

LOGISTICS LEADER:

New Truck Driver Hours of Service Rules Impact Real Estate and Logistics

For the first time in 64 years, the U.S. Department of Transportation's Federal Motor Carrier Safety Administration (FMCSA) has modified the governing rules for the amount of time truckers can remain behind the wheel. Effective January 3, 2004, this significant change will cause companies to reevaluate their supply chain. Some of the effects of the new rule will include:

- **Larger distribution centers with more cross-dock doors** to accommodate more trucks. Industry experts predict a 15% increase of trucks on the road and 84,300 more drivers to handle the current demand. This could create severe congestion at smaller, outdated warehouses.
- **Larger and more convenient staging areas and truck stops** for drivers who have mandatory off-duty time. Industrial parks that have amenities, staging areas and truck stops will be favored by the carriers.
- **Increased demand for extending operating hours of shipping or receiving departments.** In his State of the Industry Report, Bob Delany predicted a 4% to 19% decrease in driver productivity. Naturally, the most impacted freight types will be those with the most time-consuming requirements such as:
 - Driver assisting in counting or loading / unloading
 - Multi-stop loads
 - Delivery appointment times
 - International freight

As distribution centers migrate to 24-hour operations, the separation of industrial centers from residential neighborhoods will become more important. It will also put more pressure on the Ports of LA and Long Beach to extend their operating hours.

- **Increased preference for warehouse facilities located in less congested areas** because the drive time is more predictable.

FMCSA Hours of Service (HOS) Rule Change At-A-Glance

1939 – 2003: 10 hours of driving within 15-hour on-duty period after 8 hours off duty.

Starting in 2004: 11 hours of driving within 14-hour on-duty period after 10 consecutive hours off duty. Drivers are not allowed to operate a vehicle after 14 hours on duty; regardless of how much time was spent driving.

The most significant impact to the rule is the word "consecutive." While rest breaks, meals, maintenance and delays at customer sites used to be part of the off-duty hours, in the new rules this time is considered the same as driving.

For more information about the new Hours of Service rules, you can visit www.dot.gov and/or www.trucking.org

FOCUS:

How Much Does Free Dirt Really Cost?

An Overview of How SB 975 Can Tack on 9% - 32% in Costs to Commercial Development

As affordable and available land is in short supply, companies are looking in outlying and redevelopment areas. Local governments in these areas often offer subsidies and artificial inducements such as "free dirt," tax credits, and rebates to lure companies to their area. These incentives may possibly trigger SB 975, which can easily tack on 9% - 32% or more to the cost of development.

What is SB 975?

Effective January 1, 2002, Senate Bill 975 requires all development projects to pay prevailing wages if they utilize "in whole or in part" any public funds, including:

- Land from redevelopment agencies
- Local, state, or federal subsidies
- Fee waivers and reductions
- Grants
- Forgivable infrastructure loans
- Sales tax rebates or credits

What is Prevailing Wage?

Published quarterly by the California Department of Industrial Relations, prevailing wage is the minimum hourly compensation payable to construction workers employed on public works. This can translate to **9% – 32% higher construction costs** depending on the project location, according to the California Institute for County Government. Contractors and developers who fail to pay prevailing wages face retroactive liability.

How Does "Free" Impact Your Bottom Line?

We encourage brokers, site selectors and corporate real estate executives to do careful analysis when offered "free dirt," tax credits, rebates and other incentives. Perhaps the math won't balance once the SB 975 factor gets added to the bottom line.

For more information visit the California Department of Industrial Relations at www.dir.ca.gov.

BROKER TOOLBOX

Get printable maps, brochures and photos for TIC at the [Broker Toolbox](#) on the Tejon Ranch website.

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