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

...from the director's chair

Finding the answer to the $21,000 question

Fatten the margin between what you make and what it costs to make it

Joanne Ritchie: OBAC executive director

After I mentioned in last month's column that one of our members cleared $21,000 for the month of June, there's a bunch of you ready to become tank haulers – if only I'd tell you the name of the tanker fleet my friend works for.

Well, I won't, just to protect them from a deluge of calls, but I will tell you that the owner/op in question wasn't exactly handed 21 grand on a platter – he worked for it. Not hard, but smart.

And that's a lesson many have yet to learn.

It wasn't miles that earned my friend that kind of dough, it was the extras the carrier offers to get the work done.

That particular carrier pays percentage, and they pay accessorial charges, plus fuel surcharges.

It takes some ciphering to figure out what loads pay best, but if you're like my tanker-yanker friend, you quickly learn which loads are worth your time and which are not.

To begin with, how many of you would accept one load after another into the war zone (the New York/New Jersey area around Newark, Bayonne, the Bronx, and Brooklyn)?

It's not the most scenic area on the planet, but it's one where there's money to be made.

And how many of you would accept weekend or overnight deliveries?

Or drum loads – where the drums are filled straight from the tanker, so you have to stay awake, foot on the clutch, watching the unloader for hand signals to stop the pump?

And how many of you would choose a 300-mile load over a 1,500-mile load?

A lot of you tell me that you aren't getting enough miles to make the money you need.

But miles mean cost, so you'd better know what your costs are.

And costs don't decrease by running more miles; it's the spread between cost and revenue that makes the difference – and that's how my friend makes his money.

Let's say that your cost per mile is 90 cents (it's probably a lot more than that with current fuel prices).

If you're paid $1.20 per mile, you're netting 30 cents a mile. On a 500-mile trip, you'll clear $150 after costs.

But if you're paid $30 to load and $40 to unload? The gross revenue for the trip is up to $670.

The cost remains the same, but you've improved your net by $70 – you've now got $220 in your jeans.

So my friend takes all the loads he can get where he has to load and unload, and he also looks for additional premiums such as weekend or night deliveries, multiple drops, and drum loads.

If all you want to do is run miles, you'll never improve your net earnings, because you can't get the cost per mile down enough.

Recently, my smart friend did a load from Ajax, Ont. to Cleveland, Ohio.

It was a 400-mile trip, and he came home empty, but the load paid him nearly $1,800.

He picked up Friday and delivered Saturday.

The carrier charged the customer a 30 per cent premium for weekend delivery, knowing there'd be no loads available on Saturday.

And the carrier charged a healthy fuel surcharge for the trip because of the astronomical fuel prices; my friend got his percentage on all that extra revenue as well.

The bottom line is that for an owner/op who knows how to make money, there's money to be made out there.

My friend is not working himself to death (he keeps a virtually legal log), and he's not wearing the truck out running miles at the tiniest of margins.

His cost per mile is in the low 90s right now, but his average revenue per mile is close to $2.

And smart owner/ops look for smart carriers who share the wealth with their contractors. How do you find the smart ones? Ask.

My friend went into the interview with his current carrier with a list of questions, and he got all the answers he needed.

He wanted to know what the carrier paid, of course, but he also wanted to know what was paid over and above the mileage rate.

He asked about accessorial charges, fuel surcharges, and the lanes the carrier served.

He quickly discovered where the revenue was and he sticks to those lanes like glue.

So when you're planning your next move, if you want to make some decent money, you'd best be prepared to work for it – and I don't mean work harder (running more miles).

Everyone likes the jammy long-haul loads, but if you're looking for the money lanes, you may have to alter your travel plans a little.

A buck a mile for 3,000 miles, or $1.50 a mile for 2,000 miles – the result is the same. Or is it?

What did it cost you to make that money? It's not what you make, it's what you keep.

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