

**HOW TO IMPLEMENT
INCENTIVE PROGRAMS
FOR SAFETY AND PRODUCTIVITY
GUIDELINES FOR TRANSPORT FLEETS**

DRAFT FOR PILOT TESTING

Prepared for
Transportation Development Centre
Transport Canada



Canada Safety Council

March, 1999

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16. Abstract <p>A 1998 Canada Safety Council study (funded by TDC) identified a need for information to help fleets ensure the success of their incentive programs. This manual was subsequently developed as a practical guide to help trucking companies develop, administer, and evaluate incentive programs. The next phase is to pilot this manual; conclusions will follow the pilot.</p> <p>The manual outlines the elements necessary for effective incentive programs, the most common types of incentives, and factors to consider when deciding on what incentives to offer. Emphasis is placed on developing an action plan with clear objectives to help ensure a good return on the efforts and money invested.</p> <p>Incentive programs that emphasize a team approach typically achieve far better results than autocratic ones. The manual describes how to organize a team to direct the program. Guidance is also given regarding internal and external communication, key components of successful incentive programs.</p> <p>The manual recommends a “before and after” comparison of costs and benefits as a valuable way to evaluate an incentive program, emphasizing that it takes time for a program to become effective.</p>						
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16. Résumé <p>Une étude du Conseil canadien de la sécurité (financée par le CDT), réalisée en 1998, a permis de constater le besoin d'information pour garantir le succès des programmes d'incitation dans les parcs de camions. Ce manuel a ensuite été élaboré afin d'aider les entreprises de camionnage dans la mise au point, la gestion et l'évaluation des programmes d'incitation. La prochaine étape consiste à mettre ce manuel à l'essai et à en tirer des conclusions.</p> <p>Le manuel met en évidence les éléments requis pour garantir l'efficacité d'un programme d'incitation, les mesures incitatives les plus fréquentes et les facteurs à considérer lors de la sélection des mesures. L'accent est mis sur l'élaboration d'un plan d'action assorti d'objectifs clairs permettant d'obtenir un rendement satisfaisant par rapport aux efforts et aux montants investis.</p> <p>Les programmes d'incitation qui misent sur la participation des employés obtiennent de biens meilleurs résultats que ceux qui misent sur une approche autocratique. Le manuel explique comment monter une équipe chargée de diriger le programme. On y retrouve aussi des conseils à propos de l'élément clé d'un programme d'incitation réussi : la communication interne et externe.</p> <p>Le manuel recommande une comparaison «avant-après» des coûts et des avantages pour l'évaluation d'un programme d'incitation, en précisant qu'il faut du temps à ce genre de programme pour devenir efficace.</p>					
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How to Implement Incentive Programs for Safety and Productivity: Guidelines for Trucking Companies

Faced with the challenge of improving safety and productivity, transport companies are turning to incentive programs. A 1998 Canada Safety Council study (funded by Transport Canada) concluded there is a need for information to help fleets ensure the success of their incentive programs. This manual was developed to help trucking companies develop, administer and evaluate incentive programs.

Effective incentive programs share a number of basic characteristics. Only if these necessary elements are in place will a program produce the desired results:

- A strong commitment from the owners and top management is absolutely critical.
- Management must put its commitment into a policy statement for all to see.
- A preliminary budget should be set for development and implementation.
- Someone must be put in charge of co-ordinating all aspects of the incentive program.
- Employees must be involved in all aspects of the program.
- An incentive advisory team representing all areas of the company should meet regularly to identify problems, suggest solutions and develop action plans.
- The incentive program must be evaluated regularly and adjusted as necessary.
- Incentive programs should never be used as a “quick fix” in a crisis situation.
- A communication plan is an essential element of a successful incentive program.

The most popular types of incentives are cash, recognition awards, merchandize, savings bonds, special assignments, advancement within the company, and special events. Many companies use a combination of these. When deciding on what incentives to offer, the following factors should be considered:

- The participants must see the reward as being desirable.
- The value of the incentive should grow progressively with continued good performance.
- Whatever incentives are in place, employees must see the program as being fair.
- Rewards must be seen as attainable
- There may be tax implications for the benefits offered.

The company must invest time and money to make its program a success. An action plan with clear objectives will help ensure a good return on this investment. The plan should start with a situation analysis and should describe what corrective measures will be taken. It must present ideas or measures that will correct a situation and eventually cut costs/losses for the company.

How a company plans and implement its program is just as important as *what* it does. Incentive programs that take a team approach typically achieve far better results than

autocratic ones. A committed, well-organized, results-oriented team should drive the program.

Communication is unquestionably one of the key components of successful incentive programs:

- An internal manual explains the details of the incentive program.
- Employees feel the communication provides a link with management, and that management is making an effort to keep them informed of news that concerns them.
- Before launching the incentive program, meetings are held with employees, both individually and collectively.
- A bulletin board gives current news and information about the incentive program.
- Ongoing information maintains interest in the program; this could be a regular newsletter or letter from the president.
- A suggestion box, whether physical or electronic, allows employees to communicate with the company at their convenience.
- Information and training sessions are held as needed.
- Events are held for employees and their families during the year, as occasions to recognize employees and present awards.

Employee turnover is a chronic problem in some sectors of the trucking industry. A well-communicated and well-implemented incentive program can significantly improve retention.

External communication is also important. Networking with other companies using incentives can result in ideas to improve a program, and can provide further motivation for employees. By communicating its successes, the company can build a good public image with its community, its shippers, various levels of government, and educational institutions and road transportation training centres that train possible future employees.

Incentive programs must be evaluated regularly to ensure they are giving the company good value for its investment, and to identify areas for possible improvement. A "before and after" comparison of costs and benefits is the most straightforward approach. It takes time for a program to become effective – so the longer the time frame used the better. The evaluation should only use data collected after the program has become fully effective, normally from six to 12 months after implementation.

Incentive programs are innovative and progressive. They can help companies derive significant benefits if properly implemented.

The next phase in this project is to pilot the manual. Conclusions will follow the pilot.

How to Implement Incentive Programs for Safety and Productivity

CONTENTS

1. INTRODUCTION	1
2. WHY AN INCENTIVE PROGRAM?.....	2
2.1 General Objectives	
2.2 Act on Small Problems to Prevent Big Ones	
3. BUILD A SOLID FOUNDATION.....	3
3.1 Start at the Top	
3.2 State the Policy in Writing	
3.3 Set Aside a Budget	
3.4 Choose a Co-ordinator	
3.5 Work Closely With the Target Group	
3.6 Recognize Everyone's Contribution	
3.7 Form a Team to Drive the Program	
3.8 Expect the Program to Evolve	
3.9 NEVER Use Incentives in a Crisis	
3.10 Develop a Communication Plan	
3.11 Before You Start, Complete This Checklist	
4. DECIDING ON THE INCENTIVES	10
4.1 Types of Incentives	
4.1.1 Cash	
4.1.2 Awards	
4.1.3 Merchandize	
4.1.4 Special Assignments	
4.1.5 Promotion	
4.1.6 Special Events	
4.1.7 Combinations	
4.2 Factors to Keep in Mind	
4.2.1 High Perceived Value	
4.2.2 Reward Long Term Performance	
4.2.3 Fairness	
4.2.4 Rewards must be Attainable	
4.2.5 Tax Implications	
4.3 Cash Incentives	
4.3.1 Frequency	
4.3.2 Basis of Payments	
4.4 Sample Safety Incentive Programs	
4.4.1 Safety Bonus Program for Company Drivers	
4.4.2 Safety Bonus Program for Owner-Operators	

5. ACTION PLAN	17
5.1 Management Objectives	
5.2 Completing the Plan	
6. INCENTIVE TEAM	20
6.1 Roles and Responsibilities	
6.2 Who should be on the Incentive Team?	
6.2.1 Members	
6.2.3 Qualifications	
6.2.4 Management Representatives	
6.2.5 Employee Representatives	
6.2.6 Substitute Members	
6.3 Organization	
6.3.1 Chair and Secretary	
6.3.2 Establish a Framework	
6.4 Standards Must be Fair and Objective	
6.4.1 Road Safety	
6.4.2 Productivity	
6.5 Openness	
6.6 Appeal Process	
6.7 Corrective Action	
6.8 Using Outside Services	
7. EMPLOYEE MANUAL	27
8. COMMUNICATION	28
8.1 Internal Communication	
8.1.1 Management Must Take the Lead	
8.1.2 Meet with Employees	
8.1.3 Bulletin Board	
8.1.4 Information Updates	
8.1.5 Suggestion Box	
8.1.6 Information and Training Sessions	
8.1.7 Special Events	
8.2 External Communication	
8.2.1 Integrating with Regional and National Programs	
8.2.2 Peer Networking	
9. OBJECTIONS AND OBSTACLES	32
9.1 Collision Under-Reporting	
9.2 Payments to Worker's Compensation	
9.3 The Phantom Collision	
9.4 New Employees	
9.5 "No-Fault" Collisions	

9.6 Bonuses Become Seen as Part of the Pay Package	
9.7 Incentives May Not Work for All Employees	
9.8 Administration Costs	
10. PUBLIC IMAGE BUILDING	35
10.1 General Public	
10.2 Shippers	
10.3 Government Officials	
10.4 Future Employees	
11. HOW TO EVALUATE YOUR PROGRAM.....	37
11.1 Purpose of Evaluation	
11.2 Take a "Before and After" Approach	
11.3 Set Realistic Time Frames	
11.3.1 "Before"	
11.3.2 "After"	
11.3.3 Interim Evaluation	
11.3.4 Adjustments	
11.4 Keep Complete Records	
11.5 Cost-Benefit Analysis	
11.5.1 Benefits	
11.5.2 Direct Costs	
11.5.3 Indirect Costs	
11.5.4 Other Costs	

APPENDICES:

- A. HOW TO DETERMINE WHETHER OR NOT A COLLISION WAS PREVENTABLE**
- B. COST-BENEFIT ANALYSIS SPREADSHEET: SAFETY INCENTIVE PROGRAM**

FIGURES

1. Relationship between Minor Incidents and Major Collisions.....	3
2. Collision Reporting Form	40

TABLES

1. Sample Safety Policy Statement	5
2. Preparation Checklist	9
3. Safety Bonus Program for Company Drivers	15
4. Safety Bonus Program for Owner-Operators	16
5. Sample Goals and Action Plan	18
6. Sample Evaluation of a Fuel Economy Incentive Program	43

1. INTRODUCTION

Safe, efficient, cost effective trucking is essential to Canada's competitiveness in the global economy.

Just In Time distribution has become common, as companies control their inventories to stay competitive. This means shippers rely on highly efficient transportation – which puts heavy demands on trucking fleets.

Faced with the challenge of improving safety and productivity, transport companies are turning to incentive programs. For many companies, these programs bring benefits. Unfortunately, other companies are disappointed by the results, because they often do not know how to make an incentive program work for them.

Necessary equipment, skills and knowledge must be in place before an incentive program can be successfully implemented. The incentive program builds on these prerequisites, to improve morale and retain employees.

A 1998 Canada Safety Council study (funded by Transport Canada) identified a fast-growing use of incentive programs in Canada's trucking industry. Many fleets had implemented an incentive program within the previous two years. Others were in the process of considering or developing one.

The Canada Safety Council study concluded there is an immediate need for information to help fleets ensure the success of their incentive programs. This manual was developed to fill that need. Based on best practices of trucking companies with successful programs, it explains how to develop, administer and evaluate incentive programs for safety and productivity.

Incentive programs are innovative and progressive. This manual is designed to help trucking companies take advantage of their potential.

Incentive programs are innovative and progressive.

2. WHY AN INCENTIVE PROGRAM?

2.1 General Objectives

Trucking companies implement incentive programs to achieve one or more of the following general objectives:

- to improve safety within the fleet;
- to enhance productivity and efficiency;
- to improve employee retention;
- to identify training needs related to safety and productivity; and
- to intensify the safety and productivity culture within the firm.

2.2 Safety: Act on Small Problems to Prevent Big Ones

Major crashes are rare. More frequent but less serious collisions afford opportunities to take steps that will prevent major crashes from occurring. This is the best way to explain the basis for a safety incentive program whether you are talking to groups of employees or individuals.

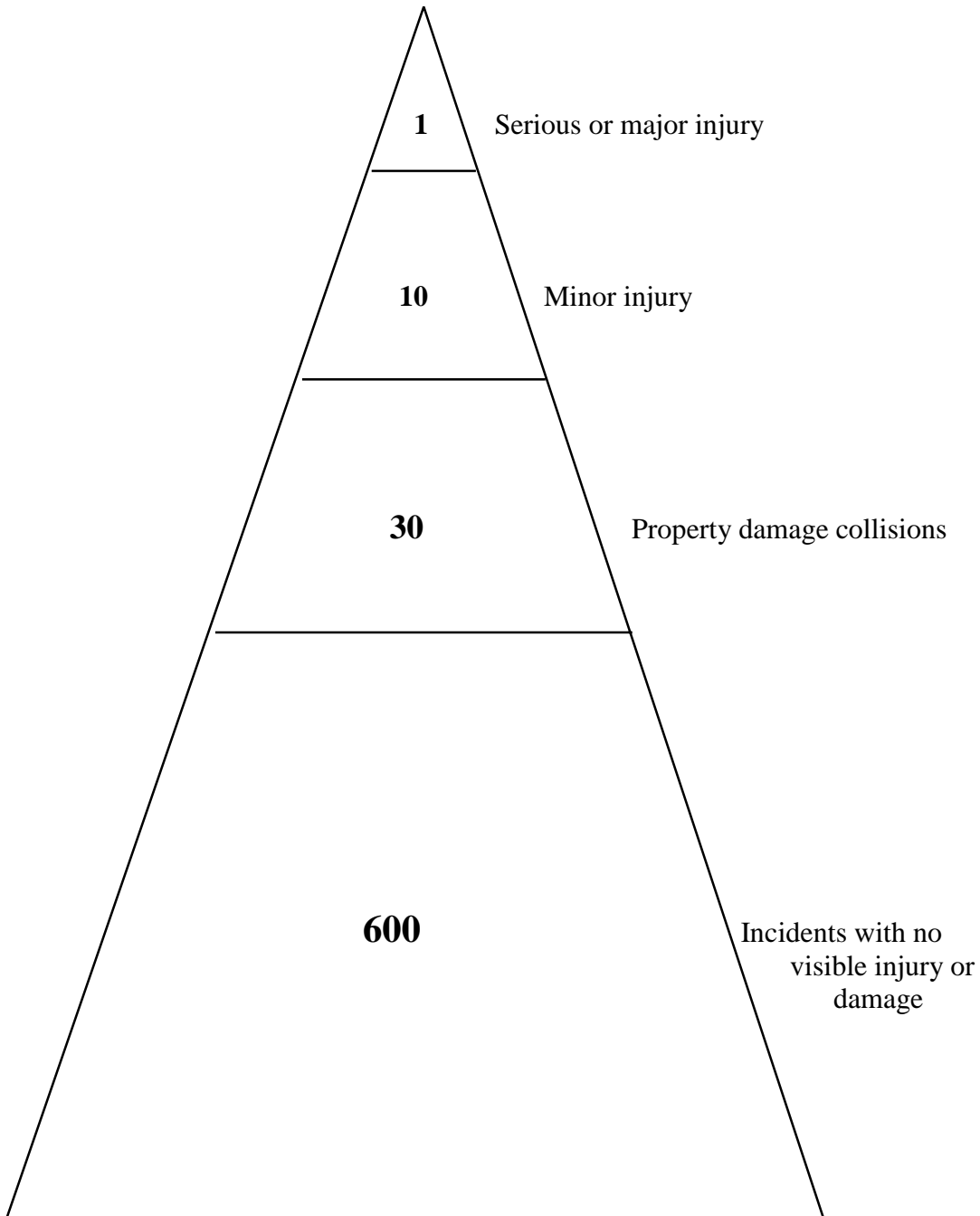
Figure 1 shows the ratios in collisions reported in a study of industrial companies. Although these ratios may not hold for all organizations, the pyramid shows that the more minor incidents there are, the higher the likelihood of a catastrophic incident.

The bottom line is that it pays to reduce the frequency and severity of minor collisions. Companies who take preventive action on minor, non-injury incidents have fewer collisions with minor injuries, and fewer major crashes with severe injuries.

It pays to reduce the frequency and severity of minor collisions.

2.3 Productivity Incentives Help Control Costs

By improving productivity, trucking companies can cut costs significantly. To achieve this, many companies are willing to share part of the benefit with their employees and owner-operators. A well-designed productivity incentive program can produce considerable savings.



Source: Frank E Bird, Jr. and George L. Germaine. Loss Control Leadership. Published by Institute Publishing (A Division of International Loss Control Institute) Highway 78, PO Box 345. Loganville, Georgia 30249. 1987. ISBN 0-88061-054-9

Figure 1: Relationship between Minor Incidents and Major Collisions

3. BUILD A SOLID FOUNDATION

By definition, incentive programs involve giving rewards for performance. But the rewards are only the tip of the iceberg. A solid foundation is needed if the program is to be successful.

Effective incentive programs share a number of basic characteristics. Only if these necessary elements are in place will your program produce the bottom line results you want.

Always bear in mind the overall purpose of the program is to motivate and encourage employees to work safely and productively. To achieve this, the incentive program must identify training requirements, ensure the availability and correct use of equipment, and promote awareness of and commitment to proper procedures.

3.1 Start at the Top

A strong commitment from the owners and top management is absolutely critical. Do not proceed until the company's senior decision makers have established the incentive program as a high priority. If employees come to the opinion, rightly or wrongly, that management does not really care about the objectives of the incentive program, anything else will be to no avail.

This commitment must be obvious and ongoing. Here are some examples of how company decision makers can show their support:

- Invest in resources for a safer work environment, such as safety equipment, training, personal protective equipment, etc.
- Participate in safety meetings.
- Personally recognize the efforts and achievements of employees.

Management commitment must be obvious and ongoing.

3.2 State the Policy in Writing

Management must put its commitment into a policy statement for all to see. This statement should be concise and prominently displayed. It could be included in your employee manual.

Table 1: Sample Policy Statement

<p style="text-align: center;">Safety Policy</p> <p style="text-align: center;">Safety is not a result. It is a part of all operations, equally as important as sales and cost control.</p> <p style="text-align: center;">It is practised by all employees in every operational task. Management undertakes to provide a safe working environment. Managers and supervisors are accountable for developing a safety-conscious attitude in all employees.</p> <p style="text-align: center;">Individual safety means working in a safe manner at all times. This is how the system of safety functions in all operations.</p> <p style="text-align: center;">"SERVICE with SAFETY"</p>
--

3.3 Set Aside a Budget

Once the company has decided to implement an incentive program, management must decide roughly how much money it is willing to invest in the program, and how it will calculate the benefits.

A preliminary budget should be set for development and implementation. The amount to budget varies with the type of program and expected results. The budget may have to be revised as implementation proceeds.

Section 11 helps identify the main cost elements and benefits. Remember that an incentive program takes a long time to become fully effective. Budgets should be established accordingly.

3.4 Choose a Co-ordinator

Once a solid commitment has been made, management must put someone in charge of co-ordinating all aspects of the incentive program. The co-ordinator should be a knowledgeable, dependable member of the management team, someone who is willing and able to promote the program as part of other duties.

The fleet manager or safety supervisor is typically the best person to co-ordinate a safety incentive program. In some companies, the president co-ordinates all incentive programs. Sales and marketing people can also make good co-ordinators. The person actually selected is a function of the size and organization of the company, and the capability and interest of that person.

No matter who is selected, the person responsible for co-ordinating the program should have these characteristics:

- Expertise in the area(s) targeted by the incentive program.
 - For example, the co-ordinator of a safety incentive program must be qualified in both safety principles and supervisory skills, familiar with safety laws, rules and regulations, and able to train employees to work safely.
- Commitment to two fundamental principles:
 - that safety and/or productivity can be improved; and
 - that positive feedback is more effective with most employees than criticism.

Clearly define the co-ordinator's roles and responsibilities, preferably in writing.

3.5 Work Closely With the Target Group

Develop your program in cooperation and consultation with those for whom it is intended. People are more likely to work towards goals they themselves have helped define.

To establish what particular incentives are the most motivating and under what conditions, ask employees. An incentive is an incentive only if viewed as such by the recipients. (See Section 4.)

Involve employees in all aspects of the program, for example:

- recommendations on how to promote safety or productivity;
- participation in safety inspections;
- suggestions for training.

3.6 Recognize Everyone's Contribution

Safety and/or productivity improvements are a result of everyone in the company doing their part. Everyone contributes – and improved performance means everyone wins.

A driver incentive program obviously rewards drivers for their performance. But remember that supervisors and middle managers have a direct impact on the drivers' work. Every link in the chain is part of the end result and should be eligible for an award: dock worker, foreman, supervisor, middle manager, and even the top decision-maker.

3.7 Form a Team to Drive the Program

Teamwork is essential to success. Involving the right people in planning and implementation will strengthen company-wide support for the program and enable it to achieve its objectives.

- The incentive advisory team should represent all areas of the company: drivers, dispatch, maintenance and management.
- It should meet regularly to identify problems, suggest solutions and develop action plans.
- The incentive advisory team should meet regularly with top management (as a minimum annually) to report on achievements, and present goals and objectives for the coming year or six months. This gives management an opportunity to recognize its accomplishments and show appreciation for employees' efforts.

Your company may already have a committee whose structure and tasks are compatible with the desired objectives, which could address the incentive program, especially a safety incentive program, as part of its mandate. Otherwise, set up a separate group to focus on the incentive program. (See Section 6.)

3.8 Expect the Program to Evolve

Creating a successful program involves a willingness to experiment and learn by trial and error. Consistency and follow-through are the key. Programs work when you implement employee suggestions and correct problems as they happen.

Build a Solid Foundation

It's important to evaluate your incentive program on a regular basis and adjust it as necessary. Evaluation procedures are provided in Section 11.

An incentive program that works for one company might not work for others. As company cultures differ, so should incentive programs. Two or three years into an incentive program you'll want to think seriously about changes. Programs have to be revitalized over time. Otherwise, they may lose their effectiveness.

3.9 NEVER Use Incentives in a Crisis

Incentive programs should never be considered as a “quick fix” solution to a crisis situation.

Incentive programs take time to develop and implement properly. They need to be well thought through and well communicated. They also need time to become effective after implementation. It may require several cycles of bonus payment before the full benefits of the program are realized.

3.10 Develop a Communication Plan

Communication is an essential element of any successful incentive program. You will need a plan that includes internal and external communication, with a focus on employees and with shippers. Sections 8 and 10 provide more details.

Incentive programs take time to develop and implement properly.

3.11 Before You Start, Complete This Checklist

This section has described the necessary foundation for a successful incentive program. If – and only if – your answer to every question is YES, you are ready to proceed.

Table 2: Preparation Checklist

PREPARATION CHECKLIST	
<input type="checkbox"/>	Is top management fully committed to the program?
<input type="checkbox"/>	Does management understand that an effective incentive program requires a long-term commitment and investment?
<input type="checkbox"/>	Will management make a written commitment to the program?
<input type="checkbox"/>	Has a budget been allocated for the program?
<input type="checkbox"/>	Has a co-ordinator been named to take overall responsibility for the program?
<input type="checkbox"/>	Will a mechanism be established to work with the target group?
<input type="checkbox"/>	Will a team of employees be formed, willing and able to help with implementation?
<input type="checkbox"/>	Will the program be regularly evaluated, and changes made as needed?
<input type="checkbox"/>	Is the program being introduced for the right reasons? (e.g. NOT in reaction to a crisis)
<input type="checkbox"/>	Will there be a communication plan for the program?

4. DECIDING ON THE INCENTIVES

Once you can answer YES to all the checklist questions, your program is off to a good start. Now it's time to focus on the actual rewards or incentives.

Typically incentives are based on achieving a standard or target within a given time frame. For example, a safety incentive program gives a reward for driving a specified period of time or distance without a preventable collision. A fuel economy incentive program rewards a driver for achieving a target fuel economy over a specified time frame.

Management normally sets the overall budget for the program. However, employees need to be involved in deciding the details. The incentives must be attractive to the recipients if the program is to be effective.

The exact incentives chosen by a company, as well as the value of the rewards, depend on internal factors. For instance, some companies may avoid cash bonuses because they feel that employee compensation is sufficient. Others may feel that rewards are too generic and difficult to select. The decision on cash or non-cash incentives will depend on factors internal to the company. This manual does not recommend any particular type of reward above others.

4.1 Types of Incentives

Following are the most popular types of incentives:

4.1.1 Cash

Cash rewards are very common, even though some companies avoid them completely. For example, a safety incentive program could pay so many cents per mile or kilometre for preventable collision-free driving. Cash rewards are very popular with drivers because they can be used for purchases that relate to immediate personal needs and priorities. If you are considering cash incentives see Section 4.3 for more information.

One of the arguments against cash rewards is that they do not provide a lasting memory or reminder of the achievement. Questions of expectations and fairness can also annoy employees and their families.

Cash or non-cash incentives a company decision

4.1.2 Recognition Awards

An award can take the form of a plaque, certificate, pin or other type of memento. There are companies who specialize in providing awards for different types of recognition.

Awards provide a lasting memory of the achievement and can be displayed to family, friends and peers as a record of the achievement. They tend to be more popular with experienced personnel, whereas new recruits tend to prefer cash rewards.

4.1.3 Merchandize

Merchandize offers the benefits of cash, plus the lasting recognition of an award. Popular items include watches, jackets and electronic equipment. The value of the merchandize increases with the length of time the employee has participated in the incentive program. A variety of choices should be offered at each reward level to ensure there is something to motivate every employee.

Gifts that reinforce corporate identity can be sought-after items, with a benefit far beyond their monetary value. Jackets, for example, can be customized with the company logo. Winning a company jacket can be a source of great pride, or a great achievement.

4.1.4 Special Assignments

Special assignments could include offering drivers their favorite runs or shippers, or possibly work that allows them to be home more frequently.

One of the drawbacks of this type of reward program for a trucking company is the limited number of special assignments available. This could make it difficult to get all employees to buy into the program because they may feel the reward is not attainable.

4.1.5 Promotion

Promotions could include becoming a driver trainer or dispatcher, driving specialized equipment, or promotion to a new role within the company. This type of reward has limited potential within a trucking company, as the majority of positions are truck drivers. Again, it will lose effectiveness as an incentive if employees view the reward as being unattainable.

4.1.6 Special Events

Parties, family picnics, sports activities and other fun events should be open to everyone who works for the firm, to build an atmosphere of camaraderie. These events can serve as opportunities to present recognition awards. They can be difficult to organize for trucking fleets where drivers can be on the road for several days at a time. Plan well in advance, hold the event at a less busy time of year, and schedule drivers accordingly. Realistically, 100 per cent attendance is usually not possible. Allow for this, and give some form of reward to drivers and others who have to be away at the time of the event.

4.1.7 Combinations

Many companies use a combination of incentives. In this way they can take advantage of the best features of each type of reward, and structure a program to suit their own needs and people. A combination of cash and awards is quite popular within the trucking industry.

Structure the program to suit your company's needs and people.

4.2 Factors to Keep in Mind

Consider the following issues when deciding on the types of incentives, the performance standards and the structure of the program.

4.2.1 High Perceived Value

The participants must see the reward as being desirable. An incentive is only an incentive if it is attractive enough to motivate employees to change their behaviour.

4.2.2 Reward Long Term Performance

The value of the incentive should grow progressively as the individual accumulates successes within an incentive program. For example, the bonus for 10 uninterrupted years of collision-free driving should be greater than 10 times the bonus for one year of collision-free driving.

4.2.3 Fairness

Whatever incentives you put in place, employees must see the program as being fair. Rewards must be given to employees who deserve them. The system should be designed so employees do not resent if they are not eligible for certain awards.

4.2.4 Rewards must be Attainable

Design your program so employees know the rewards can be attained. Incentives or standards that seem unattainable may discourage people from trying. If employees think they don't have any real chance of ever receiving a desired reward, the incentive program will not achieve its purpose.

4.2.5 Tax Implications

Payments or rewards given under incentive programs may be considered as taxable benefits. Management should check with an accountant or tax adviser to be fully aware of the latest tax laws that may apply to the benefits offered in your incentive program.

Incentives must be attractive, fair and attainable.

4.3 Cash Incentives

If bonuses will be paid to reward performance, decisions must be made on how the payments will be set up.

4.3.1 Frequency

Keep the time period to be eligible for a cash bonus relatively short. Delayed rewards and penalties are less effective than immediate rewards in shaping behaviour.

Payment frequency can vary from monthly to annually. Quarterly and semi-annual payment periods are the most common. The reasons for selecting different payment frequencies are as follows:

- Monthly payments mean participants see results of their efforts frequently. If they do not earn the incentive in one period, they are quickly back in the program.

- Paying every 3 or 4 months reduces administrative burden and participants see bigger rewards. For safety incentive programs, this frequency also gives time for all collision claims to be processed in each period, to avoid a claim arriving after the bonus has been paid. This is by far the most frequent payment schedule for safety incentive programs in the industry;
- Semi-annual or annual payments reduce administrative burden and increase size of the award. Programs that pay annually often pay the bonus just before Christmas.

Some companies have found it beneficial to deduct the costs of minor collisions from the bonus. This policy can work to the advantage of both the driver and the company. It is seen as fair, because the driver pays only in proportion to the cost and may not lose the entire bonus. However, if collision costs exceed the bonus, do not deduct more than the value of the bonus. As well, do not deduct across more than the bonus period in which the collision occurred. The objective is not to punish, but to keep the driver motivated to improve.

4.3.2 Basis of Payments

Each company has to decide the payment basis that works best for them. This may also change over time.

The most common models are based on:

- distance (e.g. miles or kilometres driven without a preventable collision);
- percentage of gross pay;
- percentage of profits; or
- flat rate or lump sum for a given time period.

The per-mile rate is the most popular form of payment for safety incentive programs. Typical rates vary from 0.5¢ per mile to 3¢ per mile, with 1¢ per mile being the most common.

Payments based on activity level, such as per kilometre or percentage of gross pay, have the advantage of giving higher payments during good years and lower payments during slow years, thereby easing cash flow requirements.

The objective is to keep the driver motivated to improve.

4.4 Sample Safety Incentive Programs

Table 3: Safety Bonus Program for Company Drivers

SAFETY BONUS PROGRAM FOR COMPANY DRIVERS		
1 year	\$500	Plus Certificate
2 years	\$500	Plus Certificate
3 years	\$1,000	Plus Plaque and Gift
4 years	\$1,000	Plus Plaque
5 years	\$2,000	Plus Plaque and Gift

To qualify:

- Must be employed a minimum of 11 months and remain with the company past the end of the year.
- Maximum of one speeding or hours of service infraction tolerated.
- Plan is predicated on being claim free, accidents and cargo.
- Definition of claim is no cost to the company in excess of \$200 Cdn.
- If involved in a claim during the first three years, the employee goes back to 0 years.
- If involved in a claim after the completion of three claim-free years in succession, the employee loses the balance of that year plus one full year.
- Program is in effect (day/month/year).
- Program is (day/month) to (day/month) each year. All monies will be paid out on (day/month).

Table 4: Safety Bonus Plan for Owner-Operators

SAFETY BONUS PROGRAM FOR OWNER-OPERATORS		
1 year	\$500	Plus Certificate
2 years	\$600	Plus Certificate
3 years	\$700	Plus Plaque and Gift
4 years	\$800	Plus Plaque
5 years	\$900	Plus Plaque

To qualify :

- An owner must be provided with services pursuant to an agreement with the carrier for a minimum of eleven months and continue to provide services past the end of the contract year.
- The plan is predicated on being claim free, collisions and cargo.
- Maximum of one speeding or hours of service infraction permitted.
- If involved in a claim in the first three years, the owner goes back to 0 years.
- If involved in a claim after the completion of three claim free years in succession, the owner loses the balance of that year and one full year.
- Program is in effect (day/month/year) subject to amendment by the carrier from time to time.

Program will be administered on a fiscal year (day/month) through to (day/month). All monies will be paid out in (month).

5. ACTION PLAN

The action plan is developed only after the decision to implement an incentive program has been made. Top management must be committed to the program, a budget set aside, a co-ordinator and incentive team named, and the types of incentives determined.

Now, the company must invest time and money to make its program a success. An action plan with clear objectives will help ensure a good return on this investment.

5.1 Management Objectives

Section 2.0 identified general objectives of incentive programs. At this time, specific objectives should be set.

Management should set specific objectives or targets for their own company's program. No matter what they are, keep in mind these basic principles:

- Put each objective into writing;
- Establish short- and medium-term objectives; and
- Identify desired long-term outcomes.

When setting objectives, think about how they will be measured. How will management decide whether an objective has been achieved? (Unfortunately, some objectives are easier to measure than others.)

5.2 Completing the Plan

The incentive team helps the co-ordinator develop a detailed action plan to implement the incentive program and achieve the objectives.

An action plan should start with a situation analysis and should describe what corrective measures will be taken. The plan must present ideas or measures that will correct a situation and eventually cut costs/losses for the company.

You have to know where you're going if you want to get there.

The action plan must:

- Describe the problem/s which the incentive program will address;
- Identify direct and indirect costs of these problems for the company;
- Identify other factors that must be taken into account;
- List the desired objectives, which have been defined by management;
- Describe the measures to be taken, including equipment and training needed, and the structure of incentives to be offered;
- List the intended benefits;
- Outline an implementation schedule;
- Provide target dates for objectives; and
- For each action, name the person in charge.

Table 5: Sample Goals and Action Plan

Provided courtesy of the Council of Driver Trainers, Eastern Ontario Chapter

GOALS & ACTION PLAN (GAP)	
Name: Fuel Incentive Program	Supervisor/Manager:
Company: ABC Trucking	Date: (day/month/year)
GOAL: (What do you want to accomplish? What is your purpose or broad objective?)	
SUBJECT: To reduce fuel consumption by 61,600 Imperial gallons.	
GOAL: To improve our fleet performance from 6.2 miles per gallon to 6.5 miles per gallon during the period (day/month/year) to (day/month/year).	
OBJECTIVES: (How will you know what you accomplish? State your specific targets or yardsticks by which you will measure improvement.)	
Effective (day/month/year) we will be purchasing 61,600 less Imperial gallons than we did in (year). Fuel costs in (year) will show minimum savings of \$151,536 over the same period in (year). We will be able to gauge savings by the month as fuel costs for each month of (year) are calculated and recorded.	

Table 5 continues on page 19...

GOALS & ACTION PLAN (GAP)	
ACTION PLAN	TARGET DATE
Formulate a plan to increase our miles per gallon from 6.1 MPG to 6.5 MPG and have it ready for presentation to the decision maker.	(day/month/year)
Outline the program to the heads of both the maintenance and administrative departments. The maintenance department is to ensure all vehicles are fully capable of supplying the miles per gallon to our goal standards. The administrative department is to ensure the mechanisms are in place to track fuel consumption of each vehicle. We also want to be able to track monthly progress of our goal. In view of the fact each vehicle has a specific driver, we want to set up a competitive situation.	(day/month/year)
Outline the program to all drivers at meeting.	(day/month/year)
Complete the training program and spend one week with the driver trainer.	(day/month/year)
Complete lesson plans and a detailed program for presentation to the drivers at meetings between Christmas and New Year's.	(day/month/year)
Commence program of driver trainer taking trips with each driver and ensure we have an evaluation program in place.	(day/month/year)
Check progress of program and make necessary changes.	(day/month/year)
Prepare a monthly progress report for all drivers.	(day/month/year)
COST	BENEFIT
Two times \$1,520 for engine and cab heaters for trial on tractors 16 and 22.	Save in excess of \$150,000 over present fuel cost.
Pay driver trainer \$600/week for approximately 22 weeks.	Improve our fuel consumption by one mile per Imperial gallon.
REVIEW & AGREEMENT	
SIGNATURE:	DATE:
SIGNATURE:	DATE:
SIGNATURE:	DATE:

6. INCENTIVE TEAM

How you plan and implement your program is just as important as *what* you do. When one person – no matter how capable or well-intentioned – makes all the decisions, employees tend not to take ownership.

"Process" is critical. Incentive programs that take a team approach typically achieve far better results than autocratic ones. So put together a committed, results-oriented team to drive your program.

6.1 Roles and Responsibilities

The incentive team has three main roles:

- To serve as a communication point within the company.
- To implement agreed-upon incentive programs; and
- To watch for problems and achievements.

Its responsibilities include:

- Implement and promote incentives;
- Suggest standards and targets;
- Analyse incident and collision records;
- Analyse productivity records;
- Consult technical experts and professionals;
- Make recommendations to management;
- Establish communication channels;
- Handle complaints and suggestions within the company;
- Make sure follow-up is taken on identified concerns;
- Determine the benefits and costs related to the program; and
- Report on its meetings.

Address the issue of authority before you start. What will be the implementation role of the incentive team? Will it simply make recommendations? Its authority will depend on such factors as corporate culture, whether or not there is a union, and company size. Don't get bogged down on details. There is important work to do, so allow some flexibility.

The team's top priority is to catch problems at an early stage. Employees and management must therefore alert the incentive team to issues (negative and positive) as soon as they arise. Members will have to assess the input they receive, and may have to institute ways for employees to communicate anonymously. They must make it fast and easy for anyone to communicate concerns.

6.2 Who should be on the Incentive Team?

There is no one recipe for the ideal team. Be sure to choose a representative from each area of the company: e.g. dispatch, maintenance, drivers and others. The composition of the team will depend on the company's needs, culture and resources. Choose a team that can do the job!

6.2.1 Members

A small group is usually better at taking action, whereas a larger group tends to have more discussions and take less action. On the other hand, the larger group may have more influence and may be able to improve communication throughout the company because it involves more people. A larger number of members also enables the team to benefit from a wider variety of experience, perspectives and ideas.

There is no need to limit the number of members or to have an equal number of management and employee representatives. The team may have more management than employee members, or vice versa.

Consider these factors when deciding on the size of the group:

- Number of employees;
- Number of workplaces;
- Number of unions; and
- The need to represent various shifts.

6.2.3 Qualifications

Try to get people with the personal characteristics to analyse situations, take decisions jointly and recommend actions. Other characteristics include:

- the ability to co-operate in order to solve problems;
- knowledge of, and familiarity with, company policies; and
- a sincere desire to make the workplace safer, more productive and more motivating.

It is a good idea to include members with specialized knowledge or technical expertise, but don't disqualify a candidate just because he or she lacks knowledge or experience.

The names of incentive team members must be posted.

Choose a team that can do the job!

6.2.4 Management Representatives

If the team itself does not have the authority to implement all of its recommendations, management representatives must have some authority. Otherwise, members may become frustrated and less effective. If management representatives have sufficient authority, many issues can be settled by group agreement on actions to be taken without further management approval.

6.2.5 Employee Representatives

Employee representatives should be elected if possible. If you are not unionized, management could nominate one or more employees to expedite the process. If you are unionized, select representatives according to the union's constitution. Representatives should be company employees rather than full-time union officers, because the incentive team will need to take advantage of experience and knowledge specific to your organization.

6.2.6 Substitute Members

Don't delay or postpone meetings because some members cannot attend. If a quorum is necessary, consider appointing substitutes to replace regular members. The group should decide whether substitute members can exercise the full authority of the members they replace. Select substitute members in the same way as regular members, and post their names for all employees to see.

6.3 Organization

The team should be organized for these tasks:

- Meet at least once each quarter or during emergencies and whenever necessary. Minutes should be posted as soon as possible after the meeting.
- Receive and quickly address employee and management concerns related to the incentive program.
- Monitor safety/productivity programs, incentive measures and procedures, and cost-benefit data.
- Consult technical experts when necessary.
- Maintain files on the incentive program and actions taken by the group.

- Develop, establish and maintain programs for employee training in safety and productivity.

To do this work efficiently and effectively a certain amount of structure is needed.

6.3.1 Chair and Secretary

To run efficiently, the group will need a chair and a secretary. Both of these people must have the time and skills needed to perform the necessary tasks. The secretary may or may not be an official member of the group.

The group should select a chair from its members to lead meetings. The chair's term may be for an indefinite period, or may be limited to one year.

Under the chair's direction, the secretary will:

- issue notices of meetings;
- prepare agendas;
- ensure all necessary documents, correspondence, information, etc., are available for use during meetings; and
- take notes during meetings and prepare the minutes.

In addition, the Secretary may also be called upon to help with follow-up:

- help the meeting chair prepare correspondence or issues;
- gather information required by the team;
- make meeting arrangements and inform members of meeting dates and places; and
- update files on the teams' activities.

A professional employee working on the incentive program would be a good choice for secretary; often, the program co-ordinator will take this function. However, if no professional employee or group member can act as secretary, the company should appoint someone to provide administrative support for the chair.

6.3.2 Establish a Framework

The group should set some basic policies and procedures at its first meeting and put them in writing for future reference. This may include:

- A statement of purpose;
- Scope of representation;
- Authority and functions;
- Scope of activities; and
- Number of members, length of terms and selection procedure.

Some policies will also be needed to ensure smooth functioning. For example:

- Meeting frequency;
- Quorum;
- Special meetings; and
- Appeal procedures.

6.4 Standards Must be Fair and Objective

6.4.1 Road Safety

Whenever a collision is reported, the incentive team will have to recommend whether it was preventable or not. The intent is not to lay blame, but to identify the actions that need to be taken to prevent such an incident from happening again. The group must agree on what constitutes a "preventable" or "non-preventable" collision.

The definition most often used by the trucking industry and drivers of commercial vehicles comes from the Canada Safety Council: “A collision is preventable *if you did not do everything reasonable to prevent it.*”

This definition is the cornerstone of all safety incentive programs. Appendix B provides an analytical grid to assess whether a collision was preventable or not, which can be included in the team's collision report.

To determine the causes and factors contributing to collisions, investigation must focus on facts, not fault. Members will have to analyse incidents based on the findings of objective investigation.

Focus on facts, not fault.

6.4.2 Productivity

Some examples of areas suited for incentive programs:

- Energy efficiency;
- Customer service (on-time delivery); and
- Cargo damage.

While generally accepted criteria exist for preventable and non-preventable collisions, there are no universal definitions for productivity issues. Each company must decide on its own parameters.

For example, a company may set a performance standard of XX litres per 100 km (or XX miles per gallon) for energy efficiency. It may also introduce an idling policy. When setting the criteria for an energy efficiency incentive program, take into account:

- Current fuel consumption levels, against which improvements can be measured.
- Operational variables, such as the roads travelled and the types of vehicles used.
- Situations beyond the driver's control, such as unexpected highway closures.

Performance measurement is critical for productivity incentive programs. However, care must be taken not to introduce productivity standards that may push employees to take risks.

Performance measurement is critical for productivity incentive programs.

6.4.3 Setting Standards

The incentive team will have to set reasonable and fair standards to reward performance on the basis of its true value.

The standards must be realistic for your company. It may be useful to set them in the context of your industrial sector, but industrial productivity standards are not always easy to obtain. In some cases, only comparisons among companies are possible. In others, professional associations may have some data to help you set a reference standard. Your insurers can also help you develop industrial comparisons.

You will also need statistics from your own fleet to measure the performance of employees participating in the incentive program.

Develop a table that clearly shows the company's overall performance. This performance table need not mention employees. It could show separate operating units, such as LTL city, LTL road, TL Canada, TL US, warehouse, etc. The purpose is to stimulate interest among employees.

6.5 Openness

The incentive team should establish a clear process by which anyone who works for the company has access to management and employee representatives on the team. However, care must be taken to ensure the team is not seen as a grievance committee.

Its work must not be shrouded in mystery and rumours. It must clearly communicate its activities and decisions to employees and management, especially those who are directly affected.

6.6 Appeal Process

An appeal process must be available for employees who feel they have been adversely affected by a decision or recommendation of the team. The group appointed to consider appeals should be made up of three members: a team member and two others appointed specifically to hear the appeal. The appeal process must be quick. Some companies may opt for a completely external appeal process.

6.7 Corrective Action

One of the reasons for having an incentive team is to identify problems and suggest solutions. The company will definitely want to act on the group's findings.

In some cases, an information session or appropriate training will help solve the problem. In other cases, customer service will have to be rethought.

Corrective action is not the same as sanctions that may be part of the company's policies. Sanctions should not be part of the incentive team's tasks.

6.8 Using Outside Services

The incentive team is likely to need external services for specialized expertise, to maintain objectivity or simply to make most efficient use of members' time. For example, the team may recommend outsourcing for collision investigation, or when there is no suitable in-house personnel.

<p>The company will want to act on the team's findings.</p>

7. EMPLOYEE MANUAL

An internal manual should be developed for distribution to all employees to explain the policies and procedures of the incentive program. The information can be provided in whatever format the fleet normally uses to communicate with its employees. It can be produced as a stand-alone brochure or booklet, or for companies with an existing employee policy manual, it can simply become a section of that manual.

The content should include as a minimum:

- Message from top management, including the policy statement. (See Sections 3.1 and 3.2.)
- Objectives of the incentive program, in the context of the company's global objectives.
- The "Pyramid Effect": explain the importance of addressing small problems in order to prevent big ones. (See Section 2.)
- Easy-to-understand explanation of the basis for rewards. (See Section 6.4.)
- Types of incentives. (See Section 4.1.)
- Fairness of the program. (See Section 4.2.)
- Incentive team: selection, purpose, operating procedure, how to communicate with the team, appeal process. (See Section 6.)
- Benefits: stress that everyone wins.

The incentive program manual is the first and most basic communication tool. It will serve as the basis for all internal communication about the incentive program.

The manual is the basis for internal communication about the program.

8. COMMUNICATION

Communication is unquestionably one of the most important aspects of incentive programs. Employee turnover is a chronic problem in some sectors of the trucking industry. A well-communicated and well-implemented incentive program can significantly improve retention.

Ongoing communication builds morale and gives employees a sense of belonging. Make sure company communication reaches employees' homes. This helps gain support from spouses and other family members.

Before embarking on the program, the company must have a plan addressing the content, method and frequency of communication. Keep the message fresh. Participants need to be reminded of a program frequently for it to remain effective over time. Make sure the most current information is available to them.

8.1 Internal Communication

8.1.1 Management Must Take the Lead

Management plays a major role in communication. Employees should feel the communication provides a link with management, and that management is making an effort to keep them informed of news that concerns them.

8.1.2 Meet with Employees

Before launching your incentive program, meet with employees *individually* and *collectively*. One-on-one personal contact is just as important as group meetings. The co-ordinator will be prepared for questions raised at a group meeting, because individuals may have already raised some of the same questions in one-on-one meetings. See Section 9 to prepare for some of the negative issues that may be raised.

Communication builds morale and gives a sense of belonging.

8.1.3 Bulletin Board

The most traditional way to communicate information on an incentive program is to post it on a bulletin board. Information on the incentive team may also be posted on the bulletin board. Include names of members, meeting dates (usually the dates for the two upcoming meetings), agenda, minutes, etc. Make sure the bulletin board doesn't get stale. It should always offer the most current news and information.

Companies sometimes use a separate board for posting information on their incentive programs, rather than their normal bulletin board.

8.1.4 Information Updates

An ongoing flow of information is necessary to maintain interest in an incentive program. The company may wish to publish an employee newsletter, or a letter from the president on company letterhead may suffice. Whatever format the material takes, make sure it features your corporate identification and is sent out regularly (for example, to coincide with the company's financial quarter).

Concentrate on providing quality information, not complicated explanations:

- Review basic principles of the program.
- Update employees on new developments and priorities.
- Outline problem areas, recommended corrective measures and achievements.
- Talk about the company's past and future.
- Thank those who help develop solutions – to show employees that solutions come from within and to instil professionalism.

An ongoing flow of information maintains interest the program.

8.1.5 Suggestion Box

The suggestion box is a tried and true way to communicate information. Employees must have access to this box and feel that management will read their suggestions. A company may decide to post the best suggestion on the bulletin board or to publish it in the newsletter. A bonus may be given for suggestions that result in savings for the company.

You may want to try an electronic suggestion box. If your company has an Internet site, a suggestion box could be posted there. Alternatively, you could set up a corporate e-mail address specifically for employee suggestions (e.g. suggestions@yourcompany.ca). Possibly a Web page could be created for each of

your shippers. All of these methods allow employees to communicate with the company at their convenience.

8.1.6 Information and Training Sessions

Giving employees *information* about a new procedure or regulation is quite different from *training* them on new procedures and regulations

Information meetings are important, but they do not replace training. An information session is more or less informal and is intended to correct a specific problem or to highlight certain procedures that may have been forgotten. Training involves lesson plans, general objectives and recognition of successful completion.

Provincial governments encourage – and in some cases, require – employers to provide training. Companies should take advantage of these provisions. For example, in Quebec, Bill 90 requires companies to invest one per cent of their total payroll in training and clearly stipulates who is eligible for training credit.

Good internal communication will enable you to identify what training is needed to achieve the objectives of your program.

8.1.7 Special Events

Consider planning events for employees and their families during the year. These events should be significant for the company. They may or may not be tied in with holidays, such as a summer picnic or Christmas party.

Each region has attractions that allow you to create an environment or atmosphere appropriate to the company's "culture" and geographical location. The incentive team should plan these events as occasions to recognize employees and present awards because their families are present.

Use special events as occasions to present awards.

8.2 External Communication

Incentive programs must be representative of your industry, its expectations and its aspirations. They can also improve the trucking industry's image by informing news agencies, government agencies and shipping groups about positive results. (See Section 10.) Networking with other companies using incentives can result in ideas to improve your program, and can provide further motivation for employees.

8.2.1 Integrating with Regional and National Programs

Regional, provincial and national incentive programs are sometimes available. Some trucking associations and safety organizations offer recognition, excellence or safety programs. Try to involve your company in such programs. They give program co-ordinators access to a valuable peer network, and allow companies to compare programs and results in a non-competitive environment.

Here are some outside programs in which your company may wish to participate:

- Provincial Excellence Programs;
- Safety Awards, such as those offered by provincial safety councils and leagues;
- Driver of the Year Awards; and
- National Truck Hero Award (Canada Safety Council).

8.2.2 Peer Networking

Peer networking enables incentive program co-ordinators to draw upon the experience and expertise of others who face similar challenges. The incentive program co-ordinator should quickly establish contacts with other incentive program co-ordinators at other companies.

As more and more companies implement incentive programs, the opportunities for networking will increase. However, sharing internal information can be difficult due to the competitive nature of the industry, so you will have to take advantage of informal, ad hoc conversations.

Networking can result in ideas to improve your program.

9. OBJECTIONS AND OBSTACLES

In planning your incentive program, be prepared for potential negative effects. You will need specific answers to address these issues so that they do not impact the effectiveness of the program.

Anyone who might be opposed to the incentive program will try to find potential problems. Be prepared to address these challenges objectively. In some cases, it may even be worthwhile to delay program implementation in order to make sure that what may have started as a criticism does not develop into a major source of discontent.

Following are some of the most common objections and obstacles to incentive programs:

9.1 Collision Under-Reporting

A negative by-product of safety incentive programs is under-reporting of minor collisions. Your rules must address this natural tendency directly and firmly. Some companies allow the drivers to deduct the cost of minor repairs from their bonus as a way to encourage reporting of all collisions. Programs can have clauses dealing with punitive actions when collisions are not reported.

9.2 Payments to Worker's Compensation

Worker's Compensation should be carefully considered if you are offering monetary rewards. The rules for compensation under your WCB may deal specifically with cash bonuses over and above the salaries company employees may receive. This does not affect owner-operators, since they are self-employed.

9.3 The Phantom Collision

Having an incentive program means that responsibility for any damage to a vehicle must be assigned to a specific individual. However, employees may not be willing to accept responsibility for a collision or damage to a vehicle. The employee may indicate he/she is unaware of how the damage occurred.

The rules of the incentive program must be specific as to when an employee is in control of the vehicle and responsible for any damage that occurs during that time.

9.4 New Employees

Never give a new employee a work assignment that is more likely to involve collisions due to the nature of the work itself or other reasons such as older equipment. Each employee must be seen as an equal participant in the program.

9.5 "No-Fault" Collisions

Some provinces have a no-fault insurance provision for collisions involving property damage. This could lead to confusion on what constitutes a "preventable" versus "non-preventable" collision. All participants in a safety incentive program must understand that the intent is not to assign fault. Rather, the purpose is to determine whether or not the collision was preventable so that action can be taken to prevent a similar incident from happening again.

The no-fault provision may also create problems when it is difficult to determine the extent of the damage caused to the other property and the circumstances of the incident.

9.6 Bonuses Become Seen as Part of the Pay Package

If cash bonuses become an expected part of the pay package, they can lose their motivational value as a reward for good performance. Here are some ways to give incentive bonuses a special profile:

- Issue separate bonus cheques.
- Present bonuses personally.
- Have a different payment schedule for bonus cheques.

9.7 Incentives May Not Work for All Employees

Not all people will respond to incentive programs. However, most people do, and a company is in a better position overall with an incentive program than without one. Every employee does not have to be an active participant for an incentive program to be a success.

Try to design the program to bring peer pressure on all employees. If a particular employee is not responding, determine if that person requires additional training.

9.8 Administration Costs

The most effective incentive programs are simple in design and easy to administer. If administration costs are considered too high, go back to the drawing board and simplify the program.

10. PUBLIC IMAGE BUILDING

Incentive programs are innovative and progressive. They can potentially improve the image of the company and the trucking industry.

Building your image involves communicating your message outside the company. This can be costly and time-consuming, but often brings significant benefits, such as customer and positive profile in the community. The incentive team should look at the value of these efforts, taking into account that it's often much easier to measure the costs than the benefits. For instance, a company may see a significant increase in sales following the announcement of its winning a major national award.

10.1 General Public

Let's admit it – the trucking industry can do with some help on the public image front. Despite the fact that experts feel the industry's road performance is positive, more often than not, trucking is on the receiving end of accusations. Therefore, it is important for a company to build a good public image in its community.

The incentive program and its achievements make a “good news story,” an opportunity to show off to the public. Take advantage of local media and contact the editor of the local newspaper. Local papers usually want a one-page news release with pictures. An article in a local paper has some significant indirect benefits:

- Employees and their families feel proud to work for a company that appears in the local paper because of its positive actions; and
- A positive headline may attract the attention of future employees interested in working for a forward-looking company.

10.2 Shippers

The news release sent to local media can also be sent to your shippers by mail, fax, Internet, or by way of an article in a trade magazine for shippers.

10.3 Government Officials

Never hesitate to give government officials good news about your company. The various levels of government – municipal, provincial and federal – can easily be contacted. The same is true for the U.S. government.

Contact organizations whose members include public officials and organizations dealing with trucking issues, such as the Canadian Council of Motor Transport Administrators (CCMTA) and its U.S. counterpart the Association of Motor Vehicles Administrators (AMVA).

Also send news releases to your provincial and federal elected representatives. Trucking is a major employer, as well as an important link for the regional economy because of the service it gives local shippers.

10.4 Future Employees

Develop close ties with educational institutions and road transportation training centres that train the people your company might hire in the future.

Possible image building activities:

- Participate in the screening of candidates;
- Make presentations to novice drivers; and
- Take part in an apprenticeship program.

11. HOW TO EVALUATE YOUR PROGRAM

11.1 Purpose of Evaluation

Incentive programs must be evaluated regularly to ensure they are giving the company good value for its investment, and to identify areas for possible improvement.

An annual evaluation should give you the information you need. Once evaluation procedures are established, minimal resources are required to complete the evaluation each year.

11.2 Take a "Before and After" Approach

A "before and after" comparison of costs and benefits is the most straightforward approach. Compare costs for the targeted area for a period of time before the program was implemented with the same set of costs for a similar period of time after implementation. The difference is the saving, or benefit, that can be attributed to the program.

This may sound simple, but there are caveats:

- Some costs and benefits are hard to quantify. For example, indirect costs and lost opportunity costs can be quite subjective, as can the benefits of improved public image or better employee retention.
- You will have to identify variables and adjust figures accordingly. For example, if the company has doubled in size during the time frame being evaluated, collision or other costs would likely have increased simply as a result of having a larger fleet.

11.3 Set Realistic Time Frames

The time frame for the evaluation is very important. For example, collision totals can go up and down significantly from year to year for no apparent reason. Due to this random variation, the longer the time frame you use the better, especially in the case of smaller companies.

11.3.1 "Before"

For a safety incentive program, up to three years of "before" data should be used. Productivity programs may use a shorter time frame. You may be forced to settle for a shorter "before" period for practical reasons such as lack of adequate data.

11.3.2 "After"

Incentive programs take time to become fully effective. This means that the evaluation program should include data collected after the program has had a reasonable opportunity to have an impact. To make a valid assessment, you will need one or more years of "after" data. The amount of time before results are seen will depend on factors such as the amount of the bonus, frequency of payment, and effectiveness of communications during implementation. Typically, it takes six to 12 months for a program to be implemented. The evaluation should only use data collected after the program has become fully effective.

11.3.3 Interim Evaluation

Some companies may wish to undertake an evaluation before the program is fully implemented to obtain some insight into what effect it is having. When reviewing the results of such evaluations, bear in mind that the full effects of the program may not yet be present.

11.3.4 Adjustments

The financial data used in your evaluation may cover several years, so adjustments may be necessary due to inflation. Try to use constant dollars (usually for the current year) by applying annual inflation rates to the costs. Your company's accountant, tax advisor or chief financial officer could advise on how to do this.

Adjustments may also be required to reflect other changes, such as fleet size, distance traveled per vehicle, and legislation.

The longer the time frame the better.

11.4 Keep Complete Records

Accurate and complete data are required for a proper evaluation of an incentive program.

For example, before a safety incentive program is in place, minor collisions and incidents may go unreported and be treated as part of routine maintenance or other company activities. They must now be recorded, as they can add up to real money over time. For productivity incentive programs, also make sure all related costs and benefits are identified.

The data can be paper-based or computerized. A spreadsheet program from any common software package is suitable. Assign one individual, possibly the coordinator, the responsibility to organize the recording system, keep it up-to-date, and ensure all relevant data are reported. If you have a safety incentive program, your insurance company should also be able to supply you with a collision recording form. (See Figure 2.)

Apart from providing the information necessary for evaluating the incentive program, data can provide other benefits. If a review of the data reveals trends or patterns, preventive action can be taken. For example:

- If the number of backing up collisions increases, review proper procedures for backing up with drivers.
- If deliveries are consistently delayed on a particular route, it may be useful to discuss the problem with the drivers.

11.5 Cost-Benefit Analysis

Direct costs, such as vehicle repairs or fuel, are relatively easy to identify. Indirect costs, such as staff time to investigate a collision or resolve customer concerns, are usually more difficult to quantify. Both the direct and indirect costs should be identified.

Insurance companies may offer a rebate for reduced claims. If this is the case, then list the value of the rebate as one of the company benefits in your analysis.

Appendix B presents a spreadsheet that can be used to perform cost-benefit calculations for a safety incentive program. This model could be used to develop a similar spreadsheet for evaluating a productivity incentive program.

11.5.1 Direct Costs

A listing of collision costs follows:

Vehicle repair/replacement costs

Your insurance company may pay a portion of these costs.

Cargo damage/losses

Include all losses or damage related to cargo.

Other property damages

The company may be responsible for repair or replacement of property other than the vehicle(s) involved, or these costs may be covered by your insurance.

Medical costs

Costs related to any personal injuries may be paid by the company, the individuals themselves, workers' compensation, or some form of insurance.

11.5.2 Indirect Costs

When calculating the cost of staff time, include the costs of fringe benefits such as paid holidays, increase hourly rates by a factor of 1.2 to 1.3.

Staff time to investigate collision

Include all staff time taken to investigate all collisions or incidents.

Table 6:
Sample Evaluation of a Fuel Economy Incentive Program

Fuel Economy Incentive Program: Evaluation		
Benefits		
Fuel Savings *		
a. Fuel economy before program	6.0 MPG	47 l/100 km
b. Fuel economy after program	6.5 MPG	43 l/100 km
c. Fuel savings due to program	0.5 MPG	
d. Current fleet distance travelled	10,000,000 miles	16,000,000 km
e. Fuel consumed before fuel economy (a x d)	1,660,000 gallons	7,520,000 litres
f. Fuel consumed with fuel economy (b x d)	1,520,000 gallons	6,888,000 litres
g. Fuel saved	139,000 gallons	632,000 litres
h. Value of fuel saved (at \$2.04 per gallon / 45¢ per litre)		\$284,000
Other Savings		
Reduced collision costs		\$30,000
Reduced vehicle maintenance Costs		\$100,000
Total Savings (fuel, safety and maintenance)		\$414,000
Costs		
Staff time to administer program.....		\$30,000
Bonuses paid to employees		\$126,310
Total Cost of Program		\$156,310
Net Savings		\$257,690
Ratio of Benefits to Costs		
(\$414,000 / \$156,310).....		2.65 : 1
* Some numbers may not convert exactly from metric to Imperial due to rounding.		

Re-establish shipment

Whenever collisions place a vehicle out of service for a period of time, the company may incur costs in re-establishing the shipment. Profits that would have been made on any lost shipments should also be included.

Replacement equipment

If equipment is out of service, additional costs may be incurred in renting or buying replacement equipment.

Staff time lost

Include all staff time lost as a result of the collision. The driver of the vehicle may lose several hours of work while the collision is being investigated even if the vehicle is not put out of service. Also include time lost while recovering from any injuries and costs of any replacement staff.

Costs to process insurance claims

Include the cost of staff time to process insurance claims or complete any other paperwork related to the collision, again adjusting to allow for paid holidays and other fringe benefits.

Client relations

Some collisions may require time to be spent on maintaining good relations with the client.

Legal costs

Some collisions or incidents could result in legal costs to the company. Be sure to include these.

Program costs

This refers to ongoing administration of the incentive program. Program development is a one-time cost and should not be included in the evaluation of whether or not to keep the program running or make changes.

11.5.3 Other Costs

Other costs that may need to be considered include lost sales, lost clients and increased public relations costs. These costs are very real but difficult to quantify. For some companies, avoiding the loss of even one client is sufficient justification for a safety incentive program.

Another consideration is the cost of a catastrophic collision, such as major crash involving loss of life or a release of a dangerous chemical. Again, some companies

believe the possibility of avoiding even one such collision justifies the investment in a safety incentive program.

11.5.4 Other Benefits

A safety incentive program may have the side effect of savings in fuel and vehicle maintenance costs. Identify these savings, and include them in the calculation of benefits. Even small improvements can justify the program. For example, consider the cost saving associated with even a one per cent improvement in fuel efficiency to profits against the cost of the program.

Retention is a chronic problem in certain sectors of the trucking industry. Turnover rates are particularly high among employees who drive long distances, are absent from home for more than five days at a time and who have less than 18 months of seniority. Some companies have a 50 to 75 per cent driver turnover rate.

Companies who implement incentive programs often report better employee retention because of improved employee morale. Hiring and training new people is expensive, and productivity is reduced while the new employee gains experience in the new position. While costs vary by company depending on hiring practices and availability of replacement personnel, it is reliably estimated that the cost of replacing one experienced employee is in the order of \$5,000.

APPENDICES

**APPENDIX A:
HOW TO DETERMINE WHETHER OR NOT A
COLLISION WAS PREVENTABLE**

How To Determine Whether Or Not A Collision Was Preventable

It is often hard to assess whether the driver could have prevented a collision. The perceived fairness of a safety incentive program depends in part on a fair standard, which all participating employees must fully understand.

The principles of defensive driving should form the basis of this standard:

- A defensive driver takes the ineptitude and ignorance of other drivers into account, acknowledges having no control over unexpected actions of other drivers and pedestrians or over weather and road conditions, and takes appropriate precautions.
- A defensive driver yields right-of-way and makes other concessions to avoid collisions, takes care not to commit driving errors and is always alert to avoid hazards created by the weather, road conditions, pedestrians and other drivers.
- Neither slippery surfaces, curves, hills, narrow roads, a lack of road signals, traffic lights that are out of order, nor lack of attention, carelessness or ignorance on the part of others relieve a driver of the responsibility to drive without collisions. These situations may arise at any time and the driver must drive accordingly.

If employees are to be rewarded for collision-free driving, they must fully understand how to drive defensively. As well they must know the specific kinds of risks they will face and how to deal with them. Otherwise, they may feel they are being unfairly excluded from rewards because of incidents over which they have no control.

After collecting the details on a collision, ask the driver to answer the following questions. If the answer to even one question is “NO,” the collision may have been preventable. This assessment procedure is intended to reinforce with the driver the principles of defensive driving – not to lay blame. Separate questionnaires are provided for various types of incidents:

Collision at an Intersection..... ii
Rear-End Collision..... iii
Collision while Backing Up iv
Pedestrians..... v
Pulling Away from the Curb vi
Loss of Control..... vii
When Parked viii
Other Situations..... ix

How To Determine Whether Or Not A Collision Was Preventable

COLLISION AT AN INTERSECTION	YES	NO
1. Were you driving at a safe speed when approaching the intersection, considering the conditions?	_____	_____
2. Were you getting ready to stop before crossing the intersection?	_____	_____
3. If visibility was obstructed at the intersection, did you proceed slowly, ready to move your foot to the brake?	_____	_____
4. Were you sure the other driver would stop?	_____	_____
5. Did you obey all road signals?	_____	_____
6. Did you display the intention of changing direction well in advance?	_____	_____
7. Were you in the proper lane to turn?	_____	_____
8. Were you paying attention to other turning vehicles?	_____	_____
9. Did you avoid overtaking another driver at the intersection?	_____	_____
10. Did you refrain from putting your accelerator to the floor when the light turned green, or entering the intersection when the light was already yellow?	_____	_____

IF THE ANSWER TO ANY ONE OF THESE QUESTIONS IS “NO” THE COLLISION WAS PREVENTABLE.

How To Determine Whether Or Not A Collision Was Preventable

REAR-END COLLISION	YES	NO
1. Were you maintaining a buffer distance of at least one vehicle for each 10 mph, a distance that must be doubled at night and <u>quadrupled</u> in bad weather?	_____	_____
2. Did you look at and pay attention to what was occurring <u>ahead</u> of the vehicle in front of you?	_____	_____
3. Did you approach the green light cautiously, anticipating that the driver in front of you might stop abruptly when the traffic light changed?	_____	_____
4. Did you stay out of the path of other vehicles?	_____	_____
5. Did you take measures not to lose control or skid?	_____	_____

IF THE ANSWER TO ANY ONE OF THESE QUESTIONS IS “NO” THE COLLISION WAS PREVENTABLE.

How To Determine Whether Or Not A Collision Was Preventable

COLLISION WHILE BACKING UP	YES	NO
1. Did you have to back up?	_____	_____
A. Were you parked so close to the vehicle in front that you had to back up before pulling away from the curb?	_____	_____
B. Did you have to enter the narrow road, dead end or private entrance from which you then had to back up?	_____	_____
2. If visibility was obstructed when you backed up:		
A. Did you ask someone for to guide you?	_____	_____
B. Did you walk around the vehicle before backing up?	_____	_____
C. Did you back up immediately after walking around the vehicle?	_____	_____
D. Did you use the horn while backing up?	_____	_____
E. Did you look behind without using the rear-view mirror?	_____	_____
F. If the distance was significant, did you stop to get out and look around occasionally?	_____	_____
3. Did you back up slowly?	_____	_____
4. Did you adequately judge the clearance while backing up?	_____	_____

IF THE ANSWER TO ANY ONE OF THESE QUESTIONS IS “NO” THE COLLISION WAS PREVENTABLE.

How To Determine Whether Or Not A Collision Was Preventable

PEDESTRIANS	YES	NO
1. Did you choose to drive on city streets, knowing this would increase your exposure to pedestrians?	_____	_____
2. Were you ready to stop?	_____	_____
3. Did you maintain enough space between your truck and parked cars?	_____	_____
4. Did you refrain from overtaking vehicles that might be stopped to let pedestrians cross?	_____	_____
5. Did you refrain from putting the accelerator to the floor when the light turned green or entering the intersection when the light was already yellow?	_____	_____
6. Were you aware that children were around, and ready to stop if a child ran across the road?	_____	_____
7. Did you yield the right of way to all pedestrians?	_____	_____
8. Did you refrain from overtaking a stopped school bus?	_____	_____

IF THE ANSWER TO ANY ONE OF THESE QUESTIONS IS “NO” THE COLLISION WAS PREVENTABLE.

How To Determine Whether Or Not A Collision Was Preventable

PULLING AWAY FROM THE CURB	YES	NO
1. Immediately before pulling away from the curb, did you look behind and ahead, watching vehicles that were overtaking you or travelling in the opposite direction?	_____	_____
2. Did you look behind in addition to using your rear-view mirror?	_____	_____
3. Did you signal before pulling away from the curb?	_____	_____
4. Did you proceed only after ensuring that other vehicles did not have to change direction or speed to avoid your truck?	_____	_____
5. Did you continue to glance behind occasionally after pulling away from the curb?	_____	_____

IF THE ANSWER TO ANY ONE OF THESE QUESTIONS IS “NO” THE COLLISION WAS PREVENTABLE.

How To Determine Whether Or Not A Collision Was Preventable

LOSS OF CONTROL	YES	NO
1. Were you driving at a safe speed, considering road and weather conditions?	_____	_____
2. Were you maintaining at least twice the buffer distance required on dry pavement when following another vehicle, i.e. the length of one vehicle for every 10 mph?	_____	_____
3. Did all your actions show forethought?	_____	_____
4. Did you consider that the pavement might be icy on bridges, in gutters, ruts and near the curb?	_____	_____
5. Did you consider that slush, shade, gravel, sand or ruts may conceal ice?	_____	_____
6. Did you remain outside ruts and cross them at an angle long beforehand?	_____	_____

IF THE ANSWER TO ANY ONE OF THESE QUESTIONS IS “NO” THE COLLISION WAS PREVENTABLE.

How To Determine Whether Or Not A Collision Was Preventable

WHEN PARKED	YES	NO
1. Were you parked on the correct side of the road?	_____	_____
2. Did you have to park so close to the intersection?	_____	_____
3. Did you have to park in a driving lane, curve or on a hill?	_____	_____
4. If required, did you indicate your position with a flag, safety flare or reflector?	_____	_____
5. Were you parked parallel to the curb?	_____	_____
6. Did you have to park so close to a lane or directly in front of a private entrance?	_____	_____

IF THE ANSWER TO ANY ONE OF THESE QUESTIONS IS “NO” THE COLLISION WAS PREVENTABLE.

How To Determine Whether Or Not A Collision Was Preventable

OTHER SITUATIONS	YES	NO
1. Did you do everything possible to avoid the collision?	_____	_____
2. Were you driving at a reasonable speed, considering the conditions?	_____	_____
3. Did you obey all traffic signals?	_____	_____
4. Was the vehicle under control?	_____	_____
5. Did you follow itinerary and delivery instructions?	_____	_____
6. Did you ask for assistance if in doubt?	_____	_____
7. Did you report the collision?	_____	_____

IF THE ANSWER TO ANY ONE OF THESE QUESTIONS IS “NO” THE COLLISION WAS PREVENTABLE.

**APPENDIX B:
COST-BENEFIT ANALYSIS SPREADSHEET:
SAFETY INCENTIVE PROGRAM**

SHEET 1

Introductory comments/explanations

THE FOLLOWING FIELDS MUST BE COMPLETED!

Number of Power Units in Fleet

Current Year	_____
Past year	_____
Two years ago	_____
Three years ago	_____
Four years ago	_____
Five years ago	_____

Years of "before" data available (1, 2 or 3) _____

Years of "after" data available (1, 2 or 3) _____

Inflation Rates as percent (may be omitted)
(Use number only; do not use % sign)

Current Year	_____
Past Year	_____
Two years ago	_____
Three years ago	_____
Four years ago	_____
Five years ago	_____

SHEET 2

**Costs for total fleet prior to implementation of
of safety incentive program**

Costs	Last year without program	Previous year	Prior to previous year	Average annual cost prior to implementation
Direct Costs				
Vehicle repair/replacement	2	2	1	
Cargo damage/losses	3	1	1	
Other property damages	2	2	3	
Medical costs	2	2	4	
Subtotal	9	7	9	
Indirect Costs				
Staff time to investigate collisions	1	1	1	
Costs to re-establish shipments	2	2	2	
Costs of replacement equipment				
Staff time lost	2	5	3	
Costs to process insurance claims				
Client relations				
Legal costs				
Program costs				
Subtotal	5	8	6	
Total Costs (Direct + Indirect)	14	15	15	
"Before" Average Cost per Vehicle (without infla	#REF!	#REF!	#REF!	
"Before" Average Cost per Vehicle (adjusted for inflation)				

SHEET 3

**Costs for total fleet after implementation of
 of safety incentive program**

Costs	Current Year	Previous year	Prior to previous year	Average annual cost prior to implementation
Direct Costs				
Vehicle repair/replacement	2	2	1	
Cargo damage/losses	3	1	1	
Other property damages	2	2	3	
Medical costs	2	2	4	
Subtotal	9	7	9	
Indirect Costs				
Staff time to investigate collisions	1	1	1	
Costs to re-establish shipments	2	2	2	
Costs of replacement equipment				
Staff time lost	2	5	3	
Costs to process insurance claims				
Client relations				
Legal costs				
Program costs				
Subtotal	5	8	6	
Total Costs (Direct + Indirect)	14	15	15	
"After" Average Cost per Vehicle (without inflatic	#REF!	#REF!	#REF!	
"After" Average Cost per Vehicle (adjusted for inflation)				

SHEET 4

SUMMARY OF BENEFITS

Average annual savings by cost category
per annum based on current fleet size

Per Annum Savings for Current Fleet
With inflation Without inflation

Savings on Direct Costs

Vehicle repair/replacement
Cargo damage/losses
Other property damages
Medical costs

Sub-total

Savings on Indirect Costs

Staff time to investigate collisions
Costs to re-establish shipments
Costs of replacement equipment
Staff time lost
Costs to process insurance claims
Client relations
Legal costs
Program costs

Subtotal

Total Savings (Direct + Indirect)

Rate of Return on Investment (Percent)

With Inflation	With Inflation
<u>555</u>	<u>333</u>