Owner-Operator's Business
Association of Canada
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...from the director's chair

Mileage or percentage?

Make sure you're getting your fair share

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So, are you making any money these days? Interestingly, the answers I get to that question run the gamut. Some say they're going to hell in a handcart, others say they're doing as well now as ever, probably better.

There are a bunch in the middle that just aren't sure, but they're the ones who don't have much of a handle on their business.

I worry about them, too, but that's another story for another day.

The reason for the broad range of responses seems to come down to how they're paid and the deal they have with who they haul for.

A good illustration of this rate disparity is the freight booked by FEMA (Federal Emergency Management Agency) during the relief effort following Hurricane Katrina.

FEMA contracted hundreds of truckers to haul water and ice into the affected area, and they paid a good rate for the service.

Reports I've heard peg FEMA's rates at somewhere around US$2.50 per mile, and $50 an hour – sometimes more – for waiting time.

Drivers involved racked up lots of waiting time – and FEMA reportedly paid for up to 14 hours per day (the daily HoS limit) of that time.

I've heard from owner/ops who collected as much as $750 and as little as $300 per day while they waited to unload.

Mileage rates actually earned by the truck were all over the map.

Some earned their usual rates; others got a percentage of the full FEMA rate.

So what's going on here? And what happened to all the money that never made its way into the truckers' pockets?

It all boils down to what you agree to work for.

That's what you're doing when you sign a contract – if you agree to work for X, that's the rate you get, regardless of what the shipper is paying.

What portion of the total revenue the carrier or the broker keeps is academic; you agreed to haul for X.

Today, shippers are paying – they have to – because the smart carriers are doing a better job of telling the customer what it costs to move their freight. While market pressures keep the rates in check, carriers who can deliver the goods are commanding better rates, and they're charging a whole whack of 'extras' as well. But that doesn't automatically translate into higher earnings for owner/ops; many of you are leaving too much on the table by agreeing to work for substantially less than what's being paid by the shipper to move the freight.

Most of the folks who tell me they're making money are on percentage deals. Percentage was the prevailing method of paying owner/ops not that long ago, but some cases of the gross revenue not being properly disclosed bred a lot of mistrust and suspicion among owner/ops who couldn't be sure their percentage was properly calculated. That opened the door for a more transparent method of paying owner/ops: mileage. But in recent years, costs have outpaced the increases in mileage rates, leaving the mileage-based owner/ops short.

Working on percentage demands a better understanding of the market.

You have to know the prevailing value of the service you provide, and what price the market is prepared to pay. It's no different if you own a candy store or a car wash. You also have to be able to calculate cost versus revenue on a given load, including deadhead miles, layovers, and other considerations.

A mileage rate is fine if you don't care what your freight really pays, and you're not prepared to take on some of the risk in doing business on a percentage basis. But that doesn't mean you should turn a blind eye to what's happening in the marketplace and pass up your share of the extras. I know you don't like to hear it, but I'll say it again – many of you are leaving too much money on the table when you sign on with carriers who don't compensate you fairly – and it's up to you to figure out what fair means.

Look around at the load boards and ask about prevailing rates; you'll find there's more money out there than you thought. If you're a savvy small business operator, you'll get your due out of the deal, regardless of how you're paid.

But don't expect someone to just hand you the money. At the risk of sounding like a broken record, I'll say it one more time: sharpen your business skills, know your costs, don't turn a wheel if you're losing money, and seek out carriers who are interested in your profitability as well as their own. There are good carrier partners out there, and it's in the best interests of all of us to see the bottom feeders put out of business. The best way to do that is to dry up the supply of cheap labour. How? Don't be part of the problem. Say no to cheap freight.

This article first appeared in the December 2005 edition of *TRUCK NEWS* and *TRUCK WEST* magazines