



Teach-Change-Perform

NEWSLETTER

March 2010, Issue 6

We're Moving!

Effective March 15, 2010 our new address will be:

1861 Nimitz Drive
De Pere, WI 54115



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We're excited about our move to a new location and the renovations to the building which will create expanded training facilities for our clients. We will be having an open house after our move. Stop by and see us!



Steve Hirt



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Contributors: Steve Hirt, John Sage, Laurie McNicoll, Jeff Simon, Grant Johnson

A Comparison of DOT Rating Procedures

by John Sage



Safe Stat Present System

Safety Evaluation Areas

1. Accidents
2. Driver
3. Vehicles
4. Safety Management



Assesses only carriers.

Identifies carriers for a compliance review.

Roadside inspections, uses ONLY out-of-service and moving violations.

Safety Rating only impacted through a Compliance review.

CSA 2010 Summer of 2010

Safety Measurement System

1. Unsafe Driving (Parts 392-Driving & 397-Transportation of HM)
2. Fatigued Driving (Parts 392 Driving & 395-Hours of Service)
3. Driver Fitness (Parts 383 CDL Violations & 391 Driver License and Medical Violations)
4. Controlled Substances/Alcohol (Parts 382 & 392 Driving or on Duty and Under the Influence)
5. Vehicle Maintenance (Parts 393 Safe Operation of Vehicles & 396 Inspection of Vehicles)
6. Cargo Related (Parts 392 Inspection and Security of Cargo, 393 Protection and Shifting of Cargo, 397 Transportation of HM & HM Communication Violations.)
7. Crash Indicator

Two distinct safety measurement systems: one for carriers, one for drivers of commercial vehicles.

Identifies the specific focus for investigation (Either letter, off-site or on-site intervention, targeted road-side inspection).

Emphasizes on-road Safety, using ALL safety-based inspections in the SMS. 24 month review, already back loading system to violations from 2008.

Proposed to affect safety fitness (rating) on an immediate basis (future), based on adverse on-road safety performance.

We highly recommend watching your Company's SafeStat file: <http://safer.fmcsa.dot.gov>.

At Company Snapshot, type in your DOT number, enter other information in your Snapshot, SafeStat Results, Review Accident, Driver and Vehicle areas.

We'll keep you informed as this program progresses.

Any Questions, Please call John Sage or Jeff Simon at 920-425-1005.

Value Stream Mapping in the Office

by Laurie McNicoll



In the last few years, the idea of using Lean for office processes has become more and more prevalent. Service, not-for-profits, health care, and even governments are taking a closer look at how to make everyday processes more efficient and effective with the use of Value Stream Mapping.

As consultants and facilitators, our role is to help you identify where to start, teach you how to facilitate your own events, mentor you through the learning curve, and assist you with the follow-up Kaizen events so your efforts continue to produce sustainable results.

We have seen empowered teams make significant changes in the way they perform their work, solving the problems they encounter every day by seriously analyzing their work processes and eliminating the waste and variation.

Value Stream Mapping can uncover as much as **99% waste in office processes**; and for that very reason, Value Stream Mapping is one of the most widely used tools in the office.

Use a 10-Step Process for Value Stream Mapping:

1. Get Leadership's commitment to process improvement.
2. Define the scope of the process to be mapped.
3. Map the "current state" process, how the process currently operates today.
4. Collect any useful data relating to the process.
5. Define each step in the process as Value-added, Cost-added, or Waste.
6. Establish the desired measurement and improvement goal for the process.
7. Use brainstorming and prioritize ideas.
8. Develop the "future state" Value Stream Map, by removing the waste.
9. Create an action plan with responsibilities.
10. Implement the action plan and train everyone involved.

Future state results typically reveal a 50% reduction in waste and steps. How do you suppose this happens? If there is so much waste, why didn't the employees fix the process without going through a formal Value Stream Mapping exercise? Here's the problem. As managers, we want to solve the problems ourselves, constantly putting out fires and having all the solutions. That's why we are managers, right? Managers need to think about asking all the right questions instead of having all the answers, ultimately becoming "Learners" vs. "Knowers."

Employees come to work every day wanting to feel a sense of accomplishment; however, as managers, we give them terrible processes to work with and expect them to do a great job. If we give them the tools and the authority and responsibility to fix their own processes, they become engaged and empowered to solve the problems that get in the way of them performing their work.

Start today and assemble a team of six to eight employees, use the 10-Step Process for Value Stream Mapping. Be sure to start first with the processes closest to your customers and allow the team to make the beneficial changes that add more value for your customers. Everyone wins – customers, employees, and the organization.



Value Stream Mapping Event with the Team at Community Memorial Hospital in Oconto Falls.

Lean Transportation

by Jeff Simon



Over the last 50 years, the trucking industry has evolved through many stages of customer service and profitability. From the early freight wagons and teamsters to the present age of technology and sophisticated logistics systems, transportation has been essential to the success of commerce in the United States. Optimizing transportation is becoming almost a cliché now that there are so many improvement options for us to consider. How does the industry decide where to invest their slim margins? Customer service demands have become more critical than ever as shippers have become more conscious of their own need for waste minimization, quite often identified through the exact procedures we are just becoming aware of.

Unfortunately, many of us in the transportation industry have become so comfortable with traditional procedures that have allowed us to grow over the years, that we are slow to recognize the customer's new expectations. Lean principles are all about identifying "non-value added" activities. Customers are not interested in paying for our inefficiencies and waste. Many of the new customers, in fact, are even asking for accounting ledgers to assess a new or existing carrier's activities which streamline value-added rates. Listed below are the eight forms of waste in any business. Those of us in the transportation industry need not think too long on any form of waste before we identify obvious areas of our business where these would occur.

Types of Business Wastes

- Delay & Waiting
- Over Processing
- Motion
- Inventory
- Conveyance
- Inspection
- Defects, Scrap & Rework
- Lack of Participation & Innovation

Let's look at a few possible waste scenarios that may still occur in a typical trucking operation.

Delay and Waiting

Drivers and equipment waiting for a load has been an expectation of the customer.

Customers are often slow to load a trailer even after it has arrived. This same customer may have been negotiating lean value-added rates last week, yet today is delaying equipment and the driver for hours simply because of less than adequate scheduling. Although every carrier has the "detention" charge option, to actually bill a good customer for this may be suicide to the business relationship.

Many of us have had the opportunity to be dispatchers in our careers. Although it is one of the most critical jobs in the industry, it is also one of the most stressful and difficult to succeed at. Without a Transportation Management System to assist, one dispatcher will make hundreds of quick decisions every day. Telling a driver who has just called in available to "call back in an hour" is actually a positive to saying "I don't have anything for you—call back in the morning." Tremendous delays frequently occur which threaten any optimization scenario.

Overprocessing

For those in the manufacturing business, this concept is obvious, resulting in excess expensive inventory. However, if we view this from the trucking perspective, excess inventory could be tied up in extra trailers parked in spotting pools all over the country in favorite customer lots. No doubt, there are great customer service issues to give us the competitive edge. Drivers love drop and hook, which actually increase the utilization of drivers and equipment. The bottom line, however, is that we pay for thousands of dollars worth of assets hoping that someone will call in a load.

Something as minor as ordering extra office supplies or log books will result in huge amounts of excess inventory with the expectation that we will need it someday.

We could even find this waste in running extra miles in a certain direction hoping that return freight might materialize. Again, overprocessing is investing in material or activity that the customer is not willing to pay for yet. There may be an anticipated need; but by definition, it is a waste right now.

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Final Mandatory Reporting of Greenhouse Gases Rule: “You Cannot Manage What You Do Not Measure.”

by Grant Johnson

The United States Environmental Protection Agency has taken the first step towards future policy making decisions regarding greenhouse gas (GHG) emissions by collecting data through the Final Mandatory Reporting of Greenhouse Gases Rule. During 2009, this rule was fast tracked through Washington D.C. and became effective on December 29, 2009, which leaves many facilities unsure of how this will impact them.

The Final Mandatory Reporting of Greenhouse Gases Rule aims to collect GHG emission data from about ten thousand facilities and track about 85% of all GHG emissions in the United States. One unique feature of this rule is that it can apply to facilities that do not have any other specific environmental reporting responsibilities, such as an air permit. Therefore, all facilities must examine their current operations to assess their applicability and monitor future plans to stay current with the requirements.

There are four main applicability avenues in the rule:

1. Facility contains one or more of the 17 listed source categories.
2. Facility does not contain one or more of the 17 listed source categories and emits 25000 metric tons or more from the combined operation of stationary fuel combustion equipment and miscellaneous use of carbonate and 7 specific source categories.
3. Does not fall under avenue 1 or 2 and has a total maximum rated heat input capacity for stationary combustion equipment (ex. boilers, incinerators, process heaters) greater than 30 mm Btu/hr and emits at least 25000 metric tons.
4. Suppliers of certain fuels and gases.

A crucial aspect of the rule is that it does not give a time frame for a facility to develop a baseline to determine applicability. The rule went into effect at the end of 2009 and data collection should have begun January 1, 2010, to be submitted when the first GHG emission report is due on March 31, 2011. A facility can use data from 2009 and the US EPA Applicability Tool to determine if reporting will be required, but any uncertainty about whether a facility must track GHG emissions should be examined immediately to move forward with any need compliance strategies.

The Final Mandatory Reporting of Greenhouse Gases Rule is only the beginning of what looks to be the move towards regulations that limit GHG emissions in the United States. Facilities should be prepared by thoroughly understanding the impact of this rule on their operations and meet its requirements if needed.



Lean Transportation (Cont.)

Motion

During the driver recruiting process, why do we need to sort through 100 driver applications in order to locate the 5 drivers who meet the qualification standards and who will make a positive contribution to our company family. At one company, they were able to reduce their recruiting investment from 1362 hours to 91.5 hours in order to hire the same number of new recruits. The wasted time had simply been accumulated over time through lack of direction, training, or careful scrutiny of the procedures. Certainly, the customer is not willing to pay for this.

In the shop, a disorganized or poorly designed workplace can result in incredible waste of motion. A missing tool will require the mechanic to spend 5 minutes walking to the tool room. Missing parts or filters will require another trip to the parts room. The "5S" concept basically states that a workplace that is 1) sorted (organized in its place), 2) set in order (through policy and procedures and racks), 3) shined (clean), 4) standardized (uniform equip specs), and 5) sustained (continuous improvement and training) will be more efficient. One actual case delivered a 30% increase in capacity with no addition of manpower or equipment.

Wasted motion can also be a great indicator of excess waiting time. People will find ways to fill their time so they do not look idle.

If you ever wonder whether reports you write are actually read, just stop doing them for a week and see who calls. Although this could cause a hiccup in some careers and should be done thoughtfully, it certainly does represent wasted motion that the customer is not going to pay for.

One of the most fruitful opportunities for improvement is to reduce engine idle time. A tractor engine may burn up to .8 gallon per hour – a pure form of wasted engine motion. Several hours a day multiplied by 7 days a week times hundreds of trucks in your fleet can make the difference between winning or losing in an industry where a 95% operating ratio is considered good.



Inventory

As stated earlier, this could be in the form of excess equipment to excess office supplies. It is a result of the mistaken assumption that buying extra will be cheaper or may result in better customer service before the alternatives can be analyzed. Forecasting anticipated customer (internal and external) needs will help acquire resources more closely to when the customer is willing to pay for them. In manufacturing, we may refer to this as a demand scenario that pulling (requesting) the raw material as it is needed by the next step in production. The alternative is producing extra and getting ahead before it is needed (push) resulting in inventory buildups. Buying in smaller quantities as it is needed and locating it as close to the anticipated need (point of use) will make a serious reduction in excess anything.

Wasted out of route miles to pick up the next load or get home, empty miles that could be filled in critical lanes, unnecessary driver inspections and supervision because we have not trusted our hiring decisions or are afraid to help

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Lean Transportation (Cont.)

an employee find a job they are more suited for, damaged freight caused by poorly maintained equipment or inadequately trained drivers, not utilizing the incredible intelligence of our drivers and employees by encouraging and rewarding their ideas, or assessing the sacred procedures of assigning one truck to one driver when three drivers could keep it moving 24 hours a day are all examples of waste which represent potential opportunities.

If we let our minds wander to the other examples of waste, we will soon realize that our trucking industry is plagued by waste in practically every aspect of our business. Early results of *Optima Associates, Inc.'s Private Fleet Assessment Program* are showing that the private carriers' cost per mile is varying from \$2.06 per mile to as high as \$3.41 per mile. Even within these high cost figures, there are often significant cost categories missing such as missing insurance costs or understated driver wages. Actually, some carriers have serious difficulties just measuring their performance – they have never monitored it. The average private fleet is running at about \$2.31 per mile. Just a quick glance at these figures points out incredible opportunities for improvement without even comparing these numbers to the “for hire” carriers who normally can come in less than \$2.00 per mile.

Waste is prevalent in our industry and is ripe for the picking. It is very rewarding to just identify the low hanging fruit and pick it. Think out of the box and challenge every “traditional” procedure. Value Stream Mapping can focus our energies on the specific functions that need to be challenged. Remember that every activity that cannot be billed is defined as waste. Continually ask, “Is there a different way to fulfill the customer’s needs?” Surprisingly, many who have taken the *Private Fleet Assessment* will say that customer service is their reason for existing and yet have never asked the customer to define that, set service standards or measure their performance in key areas such as damaged freight and on-time delivery.

Lean management is simply “Applied Common Sense.” In the transportation industry, among the many things that we are good at, common sense is what has brought us the success we have experienced. A determined effort to apply what we already know will take us to new profitable horizons we never before thought possible.

Optima Associates has developed a new Private Fleet Assessment Program which is able to focus on forty key attributes of a carrier’s operation and compare that performance with national benchmarks. A High Level Assessment at the for-hire carriers never fails to identify these opportunities. Executives as well as employees are encouraged to formulate creative solutions. A 20%-30% improvement is not unlikely. One carrier has improved its backhaul revenues \$500,000 after the Private Fleet Assessment Program identified that area as an opportunity. For more information, contact jeff.simon@optimatcp.com or call 920-425-1005.

Optima Sustainability Factoid

Every Year Americans throw away enough paper to build a 12-foot wall from the Statue of Liberty to Seattle. This equates to almost a ton of paper per person being disposed of each year. What does that mean to you?

Recycling one ton of paper would:

Save 17 mature trees.

Save 7 thousand gallons of water.

Save 3.3 cubic yards of landfill space.

Save 2 barrels of oil (84 U.S. gal or 320 l).

Save enough energy to power the average American home for 6 months.



<http://www.epa.gov/osw/consERVE/materials/paper/basics/index.htm>

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We're on the web:
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"I know we're supposed to pursue continuous improvement; but I'm always working on process problems, training issues, and a lack of good data . . . I don't have time to improve!"