

By Joe White

## SmartWay: A Business Necessity?

**T**he voluntary EPA SmartWay Program aimed at improving fuel efficiency and reducing greenhouse gas emissions is fast transitioning into a mandatory requirement of doing business for carriers.

Driving that requirement is shippers that have joined SmartWay and are using that program to help quantify and improve their own sustainability efforts. Called 'Shipper Partners', once enrolled they commit to goals and submit action plans that will soon have a significant revenue impact on non-SmartWay member carriers.

To understand that impact, let's first discuss membership requirements for carriers. When truckers join as a 'Transport Partner', they sign an agreement to improve fuel efficiency within a three-year period. They begin by reporting baseline emission performance via SmartWay's FLEET model, a spreadsheet that collects a carrier's relevant fleet, idling, technological and operational data. Using that information, the spreadsheet calculates carrier emission levels and converts that performance into a Shipper Index Factor.

The SIF ranks carrier emission performance. Currently, three scores are awarded: 0.75, 1.00 and 1.25 — the higher the score, the lower the emission level. Carriers obtaining a 1.25 SIF score become eligible to display a SmartWay logo on their Web site and marketing materials.

Along with baseline reporting, each transport partner submits a three-year emission reduction action plan. Then, each year annual updates are submitted via the same FLEET model to document progress and hopefully earn an improved SIF score.

Now let's look at how shipper membership works. Like carriers, shippers also sign an agreement to reduce emissions within a three-year period. Their main emission reduction strategy, however, is a commitment to ship at least 50 percent of their freight with SmartWay transport partners.

Shippers are provided their own version of a FLEET spreadsheet in which they list SmartWay carriers currently used and total miles each carrier receives. That spreadsheet recognizes transport partner carriers and automatically grabs their SIF score and multiplies it times the number of miles assigned to that carrier.

Therefore, a lowest rated carrier — SIF of 0.75 — earns shippers a 75 percent credit for the miles assigned to that carrier, while a highest rated carrier — SIF of 1.25 — earns a 125 percent credit. Shippers need those credits to meet the requirements for use of the SmartWay logo and other benefits. Non-SmartWay carriers are lumped into one entry and all miles for that group are given a 0 percent credit. Once all carriers are entered, the spreadsheet calculates the percent of total miles that earned SmartWay credit, with a score 50 percent or more being the goal.

Understanding how the shipper FLEET calculation works provides carriers with two very important insights regarding shipper

motivation within the SmartWay Program.

The first is that the higher the SIF score, the more desirable a carrier is to their shipper. The above example of lowest and highest rated carriers demonstrates that there is a 50 percent mile credit difference between the two.

The second insight is that no matter how emission efficient you currently are as a carrier, revenue preservation dictates that you must join SmartWay. Regardless if membership will help you reduce emissions or not, if you are not listed as a SmartWay member, shipper partners will not be able to receive credit for the freight miles they tender to you. The near-mandatory nature of carrier partner participation is further reinforced by the activities defined in a shipper's three-year action plan. On the SmartWay Web site is an example action plan that includes the following suggestions:

- Increase shipping with partner carriers
- Encourage existing carriers to join SmartWay
- Incorporate preferential point system for SmartWay carriers during contract bids

**O**n a higher level, we're talking about carbon footprint. Many large companies are focused on reducing their environmental impact. Currently, SmartWay provides these companies the only existing and standardized option for measuring and reducing greenhouse gas impact.

Shipper partners want more out of SmartWay. Already plans are under consideration to make significant program revisions in 2009. Perhaps the most significant change being considered is to publish member carriers' actual carbon emission performance, or at least their emission performance in ranges defined by grams of carbon per mile or other similar measures. With this information, shippers will be better able to quantify and manage their total carbon footprint. Another change pending is introduction of random auditing of claimed emission performance where carriers would be subjected to a yet undefined process that verifies the data reported and scores awarded. Failure to pass an audit could result in being dropped from SmartWay for several years.

SmartWay is a great program with a noble mission. Saving the planet while reducing fuel costs is an initiative few of us will take issue with, yet carriers need to understand the ramifications of this program.

As a result of shipper participation and influence in SmartWay, enrollment in the program is fast becoming a competitive requirement as carrier motivation for sustainability expands beyond preservation of the environment to include a new goal: preservation of revenue.

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