

CALIFORNIA'S AB 5 — FAQ

AB5 is a new law that will go into effect in the state of California on January 1, 2020. The new law extends employee classification to independent contractors. AB5 does not include an exemption for the trucking industry and most, if not all, independent contractors will be considered employees when providing transportation and related services in the state of California.

As a result, AB5 will impact how transportation services are provided in the state of California. Below are some recurring questions we have received from our clients regarding the impacts of AB5 on our services. We hope you find this information helpful and we look forward to continuing our partnership with you.

1. **Does AB5 affect the employment classification of the individuals that provide packing, loading, delivery, and other transportation related services into and out of the state of California?**

Yes. It appears that as of January 1, 2020, all individuals currently classified as independent contractors will be considered employees when providing packing, loading, delivery, and other transportation related services in the state of California, including any services provided to or from a port or any containerized services. AB5 is forcing a change to the business model that most moving companies use. Because of changes in the law, we anticipate fewer independent contractors will be available to service shipments in the state of California, which will likely result in longer transit times and/or delivery windows.

2. **Is compliance with AB5 mandatory?**

Yes. As of January 1, 2020, AB5 goes into effect and all companies providing services to, from, or within the state of California must comply with the new law. Companies can be subject to both civil and criminal penalties for noncompliance with the law.

3. **How much advance notice will be needed to schedule a move into or out of the state of California?**

We are currently reviewing transit times and delivery windows for shipments going to and from the state of California. It is recommended that clients provide a minimum of four to six weeks advance notice during non-peak season in order to ensure the best possible transit times and/or delivery windows.

4. **Are other van lines complying?**

Suddath is not privy to what other van lines are doing, however, non-compliance is a violation of California state laws.

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- 5. How many van operators/contractors have we converted to employees?**
Suddath has begun the process of converting our local contractors in California to employees and are working on the best way to address interstate activity into and out of the state.
- 6. Do we see some of our van operators moving out of the state to remain independent contractors?**
While a van operator may decide to relocate, work performed in California must follow AB5.
- 7. Do all the 'helpers'/crew members also need to be employees?**
Yes. The law makes clear that laborers provided by agencies are employees subject to the protections of AB5 while working in California.
- 8. Will there be longer transit and delivery windows? Or longer transit times?**
There will be diminished capacity for drivers and crews. As a result of expected tight capacity, we do expect extended transit/delivery windows.
- 9. Will our rates increase?**
Yes. Based on the information and initial cost analysis, we do know that our costs will be materially impacted.
- 10. Will our contracts need to be amended?**
We are currently looking to amend the UMT1 tariff. However, there may be individual cases that require an amendment. We will be reaching out to clients individually to discuss any necessary modifications.
- 11. Does this apply to domestic moving only or will it impact international moves as well?**
This will impact both domestic and international work in California. Outside of the local packing, loading and delivery services, drivers that pick-up and deliver containers to the port will also be impacted.
- 12. Will container shipments moving via Snapmoves™ be impacted?**
The agreements held with our common carriers moving activity into and out of California remain in effect and they too will be required to comply with AB5. There may be expected delays in transit times and longer delivery windows as referenced earlier.