

2018 STATE OF PRIVATE FLEETS

Other than having to deal with the driver shortage, private fleets are positioned for another solid year

BY JOSH FISHER, DIGITAL EDITOR

It's a good time to be in the private fleet business.

The number, volume and value of the shipments private fleets carry continues to rise and even more growth is expected into the next decade.

But like most trucking companies these days, private fleets are facing driver shortages despite the fact that most private fleet drivers stay with their company longer than for-hire carriers.

These are among the insights gathered from the annual Benchmarking Survey Report compiled by the National Private Truck Council (NPTC), a report based on detailed interviews with private fleet managers across the U.S.

Gary Petty, NPTC's president and CEO, recently shared some thoughts with *Fleet Owner*, based on the results of the 2018 survey.

"Anecdotally, private fleets are experiencing an elevated level of awareness,"

Petty said. "There's an awareness of the consequences they would face if they were exposed to market because of the cost of for-hire transportation services because the rates are so high and driver availability is scarce."

A private fleet might meet most of a company's transportation requirements or it might be just one part of many

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—Gary Petty, president and CEO, National Private Truck Council

transportation modes for a company. The right deployment of each private fleet driver and truck is key to a company's success—as not all lanes and loads are suited for all companies.

Because of this, Petty said, there is a "greater appreciation for what private fleet means and what leverage it gives the company in negotiating outside carrier contracts to fulfill the part of the work that doesn't need to be done by the private fleet. And that leverage is a very important factor in being able to fill the lanes that aren't appropriate for the private fleet."

For some companies that operate a blended fleet, which relies on both its company drivers and for-hire carriers, having the ability to freelance some of its freight transportation can be valuable.

With the U.S. economy growing at a GDP rate of 4% and unemployment plummeting to below 4%, businesses

across the country are expanding production and the freight market is booming at a nearly unprecedented pace.

"Skyrocketing for-hire carrier rates, shrinking capacity, and continuing driver scarcity will worsen through next year and beyond," Petty said. "Freight volume will rise significantly and shipping costs are likely to grow at double-digit levels."

Most private fleets expect to add equipment and haul more freight within the next five years while continuing to offer—against the industry trend of increasingly unstable, costly labor environment—a valuable option for corporate freight transportation.

"There has never been a better time to 'sell' the private fleet to company owners and senior executives who may not fully appreciate, or underestimate, the significant value which the fleet contributes to the company's overall success," according to Petty. "Companies with private fleets benefit from constant reminders to senior executives that outsourcing their private fleet can be a perilous option which, especially in this extreme market, could result in prohibitively expensive transportation costs, a decline in customer service, and the risk of business loss."

For all transportation companies, drivers are the No. 1 challenge, Petty said. "But private fleets are uniquely stable and dependable long-term compared to the rest of the industry."

Many fleets are "aggressively trying to hire more employee drivers, full service leased drivers or even independent con-



More private fleets are leasing Class 8 trucks from companies like Paccar Leasing than buying tractors for the first time in history.

WHAT IS A PRIVATE FLEET?

The NPTC defines a "private fleet" as a trucking operation conducted under the auspices of a corporation whose primary business purpose is not trucking, but for which trucking plays a critical role. Retail stores, for example, often operate a private fleet to facilitate efficient delivery of products to their outlets; that trucking business serves as a means of enhancing their primary business, providing goods to their customers as efficiently as possible.

NPTC said the most common reasons for operating a private fleet are the following:

- To gain direct control of transportation capacity, via an on-demand basis;
- To control costs, and;
- To provide consistent and high quality customer service.

Private fleets typically use some mix of owned or leased equipment operated by company or leased drivers, the group explained, and may also have their own for-hire operating authority so they can provide transportation services to external customers to improve fleet efficiencies.

Although the term 'private fleet' is often used in a generic sense to describe dedicated fleets or third-party logistics (3PL) services, those are not private fleets. The term 'dedicated private fleet' is a misnomer, NPTC stressed, as the trucking services provided to a shipper by an outside carrier or 3PL are generally known as 'dedicated fleets.'

tractors," Petty said. "Some are adding capacity through acquisitions of smaller for-hire trucking companies while also shifting backhaul capacity to move more in-house company freight on the private fleet. A major publicly traded retail chain is now in the process of bringing back its private fleet after outsourcing all transportation a few years ago."

Walmart Inc., which currently has a private fleet of 6,500 trucks has taken to the national airwaves to attract more drivers to fill vacancies and improve the image of a career behind the wheel of a big rig.

Walmart built its company on the back of private fleets in the 1970s when for-hire carriers wouldn't deliver to the company's rural stores. Now Walmart truckers earn about \$86,000 a year on average. While

for years, Walmart drivers had a turnover rate below 10%, that number has been on the rise, according to Tracy Rosser, the company's senior vice president of transportation.

"It is getting tougher and tougher to find qualified drivers," Rosser recently told Bloomberg News. "It's a really serious situation right now."

Like many for-hire and private fleets, Walmart's drivers are getting older—the average age is 55—and the company is losing a number of drivers to retirement.

According to NPTC's most recent Benchmarking Survey Report, private fleet drivers have a 15.4% annual turnover rate and stay with their companies for nearly 10 years on average. That's a number that sets private fleets apart, Petty said. The yearly driver turnover at for-hire carriers is up to 90%.

One reason for the disparity could be that private fleets pay drivers an average annual salary of \$67,869 plus benefits, which is the highest in the trucking industry, according to NPTC. While OTR



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truckload driver pay is rising—as carriers try to attract more drivers with better offers—it remains lower than what most private fleets offer.

Another reason private fleets can retain drivers longer, according to Petty, is “better jobs.” The average private fleet trucker annual income of \$68,000 (with some drivers making six-figure salaries) is well above the average for-hire-carrier driver’s income of about \$45,000 per year, according to the American Trucking Associations.

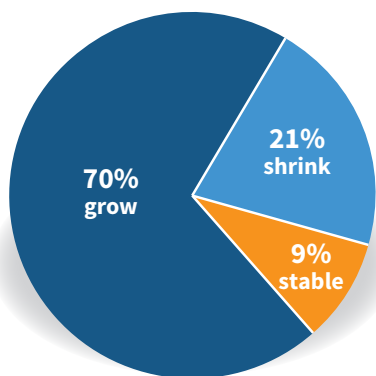
“Most private fleet drivers are home more often—if not every night or every other night,” Petty said. “So there’s some quality of life dynamic built into the retention of drivers.”

That quality of life also matches up with the better safety scores that private fleets get.

“Private fleets continue to report the highest safety performance in the industry,” Petty said. “Fleets in this year’s study have a DOT Recordable crash rate of just 0.49 crashes per million miles, a slight decrease from last year’s 0.61 accidents per million miles. Most significantly, this crash rate is roughly three times better than the industry average according to FMCSA officials.”

Private fleets have also reported an improvement in preventable and non-preventable accident rates.

What percentage of private fleets plan to add equipment or haul more freight next year?



NPTC 2018 BENCHMARKING SURVEY INSIGHTS

- More than 200,000 companies, excluding farmers, operate private fleets.
- Private fleet outbound freight market share is 68%.
- 52% of private fleet Class 8 trucks are leased, up from 46% in 2017.
- 84% of private fleets are involved some sort of “green” initiative, down from 87% in 2017.
- In 2018, there is a 3.54 trailer-to-tractor ratio among private fleets, down from 4.2 in 2017.
- Private fleets reported a 15.4% driver turnover rate this year, about even with 15.2% in 2017.
- The average driver age is 50.4 years old for private fleets, the same as it was in 2017.
- 61.8% of private fleet drivers are home every night, similar to 2017 numbers.
- 20.6% of private fleet drivers are out two nights or more per run in 2018.
- 32% of private fleets have a driver union presence.
- Private fleet drivers average \$67,869 in annual salary, down slightly from \$68,654 in 2017.
- 86% of private fleets have a driver wellness program
- Private fleets reported a DOT Recordable crash rate of 0.49 per million miles, a decrease from 2017’s 0.61.
- 44% of private fleets report using both forward- and driver-facing cameras.

When it comes to maintenance, most private fleets do some outsourcing, according to the NPTC study. Just 17% of fleets surveyed conduct nearly all their maintenance themselves, according to NPTC. That amount is down from 23% in 2017.

For the first time in history, more than half of Class 8 vehicles in private fleets are leased, according to NPTC. That is an increase from 2017 when 46% of private fleet’s Class 8 trucks were leased.

“Private fleets need the ability to focus on their business and their customers,” explained Todd Berger, director of national accounts for Paccar Leasing. “They seek our guidance and support on spec’ing the right equipment for performance, fuel economy, driver attraction and retention. Those kinds of things.”

Truck leasing companies such as Paccar can also offer private fleets new, quality trucks, Berger said. “It is a way that pri-

vate fleets can attract and retain drivers these days as the industry grapples with a growing driver shortage.”

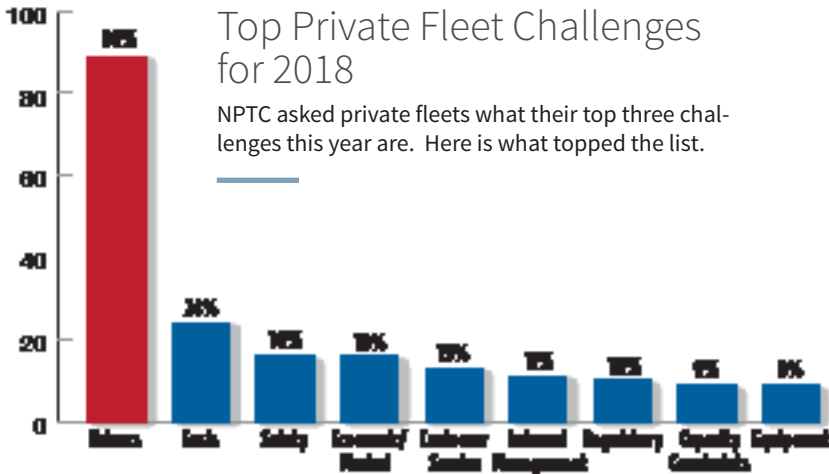
“We look to go in and understand the customer’s business first and then formulate the best solution that meets their needs—both financially, operationally and culturally,” he said.

About 90% of Paccar Leasing’s customers are private fleets that lease Class 6-8 trucks for five to six years. “We try to keep to a half million miles on Class 8 and 250,000 on medium duty,” Berger said. “We want to ensure uptime for our customers.”

Moreover, a significant trend in trucking, according to Berger, who has worked in the industry since 1982, is that vehicles are becoming less mechanical and more electrical.

“As trucks become more electronic, the fleets that are serviced by mobile mechanics are going to have a more difficult time to maintain the fleets of today

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and tomorrow,” Berger said, noting that leasing with maintenance agreements can help combat technician troubles.

This move from mechanical to electrical is only going to continue as companies look more into automation and increase safety technologies—most of which are electronic-based.

When it comes to safety, Berger said the most popular safety technology that private fleets are looking for these days are lane departure warning and stability control, dash

and in-cab cameras along with automatic transmissions.

Among the top safety technologies used by private fleets, according to NPTC, are automatic transmissions, speed monitoring, disk brakes and electronic stability control. On the rise over the past year, according to the study, are in-cab cameras, adaptive cruise control, collision warning, and lane departure technologies.

AMT is used in about 80% of the applications Paccar is involved with, Berger said. Fewer than 5% of the trucks it leases are fully manual, he said, with the rest being fully automatic. Fully automatic transmissions “are very expensive compared to the AMT,” Berger said. “Driver fatigue comes in to play. For optimal performance and fuel economy, AMT is a popular choice.”

Delivering freight on time is one of the key things that private fleets can control better than by outsourcing carriers. Findings from the 2018 NPTC study show that nine out of 10 companies (92%) describe customer service as the overriding purpose for having a private fleet. Cost, capacity and control are cited as well as interrelated reasons.

A majority (52%) of private fleets surveyed said that safety is an important part of the customer service value. Shipments (8.3%), volume (2.9%), value (2.9%), and mileage (4.8%) all show increases, but at a slower rate than previous years.

The 100 companies represented in the 2018 benchmarking study are really at the leading edge of the trucking industry,” Petty said. “They are doing so many things on the front lines progressively, technologically, and with safety protocols and management, that we could go on and on talking about their sophisticated levels of management.”

“When you have that kind of momentum,” he continued, “it’s really kind of a special set that’s keen on getting better every year.”

Every one of these private fleet companies, Petty said, is looking at small things that can make the fleet and the company better and move it a little further down the road. This data helps these companies and, in particular, their fleet managers. The benchmarking data can show company executives what is working in the industry, and it can validate what a private fleet is already doing, thus justifying the investment in their equipment, their drivers, their technicians, and their fleet support staff. ■

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—Todd Berger, director of national accounts for Paccar Leasing

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