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U.S.

## New California Labor Rules Spur Higher Trucking Fees

Firms charge shippers extra to move freight, saying new labor rules are raising cost of doing business



Trucks near the Port of Long Beach in California. Two large trucking companies have started charging shippers extra to move freight in and out of the state. *PHOTO: BOB RIHA JR./REUTERS*

By **ERICA E. PHILLIPS**

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Two large trucking companies have started charging shippers extra to move freight in and out of California, where they say new labor regulations are raising the cost of doing

business.

The nearly \$6-per-shipment surcharge, levied by ABF Freight System Inc. and Old Dominion Freight Line Inc., comes after California this year began requiring trucking companies to pay drivers for time spent refueling, on rest breaks and other periods.

Trucking firms typically pay per mile driven, and industry groups say calculating additional wages in California add to the already elevated cost of moving freight in the state. California is home to the country's two busiest ports, as well as some of the strictest labor protections and environmental standards.

The new labor rules are intended to provide "basic wage protections for workers in the trucking industry," said Christine Baker, director of California's Department of Industrial Relations.

However, industry allies in Congress have introduced bills that would prevent states from applying regulations like California's to trucking firms.

For shippers, the surcharges are "just part of ongoing concerns over the increasing cost of doing business in California," said Jonathan Gold, supply-chain and customs-policy lobbyist for the National Retail Federation. He said retailers' costs are also raised by congestion at the state's seaports.

The rules come as poor demand from shippers is driving down the rates that trucking companies can charge, squeezing their profits.

In a weak freight market, surcharges are a common way for trucking companies to maintain profits on their more costly routes, said David Ross, an analyst with Stifel Nicolaus.

"Different destinations, different types of freight, different equipment required—that all has a cost to it," he said. "You want to make sure you charge the shipper for that."

Old Dominion and ArcBest Corp. are two of the largest "less than truckload" carriers, which combine cargo from multiple retailers and manufacturers onto their trucks.

Old Dominion's surcharge is "intended to help offset only some of the ever-increasing cost of operating in the state of California," said Chip Overbey, a senior vice president for strategic development at the company. The new labor rules raise the cost of human resources, payroll and legal services, among other expenses, he said.

A spokeswoman for ABF Freight said the company “makes pricing adjustments ... to appropriately reflect the cost of doing business in various regions.”

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