

What Is Your Private Truck Fleet Costing You?

JANUARY 29, 2018 FLEET MANAGEMENT



Many Canadian businesses choose to run a private truck fleet to maintain control of their delivery process. But in many cases, managing a private fleet can lead to higher costs for a business. That is why it is important to ensure you are effectively tracking and evaluating the total cost of your fleet operations.

However, many businesses are not effectively tracking or collecting the data required to conduct a complete and accurate review of their fleet costs.

A recent study by Ernst & Young found that **“...trucking fleet managers have historically not considered detailed total cost of ownership benchmarks to measure fleet management and cost-effectiveness and efficiency.”**

This guide will help you identify the common costs associated with operating a private truck fleet, and provide a starting point to conduct your own fleet cost analysis.

Once you understand the costs of your fleet, you can begin the process of exploring options to reduce those costs – and evaluate the viability of the private fleet model vs. outsourced fleet model for your business.

Typical Costs of Operating a Private Fleet

There are a number of underlying factors that can impact the operational costs of your truck fleet. Some costs are more easily measured than others.

Expenses such as fuel and tires are generally easy to track. However, other indirect costs – such as labor, administrative, and management costs – can be more difficult for companies to identify and track.

Although specific fleet costs will be different depending on the business and industry, there are costs that apply to the operation of every private fleet. These include:



1. Maintaining efficient and effective dispatch operations

Dispatching transport operations is a complex task that requires skilled administrative staff as well as specialized tools and software to ensure shipments are routed to their destination quickly and efficiently.

Managing a private truck fleet means businesses must have these resources and cover these expenses.

Costs can increase even more if businesses do not have an efficient dispatch process in place due to late shipments, lost time, and scheduling conflicts.

2. Responding to accident and emergency resources

Businesses running a private fleet require additional resources in case of accidents and/or emergencies. These costs could include:

- Roadside assistance and towing
- Coordination of short-term driver and vehicle replacements
- Management time dealing with police, insurance adjustors, and media
- Environmental clean-up costs
- Equipment repairs or permanent replacement

3. Staying current with regulatory change

Private truck fleet managers must ensure their fleets are in compliance with national

and provincial transportation regulations.

With regulations constantly evolving and changing, businesses with private fleets must ensure they stay up-to-date and remain compliant by investing time and money into technology, training programs and licensing.

A good example of this is the mandatory electronic log regulations that are in effect in the U.S., and coming soon to Canada.

4. Corporate risk and rising insurance costs

Businesses operating private truck fleets take on additional corporate risk due to the exposure of running trucks on busy highways and city streets.

These risks include:

- Vehicle damage, property damage, and personal injury claims
- Negative public relations if trucks are involved in high-profile accidents
- Legal fees if a legal action is brought against the company as a result of an accident
- Impact on business operations if a poor safety rating threatens the on-going operation of the fleet

Both private and for-hire carriers must also be prepared to pay increasing insurance premiums. Many insurance carriers are exiting the trucking insurance market, leaving fewer players and higher premiums.



5. Labour costs, recruiting and the driver shortage

Private truck fleet owners are responsible for managing all aspects of driver labour management, including:

- Recruiting, screening, testing, hiring, training, and ongoing management of drivers
- Administration of wages, benefits, payroll, and pension
- Monitoring hours of service and overtime rules
- Ongoing safety training and compliance
- Worker compensation and insurance claims
- Back-to-work programs, discipline, and termination
- Union contract negotiations, arbitration costs, union grievance costs, and legal fees

A more recent challenge is the worsening driver shortage in Canada.

With fewer new drivers entering the industry, the competition for drivers is increasing, resulting in escalating wage rates, higher advertising and recruiting costs and added expenses for onboarding and training.

6. Truck fleet maintenance fees

Proper and regular maintenance of tractors, trailers, and transport equipment is an essential cost for businesses with private truck fleets.

In addition to ensuring trucks and equipment are safe for operations, there are also specific regulations that fleet equipment must meet.

This includes routine inspection and maintenance of:

- Brakes
- Wheels
- Pneumatics
- Lights & wiring
- Suspensions
- Clutches
- Differential gears
- Exhausts
- Drive train
- Vehicle performance; and more

There are also many safety and inspection standards that transportation fleets must ensure they are fully compliant with.

Fleets that have higher accident rates or safety infractions will be required to stop more frequently for inspections. This extends transit times, increases variability, and reduces efficient utilization of drivers and equipment.

7. Underutilization of equipment

Most companies scale their equipment to handle high volume shipping periods – accommodating busy periods of the week and month, as well as seasonal volume spikes. But this can result in unused equipment during slower periods, driving up overhead costs for the business.

Companies may also not be making efficient use of truckload shipments, sending both full (FTL) and less than (LTL) truckloads that do not make



efficient use of space, leading to more frequent shipments and higher costs for the company.

8. Licensing and registration fees

Businesses operating private fleets must ensure that their trucks and drivers are fully licensed, registered, and ready for operation. This includes initial licensing, license renewal, and safety certifications, in addition to any provincially requirements. Non-compliance can result in significant additional costs and liabilities for your business.

9. Lease or interest payments

Leasing fleet vehicles can be a cost-effective choice for businesses managing a private fleet. However, leasing commercial vehicles can be a complex undertaking, and still requires regular payments.

For companies that choose to lease commercial vehicles, there may also be a mileage allowance for vehicles in your fleet that you need to be mindful of.

This limitation can lead to lost profits if the fleet is not running efficiently to make effective use of the mileage allowance.

10. Tires

Tires make up one of the largest operating costs faced by commercial fleets. Choosing the proper tires for your vehicles is important to ensure your fleet is properly maintained – which means investing in high quality tires.

Depending on the distance travelled by your fleet vehicles, tire retreading and replacement can also drive up your overall operating costs.

11. Fuel Costs

Fuel costs are the 2nd largest operating cost for most commercial fleets. [1]

Efficient trucking operations find ways to increase fuel efficiency through technology, truck and trailer specs, driver training, and reinforcement of proper driving behavior. This requires management time, attention, and focus.

Performing A “Total Cost Of Ownership” (TCO) Analysis Of Your Fleet

Before senior managers can consider if their private truck fleet is the best strategic and economic option for their transportation needs, they must perform a “Total Cost of Ownership” or TCO analysis.

The TCO includes both “hard costs” (equipment maintenance, driver costs, fuel, licensing fees, etc.) as well as “soft costs” (corporate risk and liability, management costs, lost productivity due to breakdowns, missed customer deliveries etc.).

The total costs of running your fleet will depend on the specifics of your company as well as the industry you operate in.



Canada Cartage's Total Cost Of Ownership (TCO) Calculator can help you identify both hard and soft costs specific to your fleet so you can begin to plan how to reduce these costs and find opportunities to improve your customer service.

Strategies To Reduce Fleet Costs

Once you have evaluated your total cost of ownership for your business's private fleet, you will be able to identify where you can improve efficiencies to help reduce costs.

While businesses can implement these cost reducing strategies within their private fleet, a professional fleet outsourcing company is a proven option that can help improve the performance and efficiency of your fleet even further.

The following are areas where many businesses have the opportunity to improve on the performance of their fleet to drive down expenses.

1. Route optimization

Optimization of your transportation routes can reduce the total distance travelled by your vehicles and drivers, and in some cases, reduce the number of vehicles required. This helps reduce associated costs, including:

2. Effective utilization of equipment

Ensuring available equipment is being used

efficiently can help reduce truck fleet costs.

This may include consolidating shipments during peak periods and/or reducing the amount of unused equipment during slower periods.

It is important to evaluate whether your fleet is appropriately scaled to handle typical volume levels, without having equipment sit empty during low volume periods.

3. Proactive vehicle maintenance

Following a regular vehicle maintenance program can help reduce equipment costs by keeping equipment running efficiently.

It also provides the opportunity to identify any issues before they cause major problems that impact the ability to get shipments where they are needed and when.

4. Managing administrative costs

Actively looking for ways to reduce administrative costs by improving customer service, investing in technology, and spending your marketing dollars wisely are a few ways you can help lower your expenses across a number of areas, including:

- Recruiting and hiring;
- Training;
- Driver management;
- Routing and scheduling; and,
- Dispatch



Conclusion

By understanding and evaluating the total cost of your truck fleet, you can begin to reduce expenses and improve the efficiency of your fleet – whether you choose to do so with a private fleet or with a dedicated outsourced fleet provider.

In addition to identifying where you can improve the performance of your fleet, it is important to consider whether fleet outsourcing is a viable option for managing your fleet.

Canada Cartage has created the Fleet Management Self-Assessment Guide, covering twenty-four areas of fleet

management so you can identify the areas that are most important to your company and where you want to improve.

This will help you gather the information you need to decide whether an insourced or outsourced fleet model makes strategic sense for your business.

Another critical step in weighing fleet insourcing versus outsourcing is determining your “Total Cost of Ownership” (TCO). Canada Cartage has developed a TCO Calculator™ that will help you identify both the hard and soft costs of fleet management, and provide you with a benchmarking tool to help you make that decision.

About Canada Cartage

Founded in 1914, Canada Cartage is the country’s largest provider of outsourced fleet solutions, providing dedicated equipment and drivers to both small and large firms.

Our dedicated fleet outsourcing solutions remove the headaches, risk, and complexity of managing a private fleet by helping you run an efficient, cost-effective fleet.

Canada Cartage also provides a complete range of supply chain and logistics services including warehousing, managed transportation, and home delivery services. For more information, visit www.canadacartage.com.
