Owner-Operator's Business Association of Canada
Association professionnelle des routiers autonomes du Canada

...from the director's chair

Priced out of existence?

Joanne Ritchie: OBAC executive director

An owner/operator I know recently sold his soul to the devil. He financed a $162,000 truck over five years – after trading in his old ride and plunking down $18,000 in cash. If he's still in business five years from now he'll have shelled out more than $250,000 – that's $3,300 every month – for the privilege of driving around in rather grand style.

Sorry friends, but I'm not going to beat around the bush on this one. Not many owner/operators can afford $162,000 trucks, especially at the rates most carriers are paying these days (he's leased to a medium-sized truckload outfit). I made a few calls to truck dealers around the country to get a ballpark price for a new 2006 model truck – typical owner/op spec' – and came away with an average price of $130,000.

Even at that price, an owner/op has got less than even odds of survival unless he or she is one smart cookie. Why a carrier would let so heavily leveraged a contractor work for them is beyond me – and I don't care how smart my friend runs; I think he's doomed. And he'll really have to be careful come tax time: CRA probably won't recognize cat food as an allowable expense.

But seriously, at a time when the cost of running a truck is edging perilously close to a buck a mile, before wages, I fear owner/operators are in serious danger of extinction. With engine prices poised to take a $10,000-hike in 2007 (according to recent media reports by International Truck and Engine Company), we'll need a heck of a rate increase to keep up with the cost of a new truck. Not only that, this increased cost of a truck fitted with '07 emissions hardware comes on top of a predicted decrease in overall fuel economy of about five to 10 per cent.

So what's to be done? We're not going to see cheaper trucks anytime soon, and costs certainly aren't going down. So, that leaves one thing: the rate. Rates simply have to get better.

"Gee, Ritchie," you're saying. "How much do they pay you for insight like that?"

Well, friends, that little gem actually comes from the Ontario Trucking Association. I was poking around in a file of some old papers recently – to see if carrier associations had any advice for their members about resisting pressure to discount rates and surcharges in the face of economic "stagflation" – when I came across a brochure the OTA unveiled at its annual convention in 2003. It's a five-point plan encouraging members to "build more profitable relationships with their shippers." In a press release that accompanied the announcement, the OTA noted that, "Carriers themselves are as much and often more to blame for low freight rates than their customers." Really.

And the same can be said for owner/operators. The OTA's five-point plan can and should be taken to heart by owner/ops and drivers alike. Simply substitute the word carrier for shipper, receiver, or customer (carriers are, after all, your customers) and you'll have a good template for driving a rate increase of your own (see a copy of the brochure on the OTA Web site at www.ontruck.org).

1. Always charge a rate that allows you to earn a reasonable return so you can pay your drivers a decent wage, cover unforeseen increases in fuel, insurance, etc. and re-equip and maintain your fleet. The availability of equipment and drivers is tight. There's no better time than today to seek fair compensation.

2. Always bill shippers for unreasonable waiting time/delays, loading/unloading services, reskidding, etc. You may have to refuse/remove the odd load to get the shipper and the receiver's attention.

3. Always refuse to pay compliance penalties that are not clearly spelled out in the conditions of carriage. Don't accept rate reductions. You are not responsible to resolve all your customers' business problems.

4.Alway skeep documentation/records of all problem incidents. Track your wait times for loading/unloading. Measure the impact on your efficiency. Have the facts.

5. Communicate, communicate, and communicate again with your shippers to establish a clear contractual relationship that is built on partnership. If you have a true partnership with your shippers the first four items should follow.

And I'd add one more item to this list, just for owner/ops: know and understand your costs. Without knowing your costs, it's much harder to grasp the real impact of sub-cost rates, which is what we're dealing with today.

Taking nothing but inflation into account, rates for any carrier-contracted owner/op should be no less than $1.50 per mile, based on a two per cent increase per year since 1985 – and that doesn't include the fuel surcharge.

We've got a long way to go to get there, but working in partnership with the carriers, and pushing like hell for all you deserve, you might get the ball rolling.

The OTA brochure poses the question: Can your shipper risk losing your service?

So stop and think about it: since you're turning the wheel so the carrier can provide that service, ask yourself the same question – can your carrier risk losing you?

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