

Case Study- Private Tank Fleet Assessment and Cost Analysis

Issue

This 400+ tractor/trailer fleet is designed to serve two large chemical and oil distribution operations nationwide. Generally it has had broad authority and at times weak accountability for cost control. Prompt service when requested was its primary mission. As a result several significant cost categories had evolved into higher than expected ranges.

Scope

The fleet was divided into three separate functional business units to correspond to typical transportation types. All assets and costs for each business unit were segregated. Each business unit then was analyzed against "world class" standards and national benchmarks.

Approach

After consolidating all costs, the *Fleet Assessment* was conducted for each business unit. Deficient attributes were analyzed against expected cost ranges to determine potential savings opportunity. Each of these opportunities were then developed into practical action plans.

Results

Significant opportunities were found in each of the eight core categories analyzed.

- \$7.4 million savings per year in capacity planning and compensation:
 - eliminating excess capacity
 - increasing productivity, and
 - restructuring driver pay and benefits
- \$2.8 million per year in maintenance:
 - Establishing a target trade cycle
 - Analyze and control extraordinary maintenance expenses
 - Conduct a root cause of downtime
- \$300,000 per year in contractor and performance tracking
 - Conduct Lane by Lane analysis
 - Allocate capacity per plan
 - Assign KPIs and control

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PROJECT PROCESS

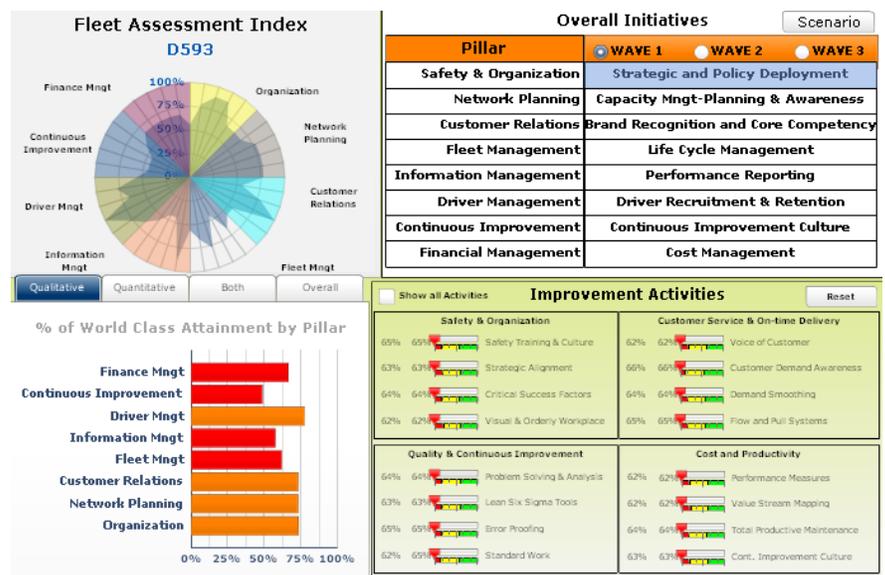
Assessment:

Using results of a *Fleet Assessment* for each business unit, a variance from benchmark review was used to identify cost categories outside of typical industry ranges. The last phase then analyzed these major cost categories for practical action plans.

Major initiatives recommended:

- Corporate strategy and procedures need to be rewritten. Even though they were well developed at the executive level, they had not been translated into meaningful KPIs to lower levels. The result was inconsistent to no accountability throughout management, administrative, and driver positions
- Non-existent demand forecasting has resulted in constant crisis response to short term demands. Excess capacity has been acquired to respond and is underutilized.
- Data and KPI tracking is not real time, leading to an inability to effectively control and motivate employees for improved performance.
- Customer service expectations have never been clearly defined and as a result are often missed
- Transition driver's pay into an activity based format. Use primary KPI's to establish appropriate rewards for desired performance.
- Calculate a target trade cycle for all equipment and utilize to develop a corresponding maintenance budget. Begin predictive maintenance tracking and manage exceptions
- Reallocate proper administrative resources system-wide to optimize the manager's value.

Fleet Assessment Index*



DOT Safety Plus' private fleet version of the *Fleet Assessment* was used to define and to begin to measure the score of the project. Eight core "pillars" representing 40 attributes of world class transportation were scored quantitatively and qualitatively.

National benchmarks for private fleets were embedded into the applicable quantitative attributes. During the interactive scoring process these benchmarks were compared to actual business unit costs.