



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

*...from the
director's chair*

Daycare for truckers

Slap my wrist for criticizing a carrier's business model, but there's an industry practice out there that's a little hard to take.

A number of carriers are running what amounts to daycare centers for wannabe owner/operators.

A few weeks back, I had a chat with one of our members, who runs a small fleet of four trucks. For all intents and purposes, he's an owner/operator himself, but he struggles with the same issues his much larger counterparts face. Among them, recruiting.

He fronts his owner/operators' start-up costs, including plates and insurance, fuel in a couple of cases, and the inevitable advances on the loads – because that's what prospective owner/ops expect.

But a huge problem he faces is getting the owner/ops to understand they need to be able to support themselves for a time after they start working.

Typically, he has to lay out about \$5,000 to get the trucks plated and insured, and in a couple of cases, carries the fuel bills for six weeks – or until the revenue starts coming in.

In real dollars, that amounts to about \$1,200 per week per truck.

And naturally, the owner/ops expect to be paid for the work they've done – even if my friend hasn't seen the cheque from his customer.

He pays biweekly, so he's shelled out three settlements before the cheques come in for the work done over a month earlier. All told, he's carrying each owner/op to the tune of about \$25,000 before he sees a cent from the customers.

Unaware of costs

What surprises him most is that the owner/ops he's hired to date, except two, have no idea of the costs involved in getting started. Many

owner/ops who come looking for work like the idea of partnering with a small carrier in a very close and personal relationship, but can't get their heads around the fact that there's no money to be had for nearly a month after starting.

It comes as quite a shock to them, my friend says. Imagine that.

After years of working for large carriers, being spoon-fed loads, being protected from fuel price hikes through capped fuel prices, and getting all the advances they ever need, how could any owner/op be expected to understand the true cost of doing business?

I'm not suggesting it's wrong to work for a large carrier, or for a small one either, but the carriers who isolate their owner/ops from the real costs of doing business aren't doing them any favours in the long run.

Take fuel, for example.

It's very much to the carrier's advantage to keep the owner/op safe and secure from the big bad world of huge swings in fuel costs by capping the price, but that doesn't do much to encourage fuel-efficient operation.

Where's the incentive to improve fuel mileage when the stuff is priced artificially low to begin with?

If the carrier can maintain a 30 cent spread between the pump price and the capped price, there must be some substantial surcharges on the table.

Imagine what a clever operator could do at seven or eight miles per gallon with a 30 cent surcharge paid on top of the regular rate.

My small-fleet friend says he pays about \$1,400 per month per truck for insurance.

A large, well-managed fleet could do considerably better than that, I'm sure, but when the price is hidden in a just-enough-to-get-by-on rate, again, the owner/op is isolated from the real-world cost of doing trucking.

Joanne
Ritchie:
OBAC
executive
director



He pays a percentage of the gross to the owner/ops, which on paper, is enough to make a tidy living.

Problem is, few owner/ops can get past the initial start-up to benefit from the advantages of a percentage-based pay system.

If only, he says, they understood the cost of doing business and went into it with their eyes wide open, they'd all be making a lot more money than they do now.

And there is money to be made. Another one of our members who works for a 50-truck tank fleet, also paid percentage, earned just over \$21,000 for the month of June – net.

That's after fuel, insurance, etc. All costs out: \$21,000 in his jeans.

He too had to wait a while for the revenue to catch up with what he'd done, but he went into the relationship with enough money to get him over the start-up hump.

Smart business operators

Sadly, as long as owner/ops remain dependent on carriers who keep them in the dark and smooth out all the bumps along the way, there's little need to grow into smarter business operators.

I'd love to see all owner/ops earning the kind of money my tanker-friend does, but instead, most of them "pay" it to the carriers to keep them safe and warm during the storms.

And really, that's an enormous price to pay for a false sense of security.

It's an unfortunate dependence on the carrier that really limits an owner/operator's potential for growth and profit.