



Do your carriers have well defined Energy Efficiency Strategies?



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Over the past few years, shippers and carriers have begun to acknowledge the importance of having well defined sustainability programs. While the move to green strategies started several years ago, the fuel price increases in 2008 were the impetus for many companies to take their programs to the next level. Shippers now look at their carrier sustainability programs not just as desirable or environmentally friendly, but as a requirement to secure their freight business.

Working with shippers over the past few years on carrier procurement and freight rate negotiation initiatives, my company has observed more of our clients challenging their potential vendors to articulate their green strategies. Specifically, carriers are being asked not just about transit times and dropped trailers but about their miles per gallon per truck and whether they are a Smartway carrier. An ever increasing number of shippers are recognizing that carrier sustainability strategies are cost reduction strategies. Carriers that limit their speeds and monitor their idling times are more efficient than carriers that are less focused in this area. Ultimately, the more fuel efficient carriers are lower cost carriers. This should translate into lower rates and more efficient supply chains.

As shippers evaluate prospective carriers as potential business partners, there are a number of specific items they should address as part of their RFP activities.

• Carrier Sustainability Metrics

Energy efficiency is quantifiable. Carriers measure miles per gallon, out of route miles, driver speeds, and empty miles. When a shipper meets with a prospective carrier, it is fair to ask the potential vendor to provide an overview of their energy management metrics. Carriers that stumble on these questions or don't know the answers are providing you with a warning signal. They are telling you that they are not well managed and/or their sales people are poorly informed. This is a red flag.

• Participation in major Sustainability Programs such as Smartway

Smartway is a voluntary program designed to increase energy efficiency while reducing greenhouse gases and air pollution. The designation means something.

It tells you that the participating carriers are seeking to improve aerodynamics, freight logistics, engine idling and driver training regarding fuel economy. Shippers should be asking themselves, do they wish to partner with companies that are not pursuing these objectives when their competitors are fully engaged in this area? For participating carriers, ask them for their "Smartway Shipper Index Factor" and if they are or have been a Smartway Excellence Award winner. This will provide you with an evaluation of how well they are performing.

• Driver Training

This is the essence of any sustainable program. Training establishes discipline and consistency. Well trained drivers maintain their vehicles properly, monitor their speeds at designated levels and manage their idling time. They are the key resource in any carrier sustainable program.

• Sales Training

Carriers that have well planned sustainable initiatives should be telling their clients about them. Rather than having to pull this information out of them, they should be proud to tell their clients and use this as a marketing tool to gain competitive advantage. This is good public relations and good business.

• Carrier Initiated Green Cost Savings Suggestions

Those carriers that do business with your firm observe your freight management practices. They experience waiting times. They see poorly configured pallets. They pick up daily LTL shipments (that could be consolidated into partial or full loads). In other words, they see first-hand, the opportunities to be more energy efficient. You should expect your top carriers to offer suggestions on how, working together, both companies can be more energy efficient and reduce costs.

Energy efficiency will become far more important in the years ahead. As the world's supplies of fossil fuels are depleted, governments will be wrestling with Cap and Trade legislation (and other programs) to reward energy efficiency and punish wasteful and inefficient energy practices. This is certainly the time for shippers and carriers across North America to formalize their short and long term energy efficiency initiatives. CT&L