



Spec'ing Your Taxes with Robert D. Scheper

## Choosing A Trucking Company: Shortest Route!

Historically, too many operators have changed companies over a cup of coffee and a story of a buddy who just bought a bass boat. Logic being, if he can afford a new bass boat he must be rolling in it!

Choosing a trucking company is not an exact science. It should be, but it isn't. Accuracy in comparing contracts ranges from as high as 85% to as low as 60%. That's a huge range. That means 15-40% of your business decision is based on the unknown and left to chance, perception or simply a gut "feeling".

Every effective business model must account for those unknowns. The margin (rate of return) must reflect every unknown or incomparable aspect of each contract. It's the same concept as empty miles factored into some freight rates, or simply "accounting for the unknown".

One example that decreases accuracy in contract comparison is when one company pays practical miles and another pays shortest route. Depending on the loops the operator drives, the difference in pay can be anywhere from 0-7% (\$0 to \$1200+ per month). Even two drivers on at the same company, getting the exact same fuel mileage, both traveling practical routes (but different loops) can vary that much in pay. Considering the effects of shortest route in any calculation is not comparing apples to apples.

So what's to be done about the shortest route dilemma?

First let's look at some historic figures. In 1996 between 8-12% of all trucking companies paid shortest route. In 2008 (twelve

years later) somewhere between 4 and 6% of companies paid shortest route. This means that over a twelve year period you (and your five friends) refused to drive for companies that paid shortest route. Good for you!

Why do some companies pay shortest route? Because they can! Or maybe more accurately they could! After you and your five friends walked out of the recruiter's office saying you'll never drive for a company that pays shortest route... the recruiter went to see the owner. After a series of whining episodes he finally convinced the owner to change the policy. The only reason some STILL pay shortest route is because not enough of your friends (or your friend's friends) walked out.

Some companies say (and drivers believe) there is no difference. Sometimes (using very specific examples) you can show there is no difference. However, if there is ACTUALLY no difference then why not just pay practical? Answer? Of course there is a difference! That's WHY they are only paying shortest route! When companies bid on contracts (or quote rates) they know they are competing against an industry standard. Paying shortest route to operators reduces their costs at primarily YOUR expense. Their market share... straight from YOUR pocket.

Let's think through this shortest route issue more logically. Since the industry pays practical route, any company that still pays shortest route is trying to mislead or deceive their drivers (operators). If they wanted to be totally honest they would just pay less per practical mile, but they're NOT! They

want their driver operators to THINK they are getting paid industry standard when they are actually dealing in the unknowns. When a company pays shortest route they initiate a basic deception in their contract and relationship. They want to see how much they can get away with.

In any business venture, if your "partner" starts the relationship seeing how much they can get away with, you can be assured all future business dealings will inevitably cross the line. Without exception, in my research, if a company pays shortest route (even if it's only one way) it's just the tip of the iceberg on an unjust management mindset. They will twist logic, skew perception, change rules, and sometimes just flat out lie! If you and your five friends are quality drivers you should never have to put up with that. Keep walking out of their offices. Make sure they know WHY you didn't continue the interview.

However, not driving for a shortest route company doesn't actually solve non-apple to apple problems. There must be a hundred ways to skin an operator. Shortest route is just one. We'll overview many of them in future articles or you can wait for them to be discussed in detail in my next book. 🍷

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