

# Speaking from Experience

Last week I got a call from a gentleman (he requested to remain anonymous so let's call him Pete) I had met before who offered to pay me to help him spec a truck.

This fellow has two boys who both drive truck and are both interested in becoming owner operators. I explained that spec'ing equipment was not my area of expertise but that I did have some knowledge on the subject from the ten years I spent driving and some connections in the sector that they were looking at.

Pete and I met later that day in a local truck stop and he had obviously done some serious homework. He had brought with him the latest copy of Truck Trader along with many truck listings he had found on the Internet. Turns out that the spec he had come up with was pretty close to the one I had, but there were a couple of differences that were significant enough for him to narrow his search down to a slightly different configuration than what he was originally looking for. I also gave him the phone number of a couple of good used truck dealerships I have come to know over the years.

I was anxious to learn a little more about the opportunity that was in front of Pete and his sons and what the carrier was really offering. The first thing I heard was a verbal list of rates that were good going into the US to a 500-600 mile radius and some rather average rates coming home. The freight was paid

by a percentage of revenue, which is pretty normal for this sector, and the percentage being offered was in line.



Pete then mentioned that the owner of the company insisted that all of their owner operators become incorporated, which is an issue that I normally advise against. In my opinion, incorporating only adds additional legal and accounting costs to an owner operator's business. Typically the incorporated individual is not awarded any additional tax writeoffs, nor are they usually afforded any additional protection from creditors or legal action. That being said, I know there are still some well-run trucking companies that insist on this and it is up to the individual to determine the financial reward of the arrangement or contract in comparison to the additional cost. When I heard this, my antenna immediately went up because this was not one of those companies.

When I asked Pete if I could see a copy of the contract, he produced a scribbled bunch of notes in no particular order on a single sheet of paper. I told him that this was a relationship contract with a very small company where the owner does most of his transactions by way of a handshake. That's how many of today's larger carriers got started so this in itself didn't cause me too much concern.

## Homework Saves the Day...Again.

On the paper were certain numbers that weren't so impressive. I saw an insurance rate that was at least twenty five percent over market. I saw a plate charge that was fairly accurate. I asked Pete where most of the deliveries were going to be and asked how far to the pick up point and where they were delivering. Obviously I was trying to get a better picture of what the overall revenue per mile was, which is the number that really counts. It seems that one of the regular deliveries didn't quite make it back over the border. I must be naive, but interstating in a post-9/11 world... you've got to be kidding me!

This is where I tried to put the brakes on Pete. We had a risk/ reward conversation and my advice at that point got much more direct. The rates being offered were not so great to offset the risk of being KICKED OUT OF THE UNITED STATES FOREVER. It dawned on me that quite likely the insistence of the owner of the company for his owner operators to incorporate was probably some perceived protection for himself if one of them got caught. That is definitely not the case. These owner operators run under his company's operating authority and he will be equally as liable as the driver or owner operator if and when they get busted.

I congratulate Pete for doing his homework and encourage you to do the same and avoid being caught in a bad situation. In the meantime, feel free to ask a general question I might be able to help with. No charge, by the way!

I have been contemplating writing a series of articles chronicling a company driver from the time they are considering becoming an owner operator until they are running a successful business.

What do you think?

Feel free to drop me a line on this idea.

Safe Driving,  
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