

WHAT IS A PRIVATE FLEET?



By way of background and a factual platform to provide a better understanding of private fleets as a unique business model of trucking, the following summary explains what they are and how they function as the major component or just one component among several modes in a matrix of modern corporate transportation solutions.

Gary Petty
President and CEO, National Private Truck Council

Private fleets are a major component of the transportation solution and a source of competitive advantage for a broad cross-section of many of the most successful businesses in America.

A private fleet is 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 in achieving the goals of the company. Retail stores, for example, often operate a private fleet to facilitate efficient delivery of products to their stores. Their private fleet places them in the trucking business as a means of enhancing their primary business – providing goods to their customers as efficiently as possible.

The most common reasons for operating a private fleet are (1) to gain direct control of transportation capacity on demand, (2) to control costs, and (3) to provide consistent and high quality customer service. In addition, a private fleet may be used to benchmark outside transportation services used by the company. Private fleets utilize some mixture of owned or leased equipment operated by company or leased drivers. Private fleets may have their own for-hire operating authority, allowing them to provide transportation services to external customers to improve fleet efficiencies.

Companies with successful private fleets embrace transportation as a key component of the company's core competencies.

The most essential ingredient of all successful private fleets is the employment of a highly qualified and trained in-house professional transportation management team, which is directly in charge of the safe operation of the private fleet. This team measures the fleet's performance against industry best practices. It ensures compliance with all applicable regulations, uses onboard technology to collect and analyze operational data of drivers and equipment to gain optimal efficiencies and lower costs, constantly tests and justifies the fleet against outside alternatives, and continuously communicates the fleet's value to senior management and to customers. The breadth of responsibility makes these positions excellent development opportunities for leaders across the supply chain.

Private fleets provide insight into real operational costs of transportation.

This helps make the company a better consumer of transportation services – a hedge against cost increases and capacity shortages.

The private fleet may meet a majority of the company's transportation requirements. It may also be just one component among many transportation modes. Proper deployment of each private fleet driver and truck is a key to success, as not all lanes and loads at all times may be suited for the private fleet.

For this reason, in addition to their private fleet operation, a company may also use a dedicated fleet provided by an outside for-hire carrier. This is known as a 'blended fleet'—part private fleet and part dedicated. Although the term "private fleet" is often used in a generic sense to describe dedicated fleets or third party logistics services, these are not private fleets.

A private fleet may operate as a cost center or a profit center. Companies with successful private fleets embrace transportation as a key component of the company's core competencies. Taken as a group, private fleets have the safest operating drivers, and lowest annual driver turnover, and greatest driver longevity in the industry. Importantly, these drivers are often viewed primarily as customer service providers.

The private fleet represents a strategic, long-term investment and sustained management commitment to providing the organization with a full portfolio of transportation solutions to manage service, cost, and capacity. Private fleets in all sectors of the American economy prove their worth every day as a transportation advantage and an integral part of corporate shareholder value and growth.

See www.nptc.org for more about private fleets.

On the Move

Since federal regulation of interstate trucking began in the 1930s and continuing today, private fleets have constituted the largest sector of the industry. More than 200,000 companies, excluding farmers, operate private fleets. Private fleet's share of the U.S. truck freight market based on revenue is 47.6%.

75% of Class 4-8 trucks (3 out of 4 on the road) are from private fleets.

66% of Class 8 trucks and around 50% of all new sales are private fleets.

