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## Subcontractor Management in Transportation

Often as part of a business model or in answer to a specific need, a subcontractor (or vendor) often becomes part of an organization's landscape.

### SUBCONTRACTOR MANAGEMENT

In the case of transportation-focused organizations, this is normally another trucking company.

Anyone you might hire that has their own Safety Fitness Certificate (SFC) has their own responsibility to regulation and hiring them may shift some potential risk their way. It does not shift the entire risk or responsibility.

In this environment your organization becomes the Primary Contractor and while there may be a shift of risk, it is far from complete. This transfer DOES NOT eliminate liability. Alberta has strong legal precedence that can hold Primary Contractors to account. Beyond this risk you also face the risk of a civil action, reputational damage and face potential action by regulatory agencies.

Luckily, there are many things you can do to protect yourself and your organization from these risks.

We've summarized a few steps you can follow to get adequate protection when hiring a trucking company, especially a non-fleet (less than 10 units) company that may not have Safety Management Programs in place that are robust enough to offer protection/defensibility for themselves or you as Primary.

### QUALIFICATION

The first step is a prequalification and approval process that is suited to the type of work you intend the subcontractor to do on your behalf.

*It is important that this step:*

- Outlines roles, responsibilities, risks, and expectations
- Ensures that a consistent set of standards are met
- Confirms compliance with legal and regulatory requirements
- Confirms the contractor is suited to the work at hand

*As basic practice, a questionnaire, bid form, or checklist must, at minimum, collect:*

- Insurance coverage (reach out to the team at Lloyd Sadd to ensure you are capturing everything you need)
- Safety Fitness Certificate and/or Carrier Profile
- Workers Compensation Board (WCB) coverage

*To ensure diligence and build defensibility the process should also consider some or all of the following:*

- Details of the insurance coverage i.e., coverage limits for General Liability, Auto, Cargo, Environment etc.
- Historical information such as insurance loss/claims, WCB assessments/claims, infractions of client rules, TRIF rates
- COR and/or ISO certificates, audit results/reports
- National Safety Code (NSC) compliance, audit results
- Evidence and review of a Safety Management Program
- Evidence and review of a Preventative Maintenance Program
- HSE personnel and their qualifications
- Evidence of a Drug and Alcohol policy and/or program
- Hours Of Service (HOS), you must ensure that the subcontractor is monitoring HOS effectively, if they are not then you should!

Once collected this information can be reviewed against a risk matrix. The following example might serve as base for a risk matrix for non-fleet carriers. It would likely need to be expanded for fleets.

## LOW RISK

- SFC is Satisfactory (or Excellent) rated
- Carrier profile is at 0
- Not on monitoring in the last 12 months
- No violations of your, or your clients' rules in the last 18 months
- Passed an NSC audit in the last 3 years
- No OH&S violations in the last year

Low risk would be the first hired. An annual internal review of this carrier's information would likely be adequate. Failing this review would mean a move to Medium Risk.

## MEDIUM RISK

- SFC rating is Satisfactory Unaudited (which is the default rating, a large majority of carriers are here)
- Carrier profile R Factor is lower than level 3 monitoring and the profile shows no more than 1-2 collisions, no admin penalties, 1-3 moving violations (convictions) and 1-2 OOS CVSA inspections
- No more than 1 company/client rule violation in the past year
- Failed NSC audit in the last 18 months where the score was between 15 and 30% out of compliance
- No OH&S violations in the past year

### *Hired after the low risk:*

- Must pass 2 internal reviews per year, and additional if concerns exist
- Failing the internal review would mean a move to High Risk

## HIGH RISK

- SFC rating is Conditional (Suspended SFC means they cannot work)
- R Factor is at level 3 or 4 monitoring
- Carrier profile shows more than 2 collisions, more than 3 moving violations (convictions) or more than 2 OOS CVSA inspections
- No Convictions for Driving while suspended or while impaired
- No Administrative Penalties
- 2 or more company or client rule violations

### *Hiring high risk:*

- This carrier should not be added to the vendor list without written approval from senior management
- They would be the last carriers called
- You should conduct an internal review 4 times per year. Failure would mean removal from the vendor list
- Involve the Lloyd Sadd Risk team or another third party for further review

## ORIENTATION & TRAINING

Once a subcontractor has been chosen it is critical that you ensure they are capable of performing the required work. Again, some of the onus lies with the contractor but this does not absolve you of responsibility.

### *The onboarding process should communicate, at minimum:*

Expectations, risks, and responsibilities associated with the work

Health & Safety requirements

Environmental concerns and needs

Compliance expectations

### *Additional topics that might be considered include:*

- Subcontractor Roles & Responsibilities
- Review of applicable Formal Hazard Assessments & applicable Controls
- Safety Work Procedures/Practices
- Emergency Plans in place
- Training & Communication Requirements for Contractor and their employees
- Incident Reporting Policy and Investigation Standards
- Inspection standards (equipment, facilities, trucks, hazardous products etc.)
- Personal Protective Equipment (training in use, care, maintenance, limitations)

*Once a subcontractor has been chosen it is critical that you ensure they are capable of performing the required work.*

***There are a number of things to consider when determining the depth and breadth of orientation required:***

- Potential risk the work represents
- Length of time the contractor will be required as this compounds risk
- Does the contractor have their own OH&S Program? If not they can adopt yours
- Depth of their NSC management systems, everyone who holds an SFC must have their own
- Orientation may be adjusted based on your internal risk matrix
- Is orientation to be delivered to key representatives or to the subcontractor's drivers directly?

Sign off is very important, subcontractors who receive instruction from your organization should sign acknowledgement of their rights, expectations, responsibilities, and obligations.

***It is also critical that the subcontractor be held accountable:***

- Subcontractor behaviour must be measured
- Inappropriate behaviour must be detected and corrected
- Measurement and correction must be timely and consistent
- Failure to maintain your standards should result in a shift to a higher risk designation in your matrix

Basic, better and best practices for subcontractor management vary dramatically and navigating the process can be daunting. The team at Lloyd Sadd is available to help!



**KIM HRUSHENSKI**  
Fleet Risk Specialist

*With more than 40 years experience in the transportation industry and over 20 of those years in Safety, Risk Management and Loss Control, Kim is well positioned to offer support and resource to clients with any type of commercial auto exposure. Kim's principal responsibility is to help fleets understand and control the risks they face in a diverse and dynamic market.*

*Kim's experience in transportation is broad. Starting his career at a truck depot at 14, he worked his way up through most aspects of the industry, including directing Partners In Compliance, and ultimately moving to Fleet Risk Specialist with an insurer and a now a member of the Lloyd Sadd team*

**If you have questions specific to your business, or would like additional information, please reach out to your Lloyd Sadd Advisor.**

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MANAGE YOUR RISK**

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