



White Paper

Stay Safe:

How a dedicated transportation solution can help you minimize risk and drive safety



Offload the risks of owning, running and managing a transportation network

Driving safety with a dedicated transportation solution: In a world of tougher regulations and rising costs, safe business is good business.

There are many reasons why businesses decide to outsource transportation. They may have high-value or high-security freight that requires special handling or equipment. Or, like many businesses, they may be wrestling with driver churn or looking to lock in guaranteed capacity.

Another factor driving migration to a dedicated transportation model is safety. And for good reason. Compliance with safety regulations is more complex than ever. Increasingly rigorous CSA regulations can result in costly downtime and penalties, impacting both business and the bottom line by sidelining the drivers and vehicles that deliver goods and materials.

A fundamental reason to embrace safety is to minimize or prevent personal injury, vehicle collisions and property damage. Failure to implement and follow safe business practices can have devastating human consequences – and negatively impact both your company’s reputation and business results.

There are also the financial impacts of failing to embed a culture of safety. The average cost of a crash is pegged at more than \$90,000 and that of a fatality \$7.6 million. Just recovering from a \$25,000 crash requires close to \$1.25 million in additional revenues.

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So how do you mitigate risk, build a culture of safety – and still focus on the competencies at the heart of your business? Many companies are turning to flexible, outsourced dedicated transportation solutions that combine drivers, vehicles and value-added services like safety services to minimize risk and comply with tougher federal, state and local regulations. The key? Choosing a partner with a proven and demonstrated record of safety.

About this White Paper

This white paper explores the impact that safety can have on your transportation system, your customers and your business. It considers the importance of compliance in an age of tougher government regulations, of having trained qualified drivers with a record of safety – and how offloading the risks of owning and operating a transportation network can deliver important dividends. It provides guidelines for evaluating solutions and for determining if a dedicated solution makes sense for you.

SAFETY. WHAT DOES IT MEAN?

The Transportation Research Board defines “safety” as a condition where adverse events and hazards are avoided and barriers are erected to prevent future occurrences or interactions with such events or hazards.¹

Trends driving the move to a dedicated transportation model

The migration to dedicated fleets is growing as companies with complex transportation and distribution requirements wrestle with safety-related challenges including:

¹ CTSSB Synthesis 14: The Role of Safety Culture in Preventing Commercial Motor Vehicle Crashes, Sponsored by the FMCSA, Transportation Research Board, 2007

1. Tougher, more complex safety regulations:
One of the top reasons for moving to a “for-hire” model is an increasingly complex regulatory environment. With increasingly rigorous and complex safety requirements, CSA violations and interventions can result in costly downtime and penalties. Unlike the old system, the new CSA safety measurement system emphasizes on-road performance, holds carriers and drivers responsible for safety, establishes steps to correct unsafe behaviors and counts out-of-service and safety-related violations.

2. Change in Hours of Service requirements for drivers:
Recent changes in drivers’ Hours of Service requirements, effective July 2013, limit the average workweek to 70 hours (a decrease from the previous 82 hours). They also require that drivers take a 30-minute break during the first eight hours of a shift and make it tougher for drivers to get back on the road after 34 hours of rest. Motor carriers and drivers that do not comply with the new regulations risk significant penalties. Companies whose drivers exceed driving limits can be fined \$11,000 per offense. Drivers can be fined up to \$2,750 per offense. With stricter enforcement, reporting requirements, penalties and downtime, offloading these complexities to a dedicated partner is becoming an attractive alternative.

3. Shrinking pool of qualified drivers:
Today, driver churn has reached an all-time high. In fact, the current driver shortage is expected to reach unprecedented levels in the next decade. According to the ATA, driver churn is 100% for large truckload fleets and has reached a five-year high for smaller truckload fleets. The current shortage is estimated at between 20,000 and 25,000 drivers, a number expected to reach 239,000 by 2022. That shortage can impact safety, because fewer qualified drivers are available to meet market requirements. With a dedicated solution, shippers can offload worries about driver recruiting, training and retention.

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4. The risks associated with crashes:

Whatever the cause - debris on the road, poor driving conditions, driver fatigue, excess speed, mechanical failure or pressure to deliver goods within tight windows - the impact of truck-related crashes is significant. Not just for accident victims but for drivers, carriers and businesses as well. Unsafe driving practices and other safety issues can derail even the highest-performing transportation network. Last year alone, large trucks and commercial vehicles were involved in some 500,000 crashes. Clearly, the human impacts of truck-related accidents can be deadly. So can the business and financial impacts. One way to offset all the risks associated with running a transportation network is to transfer them to a company whose core competency is transportation safety – specifically one with skilled engineers experienced in optimizing transportation networks to foster safety and minimize risk.

WHAT IS A DEDICATED TRANSPORTATION SOLUTION?

A dedicated transportation solution combines vehicles, drivers and equipment with transportation, warehouse and facilities management, route/load optimization, network engineering and other value-added services allocated to the specific needs of one customer. Dedicated solutions often provide specialized vehicles such as flatbeds or refrigerated vehicles, custom equipment for loading and unloading, expertise in handling high-value or high-security freight, backhaul revenue-sharing opportunities and more.

A dedicated solution could be right if you...

1. Struggle with high driver turnover or problems managing the growing driver shortage
2. Don't have the in-house resources to implement a safety and loss prevention program
3. Don't have time to keep up with changes in safety regulations
4. Don't have enough drivers to address recent changes in Hours of Service requirements
5. Have difficulty complying with changing federal, state and local regulatory requirements
6. Need tools, technologies and programs to improve highway safety
7. Don't have technicians on staff to keep vehicles in road-ready condition
8. Aren't sure you're adequately protected if an accident should happen
9. Worry about a safety incident or crash derailing your transportation network
10. Have trouble keeping up with the top CSA violations and how to avoid them

Three ways a dedicated solution can help you stay safe

Given the importance of creating a culture of safety, a dedicated transportation can alleviate many of the concerns for private fleet owners. Going dedicated is a compelling option for companies with complex transportation & distribution requirements, special equipment/handling needs, tight delivery windows, complex routes with multiple stops, rigorous SLAs or high driver turnover. With the right dedicated transportation solution, you can outsource driver hiring, training and retention, minimize risk and take the complexity out of compliance. Here are three reasons to consider a dedicated solution:

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I. Reduce breakdown and crash exposure

Based on the industry rule of thumb, large trucks and tractor/trailers will have one emergency breakdown a year – and a simple breakdown can cost \$1,000 per occurrence or more. Not only are breakdowns disruptive – compromising delivery schedules, customer commitments and product safety – they can be dangerous. Idled drivers and vehicles are exposed to the dangers of drivers who are distracted or traveling at high speeds. A dedicated solution also can minimize exposure to accidents that can exact a significant human and financial toll. For example, numbers released in recent statistics are staggering ...

- The average cost of a fatality involving a tractor/trailer is more than \$7.6 million according to the Federal Motor Carrier Safety Administration (FMCSA);
- A 2008 FMCSA report pegged the cost of a crash at \$97,811 for a straight truck without a trailer, \$125,070 for a straight truck with a trailer and \$172,292 for a tractor/trailer;
- Just offsetting the cost of a \$25,000 crash (e.g. cargo and vehicle damage, medical and injury costs) would require an additional \$1.25 million in revenues. The more costly the crash, the greater the need to generate additional revenues. ²

These figures don't take into account the additional costs of damaged goods, missed customer commitments, vehicle downtime/replacement and administrative costs. With a dedicated solution, fewer accidents mean fewer insurance claims, equipment losses, service disruptions, cost and risk.

DID YOU KNOW?

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² US DOT, FMCSA Accident Cost Table: <http://www.fmcsa.dot.gov/facts-research/facts-figures/analysis-statistics/Revenue.htm>

2. Take the complexity out of compliance

Why spin your wheels worrying about complying with tough safety regulations when you can transfer the risks and distractions of running a fleet to an expert and focus on your core business? As the government enforces policies with stronger penalties and holds companies accountable for the actions of their drivers, too many violations can mean costly fines and downtime.

With a dedicated partner planning and optimizing routes and loads, managing scheduling, hiring and training drivers and maintaining vehicles, you don't have to worry about your drivers/vehicles meeting safety regulations. Your products are being delivered by drivers trained in safety, in well-maintained, compliant vehicles equipped with safety-enhancing technologies.

3. Drive excellence by focusing on execution and measurable results

With the right dedicated partner, you can proactively identify ways to improve operations. With more control and visibility, you can streamline or expand distribution and achieve time- and cost-saving efficiencies. You can require that your provider deliver measurable results, whether it's on-time delivery, better customer service, faster order-to-cash cycles or accelerated inventory turns. Some providers offer performance guarantees around deliveries within a certain window, on-time service, fuel efficiency, continuous improvement or product condition. It's worth noting, too, that there is a strong correlation between safety and higher levels of service. Because they focus on all operational details, the safest operations are the ones with the best financial performance and better, more reliable customer service.

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Make sure you choose a company with a proven track record, industry expertise and strong CSA scores/safety record.

ARE YOU PREPARED TO COMPLY WITH CSA REQUIREMENTS?

Compliance with standards plays a role in most companies' safety strategies. Most notable is the updated Compliance, Safety and Accountability (CSA) program. The CSA safety measurement system (SMS) provides more comprehensive driver and carrier profiles to better identify the source of safety problems and high crash-risk behavior. A new interventions process and state-of-the-art tools improve the efficiency of the enforcement and compliance process. In addition, changes to the Safety Fitness Determination (SFD) will assess the safety performance of a larger segment of the industry.

Considering going dedicated? Here's what to look for ...

So you've decided a dedicated transportation model could help you drive a safer supply chain. Now comes the challenge of choosing a partner and a solution. As you evaluate candidates, make sure you choose a company with experience in dedicated transportation and:

- Proven track record, industry expertise and strong CSA scores/safety record
- Dedicated safety teams and services
- Resources/expertise to help you minimize the impact of crashes and injuries, insurance claims, equipment losses, service disruptions and risk
- Services to help you keep your fleet, drivers and business safe
- Standard inspections, regularly scheduled preventive and ongoing maintenance to prevent defects and potential failures
- Strategies for minimizing disruptions to your production and delivery schedules

PROFILE OF AN IDEAL DEDICATED PARTNER:

What does an ideal dedicated partner/solution look like? A solid, qualified provider:

- Goes beyond transportation network solutions to provide integrated, dedicated, value-added transportation solutions that include safety services
- Offers extensive resources in fleet assets and management, rental, network design and engineering, warehousing, and other logistics services with a high level of safety
- Can leverage synergies with fleet management systems, leveraging data from on-board telematics to tie engine diagnostics to maintenance department to optimize uptime
- Brings you the benefits of a safety-driven culture without the upfront costs and has the people, processes, technology and infrastructure already in place

An ideal dedicated partner offers extensive resources in fleet assets and management.

At a glance

An effective Preventive Maintenance (PM) program should include the following:

- Thorough checklist of preventive maintenance service tasks
- Scheduled maintenance program: annual, quarterly and mileage-based
- Documented pre- and post trip driver inspections
- Repairs performed by trained and certified professional technicians
- Detailed manual or electronic record-keep

By switching to a dedicated partner, you gain the benefit of a safety-driven culture without the learning curve.

Summary

Every company's requirements are unique. By shifting transportation from your private fleet or common carriers to a dedicated partner, you gain the benefit of a safety-driven culture without the learning curve or upfront costs. You also benefit from:

- Access to capacity when you need it - at an economical price
- Driver hiring, training and incentives
- Improved service – safer organizations not only have fewer injuries and crashes, they tend to deliver a higher level of customer service
- Specialized vehicles, equipment and product handling
- Network design/engineering, load consolidation and route optimization services
- Cost-saving backhaul revenue-sharing opportunities
- Expanded purchasing power and economies of scale
- Access to extended fleet assets and management capabilities
- Advanced technologies to optimize uptime and improve visibility

Ryder, Supporting a long-standing tradition of safety.

Building a safety-driven culture is the first line of defense when it comes to protecting your business from the costs and risks of crashes, penalties, and downtime. With one of the leading safety records in the business and a recipient of the National Safety's Council's Green Cross for Safety, Ryder's tradition of safety goes beyond our own best practices. We're committed to extending our safety leadership to help customers experience the same human, financial and business benefits. For example, Ryder employs teams of skilled engineers that routinely design and optimize transportation networks to provide alternative routes that reduce risk by taking drivers off the road and ultimately increase overall safety.

A logistics specialist managing \$4.2B in transportation for hundreds of customers, Ryder offers flexible, dedicated, value-added transportation solutions that combine drivers, vehicles, maintenance, routing, scheduling, management and administrative support to help businesses be nimble, run lean and stay safe. With 450 dedicated fleets, 200,000 vehicles and 900 fuel and service facilities across North America, Ryder Dedicated is perfect for companies with unique or complex distribution requirements, high-value freight requiring special equipment/ handling, complex routes with multiple stops, rigorous SLAs and high driver turnover.

Ryder offers a dedicated team of safety experts, comprehensive safety and compliance programs, training options and products to help you keep your trucks, your people and your company safe. Ryder safety experts engage with drivers and management and safety professionals, sharing best practices. Meanwhile, a continuing focus on engineering routes and optimizing activities goes even further to improve safety performance, while reducing your exposure to risk.





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Ryder is a Fortune 500 provider of leading-edge transportation, logistics and supply chain management solutions.

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