

Making Your Miles Count: The Cost of Turnover for the Operator

The industry has produced many reports that focus on the cost of turnover for carriers. Without a doubt turnover is expensive to them. However, the cost to an operator can be much more devastating. As an accountant to hundreds of independent operators I see the cost directly and indirectly every month or season. The true cost is not always calculable in dollars and cents nor even directly attributed to turnover at times.

I had a client come into my office a while back. He wanted to know information about changing carriers and moving to a situation that allowed him weekends off. I reminded him I wrote a story in my second book almost exactly like his inquiry.

There was a small carrier that had many/most power units as independent operators. The unique thing about this carrier was that nearly everyone had the weekend off, leaving Monday and getting back either Friday night or Saturday morning. The president of the carrier had operators on a list trying to get on the company even though he paid about \$700 per month less in his contract than the industry "norm" at the time. The president decided to take advantage of this opportunity and expand his company. The difficulty was the new freight he would need to start hauling required Monday morning deliveries (therefore leaving Saturday or Sunday). As the carrier grew, operators were dispatched out on the weekends and the complaining began. In 4-12 months operators began leaving the carrier and they couldn't be replaced. The carrier bought more and more company trucks to haul the freight. Within two years the carrier had no operators (only company trucks), in fact the president became so bitter he didn't even have an operator contract available any more.

If this client of mine now moved to a carrier that gave weekends off will he truly have every weekend off? Would it be guaranteed? If he does move, does he need to buy new/different equipment? If he needs to "upgrade" his truck, will his fuel economy be better or worse? Will maintenance now affect his new cash flow? He hadn't thought about any of that.

The operator then asked about maybe getting his own running rights? He asked if I knew anything about it. After pointing again to a couple chapters in my second book, I told him that we also had several "one truck" trucking companies and I gave him the average returns in comparison to lease/owner operators, it ranged from -5% to +15% of the average lease operator (those paid by the mile). Compared to owner operators (those paid by percentage) however it ranged from -15% to +10%. The reason it varied so much (especially with O/O or percentage) was because everything depended on which customer group he would seek to cultivate and haul for (compared to the customers of carriers who paid percentage). In conclusion, I stated that the majority of drivers who have their own running rights do it not to make "big" money as much as enjoy the freedom of saying no to loads they don't want and being satisfied working less for less or sometimes similar pay. They simply sacrifice money for time. The drivers who wish to make "BIG MONEY" drive for larger carriers (typically) that have cornered a market of good paying freight. Since good paying freight generally requires more driver attention

and responsibility Carrier's use percentage as a means to fairly offload risk. If a driver hustles and knows how to reduce their risk by proper behavior they can produce net income in the top ten percent.

The point I'm making in this article is that independent operators need to seek advice and understand their industry. They need to have clearly defined goals, standards of behavior and risk that makes sense in relation to their projected and real net income. It needs to be more scientific and less emotionalism. They need to choose a carrier based on research, not trial and error.

In our industry money is made package by package, skid by skid or maybe LTL but money is almost always lost by the truck load. Loosing money may take months, years or even a decade to recover from. The generation of "trial and error independent operators" is coming to a close (with the exception of carrier walk-away leases).

Many people boast of going to the school of hard knocks as if that brought huge benefits without tuition. That's not accurate. Though I've met many graduates who have learned a lot, too many are still trying to pay off their student loans... load by load.

About the Author:

Robert D. Scheper is a leading Accountant and Consultant exclusively serving the Lease/Owner operator industry in Canada. His first book in the Making Your Miles Count series "taxes, taxes, taxes" was released in 2007. His second book "Choosing a Trucking company" is the most in-depth analysis of the independent operator industry today. He has a Master degree (MBA) in financial management and has been serving the industry since he and his wife came off the road in 1993. His dedication, commitment and strong opinions can be read and heard in many articles and seminars. You can find him at www.makingyourmilescount.com or 1-877-987-9787.