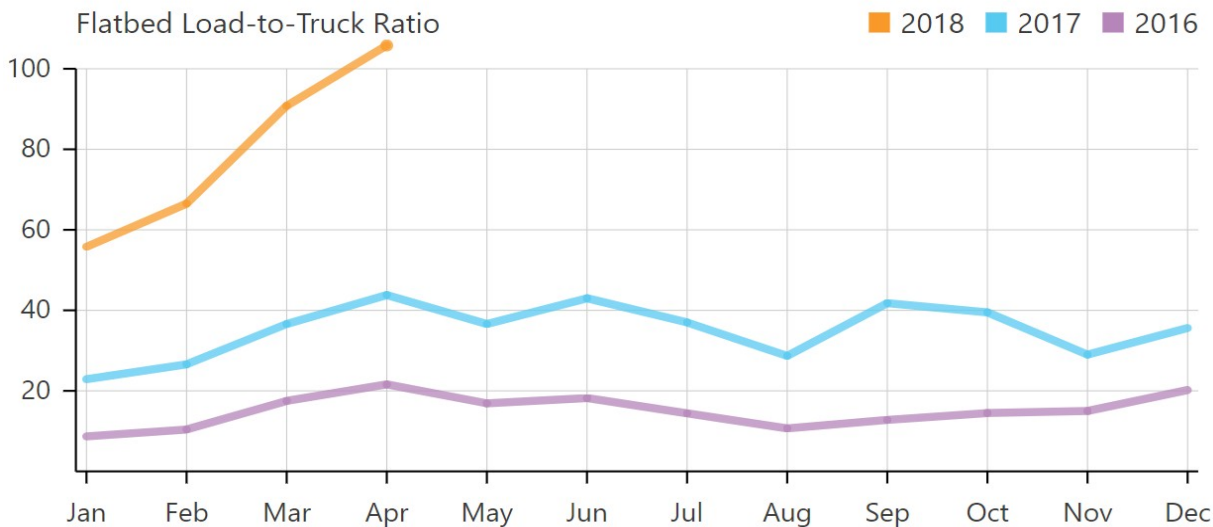


By now, most people are aware of the ongoing driver shortage plaguing the U.S. trucking industry. This bulletin will explain the reasons for the trucking shortage, outline the steps Versico is taking to secure additional trucking capacity, and offer tips to help customers ensure their requested delivery dates are met.

While Versico's transportation staff will work diligently to minimize the impact on customers, everyone will be forced to deal with the inconveniences caused by this shortage. As such, communication and flexibility are very important moving forward.

In May 2018, the number of loads per available flatbed reached an unheard-of 111, nearly three times the level from a year ago. Unfortunately, these capacity constraints are expected to continue for the foreseeable future.



Courtesy of [www.dat.com](http://www.dat.com)

There are no quick solutions to the current driver shortage, and drivers are even harder to find for hazardous material (HAZMAT) shipments.

#### Reasons for the current trucking shortage

**High demand** – May 2018 saw the highest-ever ratio of loads per flatbed, with 111 loads per available flatbed. A strong economy and increased e-commerce both contribute to overall demand.

**Not enough drivers** – An aging workforce, high turnover, low unemployment, the looming prospect of driverless trucks, and a 21-year age minimum all contribute to the shortage of over-the-road drivers.

**New regulations** – Regulations implemented in December 2017 mandating the use of electronic logging devices (ELDs) have resulted in a 5%-10% productivity loss.

**Strict enforcement** – As of April 1, 2018, the mandate on ELDs is being rigorously enforced.

#### Reasons for additional capacity constraints on hazardous material (HAZMAT) shipments

**USA PATRIOT Act of 2001** – The USA PATRIOT Act requires trucking firms hauling hazardous freight to employ HAZMAT-certified drivers. Many firms have stopped hauling hazardous materials

altogether, in large part because drivers are increasingly choosing to forego HAZMAT certification. Werner Transportation, one of the largest carriers in the U.S. with more than 7,000 drivers, no longer hauls hazardous freight.

**CSA scores** – HAZMAT loads receive greater scrutiny at roadside inspections, and trucking companies are permitted fewer violations before the government can intervene. These factors make it even more undesirable for trucking companies to transport hazardous materials.

**Rising costs** –The company's costs for HAZMAT shipments have doubled over the last four years and are expected to continue to increase in 2018, even as trucks become harder to find.

Versico is taking aggressive measures to secure additional trucking capacity, now and in the future.

#### **Versico's efforts to secure additional trucking capacity**

**Increasing the rates** paid to freight providers, particularly those that haul HAZMAT loads.

**Adding dedicated fleets** at plants to secure guaranteed capacity.

**Finding and adding new carriers** not previously employed by Versico.

**Working across factories to share carriers**, keeping them in-network and hauling Versico's freight.

Distributors and contractors can help to ensure their desired delivery dates are met by following some best practices. Customers are also welcome to arrange their own freight, particularly if they have their own trucking assets. Requests for pickup allowances can be directed to the customer service team.

#### **Best practices for distributors and contractors**

**Submit purchase orders** for the entire shipment (including fill orders and any special shipping requests like tarping) **at least 7 business days prior to the requested delivery date.**

**Be ready to promptly confirm your order** multiple days ahead of shipment if asked. In some cases, shipping personnel may make confirmation calls two (or more) days prior to the shipment date, instead of the usual one day prior.

**Avoid last-minute order changes** that affect the nature of the shipment (from non-hazardous to hazardous, from non-tarped to tarped, adding a second stop, etc.)

**Place fill orders in a timely fashion.** Shipping personnel cannot arrange transportation until they have the whole order, so last-minute fill orders give them less time to find a truck.

**Unload freight promptly upon delivery.** Truckers may refuse future loads from Versico if they have a negative experience at a delivery.

If you can **accept a closed van** or can place your order with enough time to allow **intermodal delivery**, please indicate that at the time of order placement. These options greatly enhance Versico's ability to cover that load.

**Plan** to have capability for **larger delivery windows.**

**Ensure that common items are stocked locally** in quantities sufficient to keep crews moving for an additional 24 hours.

**Take delivery of material prior to the day of installation.**

**Plan unload operations, crews, and crane rental for one or more days prior to installation.**

**Offload to the ground** and crane to the roof another day.

**Take all or part of the material into a local warehouse** prior to installation start date.

Transportation costs have risen significantly in recent years and continue to increase. In 2017, the company's relative freight cost increased \$4.7 million year-over-year; in 2018, the company is expecting a \$15-\$20 million freight cost increase over 2017. Accordingly, in addition to the current fuel surcharge, a freight surcharge has been implemented for truckload shipments, and the HAZMAT surcharge, which hadn't changed in more than 10 years, increased to \$150. These new surcharges took effect on May 1, 2018.

<b>New freight surcharges</b>	
Shipments under 100 miles	\$75
Shipments over 100 miles	\$125
<b>Increased HAZMAT fee</b>	
All truckload shipments requiring hazardous placards (>1,000 lbs of hazardous freight)	\$150

The combination of capacity constraints and mandatory electronic logging devices has led to a flurry of back-charges because of late deliveries. Versico's back-charge guidelines are outlined below.

<b>Back-charge guidelines</b>
<p>Versico will be unable to approve back-charges in cases when the customer was notified one or more days prior to the scheduled delivery date, or when the shipment arrives on the date promised.</p> <p>Back-charge requests must be received within 15 days of the delivery date, and must be accompanied by the original purchase order or sales order number, an itemized expense breakdown, and receipts justifying the back-charge request. Failure to follow these steps will impact approval.</p>

At this time, there will be no changes to order placement cutoff times or customers' ability to request specific delivery dates and times. However, given the current trucking shortages, it is important to have reasonable expectations about Versico's ability to "guarantee" delivery dates and/or times.

Regardless of trucking challenges, Versico's transportation team will continue to go the extra mile in its efforts to meet your delivery requests so you can optimize your labor and resources.

Sincerely,



General Manager  
Versico Roofing Systems