

April 4, 2011

NOTICE OF CERTIFICATION OF TRUCK RENTAL RATES AND EFFECTIVE DATE PURSUANT TO MINNESOTA RULES, PART 5200.1105

On April 4, 2011, the Commissioner of the Department of Labor and Industry (“DLI”) certified the minimum truck rental rates for highway projects in the state’s ten highway and heavy construction areas for trucks and drivers operating “five or more axle units, straight body trucks,” “four axle units, straight body trucks,” “three axle units,” “tractor only” and “tractor trailers.” The certification followed publication of the Notice of Determination of Truck Rental Rates in the *State Register* on February 7, 2011 and the informal conference held pursuant to Minnesota Rules, part 5200.1105 on March 1, 2011.

According to Minnesota Rules, part 5200.1105, the purpose of the informal conference is for DLI to obtain further input regarding the proposed rates before the rates are certified. Approximately 50 individuals attended the informal conference. Many of the attendees voiced strong concerns regarding the inadequacy of the proposed rates. Among the concerns raised was the fact that the proposed rates were based on 2009 costs, including the 2009 price of fuel. Speakers indicated that because of the dramatic increase in the price of diesel in recent months, the published rates were far below the operators’ current costs. As stated by one attendee:

I might not even be able to survive until next year. If I have a bad season, there’s no room left, you know. The price of oil and the price of fuel is going to kill all of us guys this summer.

Testimony of Mike McDonald, Transcript of Informal Conference, p. 63.

Following the informal conference, DLI staff obtained data from the United States Department of Energy (“DOE”) regarding the price of diesel during 2009 as compared to current costs. That data, available at www.eia.doe.gov, show that the average price of diesel during 2009 was \$2.463 per gallon. The average price of diesel during January and February 2011 was \$3.497 per gallon. Consequently, the average price of diesel for the first two months of this year was 41.9% higher than the average cost of diesel during 2009.

The purpose of Minnesota Rules, part 5200.1105, as stated in its Statement of Need and Reasonableness, is to “provide equitable compensation” to independent truck operators. The commissioner finds that in order to carry out the purpose of the rule, it is appropriate to consider the concerns expressed at the informal conference¹ and to use average 2011 diesel costs in computing and certifying 2011 truck rental rates. Specifically, the commissioner finds that the extreme disparity between 2009 and current

¹ The DLI has historically used input from the informal conferences to establish certified rates. For example, truck rental rates certified in 2009 varied from the proposed rates based on information gathered at the informal conference.

fuel costs warrants this adjustment in order for truck operators to be equitably compensated.²

Construction truck operating costs were initially determined by survey on a statewide basis and were the subject of further input by interested parties attending the informal conference pursuant to Minnesota Rules, part 5200.1105 on March 1, 2011 and further data on fuel prices from the DOE for 2009 and 2011. In light of the discussion above, fuel costs stated in the surveys were adjusted upward by 41.9% to determine statewide operating costs. As a result of this adjustment, the operating cost for “five or more axle units, straight body trucks” is determined to be \$49.10 per hour; the operating cost for “four axle units, straight body trucks” is determined to be \$45.49 per hour; the operating cost for “three axle units” is determined to be \$37.35 per hour; the operating cost for “tractor only” is determined to be \$46.02 per hour; and the operating cost for “tractor trailers” is determined to be \$57.48 per hour.

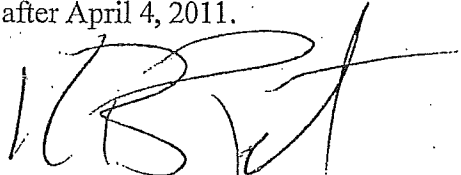
Adding the prevailing wage for drivers of these five types of trucks from each of the State’s ten highway and heavy construction areas to the operating costs, the minimum hourly truck rental rate for the five types of trucks in each area is certified to be as follows:

	Tractor Trailer	Five or more axle	Four axle	Three Axle	Tractor only
Region 1	97.23	74.04	70.43	76.45	85.77
Region 2	90.90	82.01	78.40	67.41	79.44
Region 3	90.90	73.06	69.45	70.11	79.44
Region 4	81.03	72.65	69.04	70.11	69.57
Region 5	94.43	76.46	72.85	66.75	82.97
Region 6	77.48	79.23	75.62	67.15	66.02
Region 7	83.33	86.50	82.89	74.65	71.87
Region 8	84.99	76.46	72.85	70.11	73.53
Region 9	97.63	76.46	72.85	76.85	86.17
Region 10	90.90	82.01	78.40	70.11	79.44

² The commissioner notes that the Minnesota Department of Transportation incorporates a fuel adjustment clause in certain of its contracts to accommodate the fluctuating price of fuel. That clause generally provides for the adjustment of contract payments when the cost of fuel increases or decreases by more than 15% from an indexed rate during the term of the contract. By using 2011 fuel costs in certifying 2011 truck rental rates, the commissioner is not intending to adopt or establish a similar fuel adjustment mechanism. Rather, he is taking this action to effectuate the purpose of Part 5200.1105 in light of the concerns raised at the informal conference and the dramatic increase in the price of diesel between 2009 and effective date of 2011 truck rental rates.

The operating costs, including the average truck broker fees paid by those survey respondents who reported paying truck broker fees, and the truck rental rates may also be reviewed by accessing DLI's website at www.dli.mn.gov. Questions regarding the operational costs and truck rental rates can be answered by calling (651) 284-5091.

The minimum truck rental rates certified for these five types of trucks in the state's ten highway and heavy construction areas will be effective for all highway and heavy construction projects financed in whole or part with state funds advertised for bid on or after April 4, 2011.



KEN B. PETERSON
COMMISSIONER