



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

*...from the
director's chair*

My muffins and the missing millions

What's happening to all the surcharge money being paid out by shippers?

Just before heading out to the Mid-America Trucking Show in Louisville last month, I stopped by the little organic bakery down the street to grab a few muffins for the trip, only to find the price of my favourite muffins had bumped up by nearly 30% since my last visit.

The clerk apologized, saying the cost of transportation and raw materials had risen, and they simply had to pass the increases along to the customer – me, in this case.

Ironic, I thought, that while I'm beating my head against the wall trying to get owner/ops to turn their backs on cheap freight, wholesalers and retailers are telling their customers how transportation costs are driving up prices.

Cheap freight, of course, is a sort of all catch-all term for loads that have been passed down from broker to broker, each skimming their 20% or so off the top, for freight that doesn't pay well right from the start, or for carrier rates that just aren't sustainable.

Cheap freight is the bane of our existence, yet there never seems to be a shortage of folks out there willing to haul loads that don't even cover costs.

The bakery where I get my muffins doesn't buy its flour by the truckload. It probably gets a few dozen 100-lb bags each week, which are turned into delicious, healthy snacks.

The price of the flour and other raw ingredients might be under some pressure because the biodiesel craze – diverting soybeans and other food crops to fuel production – is having an impact all over the world, but I'm sure that's only part of the problem.

So, if my muffins cost more, according to my baker, because transportation providers along the way are imposing fuel surcharges on the delivery of the raw ingredients, why are so many truckers still complaining about poor

rates and low fuel surcharges?

If I had to guess, I'd say about one-third of the owner/ops I talk to these days are doing well.

Some tell me they've never made as much money as they're making today, and much of that comes from fuel surcharges.

While the record price of fuel is eating up much of what they collect, they're running conservatively, and saving even more of what they're paid.

At the same time, I talk to owner/ops who are collecting a miserly 15-18 cents a mile, often less, for fuel. Basic arithmetic suggests that with fuel at or close to four dollars a gallon, a fuel surcharge somewhere in the 50- to 60-cent range would be more realistic.

I also talk to carriers who claim they're losing loads to rate-cutting competitors. Yet, who ever admits to cutting rates? We can't all be victims.

There has to be a perpetrator in there somewhere.

Ya think maybe there's a connection between carriers who don't pay surcharges to their owner/ops and those who can seemingly afford to run for 20% to 30% less than fair market rates?

Those carriers couldn't afford to run their company trucks for that kind of money, but they can still find owner/ops willing to do the work at a loss.

Notice I said willing? Nobody forces you to haul freight.

If you decide to run in spite of the losses, you hurt not only yourself, you're taking others down with you.

It's a chicken and egg thing. Or maybe I should say it's a flour and muffin thing. Do owner/ops work cheap because the customers won't pay, or do customers get away with paying less because owner/ops will run for less?

**Joanne
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My muffins cost more than they did a few weeks ago, but because I like the all-natural ingredients and the yummy taste, I'll pay the price rather than go down to the local donut hole and buy a puck made of highly processed flour.

Consumers have choices, and so do shippers, carriers, and owner/ops. The bottom line? As long as there is someone out there willing to do the work for less than cost, we're keeping the cheapskates in business.

Think about it: could a carrier really afford to run its trucks for 30% less than cost? Of course not. So how can those invisible rate cutters afford to offer discount rates in the face of massive increased fuel costs?

Because they can download the loss to someone farther down the supply chain. And they'll continue to do it until there's no one left to run at a loss.

There are two possible outcomes here: you'll eventually be bankrupted by your losses, or you can dry up the supply of cheap labour voluntarily. The folks at my muffin shop won't lose a minute of sleep tonight because they're charging 30 cents more for a muffin.

They know their costs, and they're doing the logical thing passing the cost on to the customer. I'll bet there are more than a few truckers lying awake tonight wondering how they'll get through to pay day, again.

Take a lesson from my baker: know your costs, know the market, and don't haul cheap freight. It's the only way to guarantee survival.