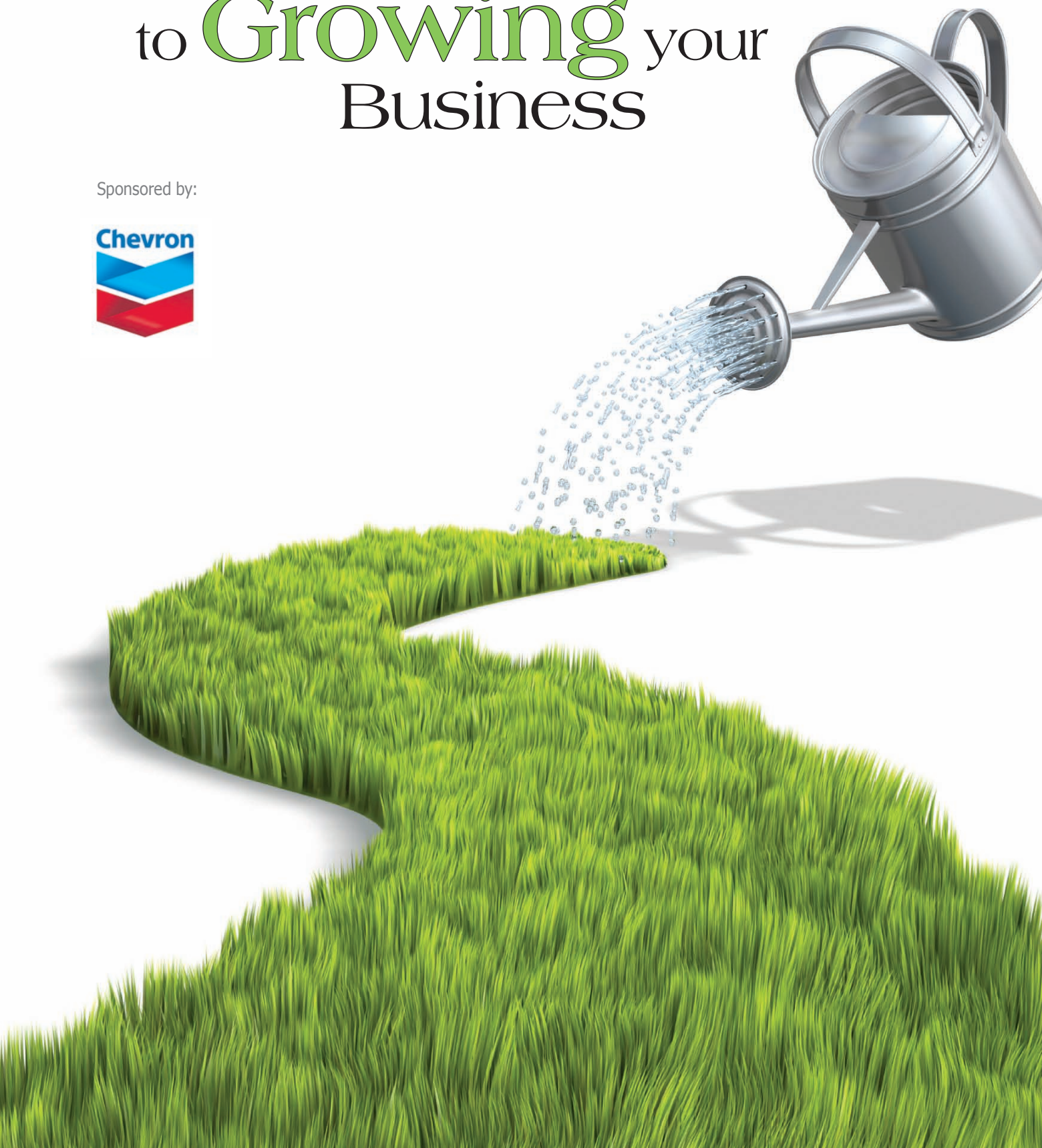
Brought to you by the editors of Truck News, Truck West and Motortruck Fleet Executive

The Owner/Operator's Guide to Growing your Business

Sponsored by:

Chevron



FROM THE SPONSOR

Welcome to the *Truck News* annual supplement sponsored by Chevron. This year's issue is focused on the owner/operator and the unique place you hold in the trucking industry. In particular, it is focused on helping you grow your business and on the importance of having a plan. Part of growth is knowing where you come from and planning where you want to take your business. A smart man once said "Hope is not a strategy or a plan." As part of YOUR plan, review your equipment needs and maintenance plans to manage expenses. Planned maintenance can help alleviate those special little surprises that can shut you down and cause large repair bills. Using suppliers and services that can provide you with products that have been developed with the highest available technology is a great method of reducing costs. Utilizing products with extended drain capabilities is another way to manage your expenses and maintenance costs. Changing your oil, flushing coolant, greasing joints, washing your truck regularly or changing grades of oil with each season to improve fuel economy are all steps to help you grow your business instead of stalling it. As the overall Canadian economy improves, plan your growth and ready your business for success.

Around the world, Chevron is recognized for a legacy of quality, performance and technology. Visit our website at www.chevronlubricants.com to locate a Canadian Chevron marketer near you or www.chevrondelo.com for information on Chevron Delo branded products.

CONTENTS

Redefining growth

'Growing your business,' as this special supplement sponsored by Chevron is aptly titled, can mean many different things to many different people.

To some, it's the addition of a second truck and the hiring of a driver. The vast majority of Canadian trucking companies began as one-truck operations, and what owner/operator hasn't considered putting a second truck on the road at some time or another?

However, when we think of the term growth, we should not be limiting our thoughts to the addition of a physical asset such as a tractor. As an independent businessperson, there are many opportunities for growth that go beyond adding a new piece of equipment. You can grow your profitability, your revenue-per-mile, your productivity, loaded miles, your use of technology or you can grow your business skills, just to name a few. Each of those will make you a more successful owner/operator.

In the past, the term growth was focused too specifically on one thing. As Roy Craigen of Transcom Fleet Services said during a recent seminar, "We measure success by the number of licence plates we have."

If the economic meltdown of the past couple years has taught us anything, it's that growth should be defined not by the number of trucks you have on the road, but how efficiently and successfully you operate each of those vehicles. The message seems to have resonated with some progressive fleets.

Mark Seymour, president of Kriska Transport, acknowledged as much during a presentation he gave last year: "Our plan is not to grow in terms of adding trucks or adding trailers. Our plan is to grow by improving our asset utilization, improving revenue-per-mile and improving profitability. That's what growth means to Kriska this year."

It's a theme that's been echoed throughout the industry. Dan Einwechter, CEO of Challenger Motor Freight – another success story that began as a one-truck entity – said recently that the 'scorecard' trucking companies use to measure their success has changed dramatically, with the emphasis on the bottom line – not the top line (or truck count).

Throughout the pages of this magazine, we explore many opportunities for growth that exist for owner/operators. We look at some of the pitfalls to avoid when setting out as an owner/operator in the first place and the risks of signing an agreement that's not conducive to turning a profit.

We examine how you can lower your costs by tackling simple maintenance chores on your own. And we also prod trucking tax specialists for tips on how to legally maximize your returns.

Of course, we also delve into topics related to growing your business in the traditional sense, by adding a second tractor. We weigh the pros and cons of buying a used truck rather than new and explore some of the insurance responsibilities you inherit when you decide to employ a second driver.

Also, throughout this supplement you'll discover quotes from past *Truck News* Owner/Operators of the Year. They've all made it in this business and each of them is a success story in their own right.

Finally, many have questioned the future prospects of the owner/operator business model. Some have even gone so far as to declare the owner/operator, as known today, is an endangered species.

Ray Haight, another industry stalwart who began his successful trucking career as an owner/operator, bristles at that suggestion.

"Is the owner/operator business model dead? I don't believe that for a minute," he retorts. "These guys are survivors and entrepreneurs. They're going to survive. Ninety-nine per cent of trucking companies in Canada came from a one-truck operator who was determined."

'Determined' may be the key word there. This business still holds many opportunities for those who are determined - determined to succeed and determined to grow. **O/O**

James Menzies
Executive Editor

ARE YOU READY TO CASH IN ON THE RECOVERY?

You may want to involve a specialized trucking accountant in your decision-making

By James Menzies

So you've survived the worst business conditions the Canadian trucking industry has experienced in decades and you're ready to cash in on the recovery. You've got a truck on with a good carrier and you're thinking of expanding. But where do you begin?

Scott Taylor, vice-president of Transport Financial Services (TFS Group) in Waterloo, Ont. says the best way to make money is to put your current truck into slip-seat mode and run it 24/7.

"If you have customers who give you the opportunity to slip seat, that's where you can make money," he says. "One truck, two drivers, the truck never stops and you're making money. That, to me, is the best way to go. There aren't necessarily a lot of runs that lend themselves to that kind of thing, but if you can do it, it works."

He should know. As the business advisor and accountant for hundreds of owner/operators, Taylor sees the financial reports first-hand. He's also seen many owner/operators make the mistake of adding a second truck without fully understanding the amount of extra work it creates.

"A lot of people underestimate how much more work it's going to be to have that second truck running around," Taylor says. "It can be successful, but it's going to be more work than you thought."

If you're going to add a second truck, you're better off first finding your own customers, says Ray Haight, CEO of ATBS Canada.

"The first thing you need is a customer," he suggests. "If you're looking to add more trucks, you almost have to go and look for your own customers, get your own authority and bill that customer directly. To build a fleet within a fleet - I haven't seen that work out a whole lot."

If you do decide to pursue your own customers, Haight said the key to success is being able to service them better than a big fleet is able to.

"It comes down to service, service, service," he says. "Be creative and offering the shipper solutions. With most of these medium- and small-sized shippers, you can quite often get in there and show them where there are efficiencies to be gained and where they can save some operating costs."

If you decide to purchase a second truck, there are tax implications to consider as well. If you're financing a new truck, for instance, it's best to buy towards the end of the year since Canada Revenue Agency (CRA) allows you to expense a half year's depreciation even if you've only owned it for a month or two.

As a result, you could write off more than you actually paid out during the short time you've owned the truck, Taylor points out.

It's a completely different ball game when leasing, however. If you decide to lease a truck, it may be advantageous to do so in the early part of your business year, since CRA considers that big initial lease payment a pre-paid deposit that you can expense and write off over time.

"You divide that downstroke by the number of months in your contract and expense the amount each month in addition to your regular lease payment and

sales taxes," he explains.

So if you put down $20,000 in cash and/or trade on a five-year lease, you need to expense an extra $333.34 over the next 60 months on top of your monthly payment.

If it sounds complicated, that's because it is and that's why it's crucial to work with an accountant that knows the intricacies of trucking tax laws. Both ATBS Canada and TFS Group regularly encounter owner/operators who've left money on the table by using an accountant that doesn't fully understand the trucking industry and its tax implications. Haight recalls speaking with an owner/operator who claimed less than the maximum meal tax allowance because his non-trucking accountant told him claiming the maximum may trigger an audit.

"He was leaving thousands of dollars on the table," a frustrated Haight recalled.

Taylor recounted an equally frustrating experience with a former client who decided to reduce costs by filing his own taxes. Unfortunately, however, he never did get around to filing them in certain years. He did remember to file his GST claims, however, and it wasn't long before CRA audited his repair expenses.

After the owner/operator repeatedly ignored CRA's requests for documentation, the tax man sent a final letter denying the GST and income tax that was paid on his $40,000 in repairs.

"Now he's got a $20,000 problem because he just thought it would go away," says Taylor.

When you've found a good trucking tax specialist to work with, it's still incumbent on you, as an owner/operator, to be organized and to keep all receipts. Seemingly insignificant expenses can add up over time. Taylor likes to tell the story of the $1 pen that actually costs $1.50.

Without a receipt, you aren't entitled to a refund on the GST/HST you paid, which adds five to eight cents to the cost. You also can't claim the pen as a business expense against your gross income, he adds, so if your taxable income is $40,000 there's another 30 cents. Add the CPP contribution onto that and now that $1 pen has actually cost you $1.42 to $1.50.

Ray Haight, ATBS

Scott Taylor, TFS Group

Another good reason to rely on an accounting company that specializes in trucking is that, at some point, you may find yourself having to do battle with CRA – and it's nice to have someone you can trust in your corner. Haight points out the transportation industry, as a major contributor to Canada's GDP, attracts a lot of attention from CRA.

"A few years ago, 12% of the economy was transportation," he reasons. "That's a huge flag for RevCan and they've got rules specific to trucking. The average accountant is not going to be up to date with them because they don't live in that world." **O/O**

Is the owner/operator an endangered species?

In recent months there's been some speculation (mostly emanating from the US) that the owner/operator as known today is an endangered species – that the business model no longer works.

However, that doomsday theory isn't nearly as prevalent here in Canada.

In fact, both Scott Taylor of Transport Financial Services Group and Ray Haight of ATBS Canada agree the long-term prospects of Canadian owner/operators are actually quite healthy. Taylor notes that the current downturn is an excellent example of why many carriers prefer the owner/operator business model.

When freight evaporated, they were able to reduce their owner/operator force which is much simpler and less costly than selling off or parking extra trucks.

Haight agrees. "I don't believe that for a bit," he says of speculation about the demise of owner/operators.

"In the short-term, trucking companies are squeezed financially with their banks and they are going to want to increase volume by using owner/operators," he adds. "They'd much rather hire an owner/operator and not have to put that asset on their balance sheet."

Haight says a good owner/operator can almost always operate one truck more efficiently than a fleet can operate dozens or hundreds of trucks using company drivers who are motivated almost entirely by maximizing miles. Haight truly believes it's an excellent time to become an owner/operator – as long as you begin with a used truck with low monthly payments and realize it may be several months (or even years) before you're making more than you did as a company driver.

As freight volumes pick back up, Taylor says he hopes owner/operators are prepared to make hay while the sun shines.

"In the future, when things are good again, owner/operators better darned well make sure they make as much money as they can," he says. "There's a reason certain ones are still in business and others aren't and it isn't necessarily that the ones still running are the smartest ones today – they were smarter two years ago when things were good. They paid off their bills and today they're just getting by or living off their line of credit, but if you were living off your line of credit two years ago, what have you got today?"

The most successful owner/operators, Taylor adds, will be those who make money in the good times and sock it away for the bad times. **O/O**

By Harry Rudolfs

Comes a time

So you've decided to add a second truck. Who should you hire to drive it?

You've weighed all the options and come to the conclusion that taking on a second truck presents the best opportunity for you to grow your business.

This means hiring a second driver, which puts you in a whole new ball game, and it's slightly ironic because the reason you probably became an owner/operator was to be independent and "your own boss."

Now you're going to be someone else's boss, and must worry about a whole host of responsibilities and paperwork like worker's comp, taxes and payroll. Your situation might require a paradigm shift in your thinking and way of doing things.

So much depends on the driver; the first one you hire will either be a boon or a problem. Hence, it's worthwhile to invest some effort in the hiring process.

A big question looms. Should someone hire his or her buddy? Gil Beaulne, general manager of household moving for Mackie Moving Systems, doesn't think so. He's been driving trucks since he was 16 and been a multiple truck owner many times. In his opinion, hiring a friend is almost always a mistake.

"I would rather not hire a friend unless he was in dire need. It's the quickest way to ruin a friendship," he says. "It's got to work for both parties."

But sometimes friends and family connections work out well for owner/operators. According to David Brown, recruitment manager for Rosedale Transport "Some of our best referrers are our own people. It's a family-run business and we like to keep it in the family."

Even so, finding the right driver for the truck is hit and miss, says Brown. "Some of our guys are really successful while some of our owner/operators struggle to find the right person. We encourage them to do their own screening process."

As the contractor, your new applicant will have to pass a road test and go through the screening and orientation process required by your carrier. This could take a few days to a week, and usually involves training and classroom sessions, dangerous goods certification, a drug test and background check. Smaller companies might have a less scrupulous protocol.

But the hiring process starts and ends with you. So don't be afraid to ask for a work history, references, police clearance, driver's abstract – and check the applicant's credentials (licence, etc.)

I met 42-year-old Yves Gauthier at Mackie's terminal in Oshawa one morning, where he had brought a candidate from Montreal for a road test. Gauthier became an owner/operator five years ago and, within a year, he had hired another driver.

"I wanted to see if I could do it," he said. He now has three recent model Freightliners, two of them on with Mackie.

So far things were going well. His new recruit had already passed the road test, and now they were heading back to Montreal to wait for the results of the drug test and background check.

With only two years' driving experience, Milaud Bounaceur was not the most qualified driver Gauthier interviewed, but he fit all the criteria.

"I look for three things," he told me. "Cleanliness, courtesy and ability to communicate. Plus he's a very nice guy."

Gauthier's hiring strategy is sound. Cleanliness and courtesy are important because the driver you hire will be the ambassador for your truck and carrier. And communication is key to the trucking profession on so many levels – anything from dealing with customers to enforcement officers to computer programs and satellites.

Communications is considered an "essential skill" in a study sponsored by the Canadian Trucking Human Resources Council. According to the CTHRC, essential skills are those enabling skills that workers use to learn technical skills, perform job tasks and adapt to changing workplace requirements.

The Essential Skills set covers literacy, numeracy and

document use. These categories touch on every aspect of trucking including problem solving, decision making, computer skills, working with others, data analysis, trip planning, weight calculations and money math. More importantly, the study makes a clear co-relation between essential skills and workplace safety. Click on the Essential Skills section of the CTHRC Web site for more info: www.cthrc.com.

It's interesting to note that many companies share this view on literacy. According to the report, Arnold Bros. of Winnipeg includes an hour-long literacy test as part of its hiring process. Applicants are expected to function at a grade 10 level or don't get hired. Other companies may embed specific questions in the interview process to assess communication abilities.

"Even filling out an application can tell you a lot about a person's literacy level," says Linda Gauthier (no relation to Yves) of the CTHRC. "An inability to communicate can impede your ability to do the job. A lot of drivers have been coping with low literacy levels and getting along until they have to learn something new, like a change in the regulations. You might have a very good truck driver who cannot read dangerous goods documents. As far as math goes, if you don't use the math continuously that you learned in school, you lose it."

If you're concerned about the literacy level of your candidates, Human Resources and Skills Development Canada offers a free TOWES test online at www.measureup.towes.com/english/activities.asp. TOWES stands for Test of Workplace Essential Skills. The site offers workbooks and quizzes on reading and math skills. It's quite interactive and fun. You can assess your own abilities or download the tests as a benchmark hiring tool.

A GOOD FIT: Yves Gauthier (left) decided Milaud Bounaceur fit the bill nicely to drive his third truck. He mastered the three 'Cs' Gauthier looks for in a new hire: cleanliness, courtesy and communication.

But your focus should be on the skills and abilities required for the specific job you are trying to fill. The skill set required for a bulk operator is different from the needs of a driver hauling general freight, while a car carrier has to deal with a completely different set of challenges and processes than a steel hauler. Even someone hauling general freight may be confronted with complicated documents, customs papers, or dangerous goods manifests.

Essential skills can be learned (and forgotten). However, let me suggest, if you've got a job candidate who has poor literacy skills but is extremely suitable in all other ways, you should consider sticking by them. Whatever happened to the mentoring process which was so important to trucking over the years?

Any driver who wants help with reading and writing can find it in the community or online. Even better is a friend who can help them access these resources and believes in them while they're learning. Truckers often leave school early but they're usually well-informed and life-smart. Finding skills you never knew in middle age can be glorious. I don't know how many paperbacks I've read waiting at loading docks but they've saved me at least a decade of silly boredom. And my age-old friend

Words of Wisdom

"Without maintenance, the truck doesn't run and if the truck doesn't run you're not making money and if you're not making money, you're pretty much not in the game,"

– Michael 'Motor' Rosenau, 2009

Ross Mackie, patriarch of the above-mentioned Oshawa company, is an avid reader who's also been driving trucks since he was 16. And for someone with less than grade eight education, he has made out alright as an operator in his own right.

Problem-solving is another big part of most driving jobs, and map reading skills are, of course, a must. But most important is finding the right fit for the driver and the truck. Once you've found that literate, numeric, problem-solving driver, you've got to still hope they pass the road test and meet the carrier's other requirements.

"Some guy might bring in his brother or cousin or neighbour and get turned down because there's stuff they don't know about, like a guy has 15 speeding tickets and is wanted in Montreal," adds Rosedale's Brown. "We have our own standards, once they come to the door they can't do anything about it – I have to qualify the driver."

Bob Smith, safety and compliance manager at Mackie Moving Systems, admits he fails "his share" of the drivers who come to him. "Guys like me who road test applicants can afford to be selective these days," he says. "There's no driver shortage right now."

Yves Gauthier got about 25 responses to an ad he placed in a Montreal newspaper and online. Of the 25, only two seemed suited to the job he was offering. "There are more qualified drivers available but it's still hard to find someone good," he told me before hopping in his 2008 Freightliner. **O/O**

Harry Rudolfs is an on-road editor with the Transportation Media family of magazines with almost two decades of experience writing about the transportation and logistics industry. He is also a professional driver.

A question of coverage

Whether you're a solo owner/operator or a multi-truck owner, protect yourself with the proper insurance plan

By Jim Bray

So you've made the transition from driver to owner/operator to employer. How much insurance coverage do you need to protect you, your company and those you love in case of emergency at home or away?

It's a relevant question at a time when the Canadian medical system – and the economy – faces pressures like never before. And while the health care system does make certain guarantees, nothing is perfect, and there are differences from province to province that could bite you in the behind if you don't take care of them beforehand.

"There are reciprocal agreements between provinces, though coverage varies," says Chris Henry, vice-president and general manager of NAL Insurance. Medical conditions themselves – from heart attacks to broken limbs – will be covered wherever you are, but services such as ambulances, for example, may be only 90% covered in Ontario but completely covered elsewhere, Henry says.

Glenn Caldwell, national accounts sales manager for National Truck League, agrees.

"Although we offer a product for out-of-province or out-of-country coverage, in most situations, your provincial health coverage will cover the medical bills in another province," he says. "The only possible exceptions we know of would be certain prescriptions and possibly ambulance fees that may need to be absorbed by the owner/operator."

According to Henry, however, once you cross the border to the US "If you don't have private coverage, all bets are off."

He says Canadians, whether truckers or snowbirds, are denied medical care in the US all the time because they don't have the proper coverage. Or, "when they do get care they receive a bill and find out that the American health care providers stop at nothing until they get their money," he says.

What do you need, then, and how much will it cost to ensure you don't end up mortgaging your life if push comes to shove?

George Fraser, director of safety for Sharp Transportation Systems, which hauls high-end furniture and pharmaceuticals across the US and Canada, has a wealth of experience in this area and, not surprisingly, a wealth of valuable advice whether you have one truck or more than 100.

"Our owner/operators can't move out of the yard unless they're covered for out-of-province and out-of-country," he says, noting that while Ontario's OHIP and its provincial counterparts cover you across Canada he wants to ensure you're covered if you need something beyond what would be provided by the province.

Coverage, and keeping it current, is something his company takes

"WSIB doesn't necessarily have the best coverage for an owner/operator," – Glenn Caldwell

seriously. Fraser says Sharp insures its company drivers with a policy that "covers everything, full medical package for out-of-province as well as out-of-country, medical, dental – the whole nine yards."

Owner/operators have a standard level of coverage they need to prove before Sharp will hire them, though, and the driver has to show proof before getting hired on, "so we have assurances that the owner/operators hauling our freight and our trailers are fully-insured. We check on occasion to make sure the payments are current, too," he says.

Fraser notes that an owner/operator likes to think of himself as an independent businessman, but he isn't, as far as insurance coverage and border crossing are concerned.

With Sharp, a driver can opt to join WSIB through the company but that's typically not enough as it covers drivers only while they are at work. Most drivers will go to a quality company that insures owner/operators and often they will do a wraparound insurance coverage that will maintain their own provincial work coverage while adding 24-hour protection, says Fraser.

Out-of-province coverage, according to NAL's Henry, can cost as little as $10 a month for owner/operators under 49 years of age ($15/month for those aged 50-53), which would seem like a pittance, especially if you can write it off.

Yet "It's sad how many guys go without it," Henry says. "We had a situation last year in which a driver we'd told repeatedly should (get the coverage) had a small heart attack while in the United States and he had no coverage."

Henry remembers that, despite it only having been a very minor heart attack the man suffered, the bill was $80,000 and now the collection agencies are after him. "They're relentless down there," says Henry.

It's irresponsible to turn drivers loose in your equipment without ensuring they have adequate coverage.

So how do you find out what coverage is the best for yourself or a second driver? Since every owner/operator is unique and has different needs, Caldwell recommends sitting down with a representative and going through a personal needs analysis, including taking a look at where you travel.

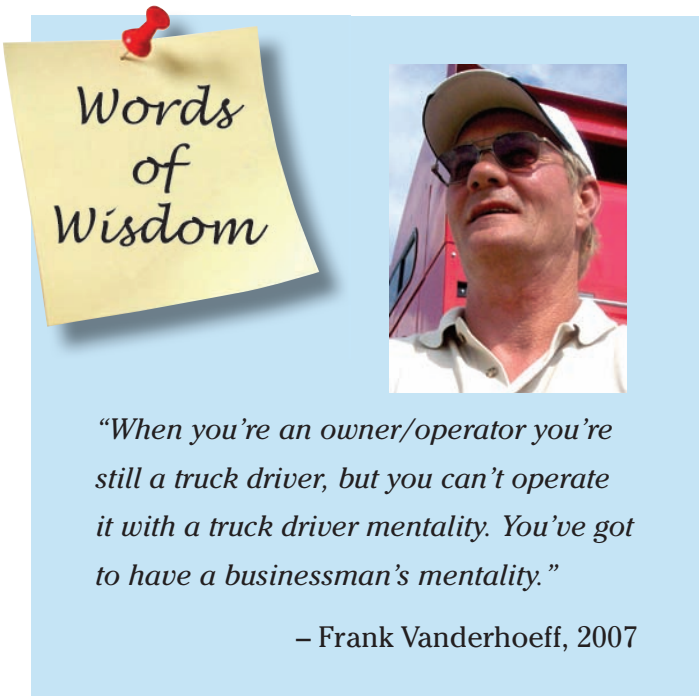
"If they're only going from province to province then a WSIB alternative or business expense coverage may be all that's necessary," he says. "We also sell products that can protect you from things like disability, downtime on the truck, health and dental, deductible buy-down and business expense insurance."

In Ontario, you can also get truck insurance for small- to medium-sized fleets from these providers.

Caldwell says that, unlike in the west where owner/operators are required to carry WCB, "in Ontario they can be classified as independent, allowing them to opt out and buy private insurance, and that's a lot of what we sell."

Why would someone opt out? "WSIB doesn't necessarily have the best coverage for an owner/operator," Caldwell says. Private coverage can be more practical for an owner/operator, offering 24-hour-a-day protection compared to WSIB's coverage of on-the-job injuries only. Caldwell says many fleets in Ontario use their collective buying power to set up WSIB alternative programs the same way they do when buying fuel, maintenance and repairs, and that such savings could be as much as $200 a month or more compared with WSIB. "With this type of savings, carriers are finding they can be priced more competitively when quoting their services," Caldwell says.

"In Alberta and B.C," Caldwell points out, "you can buy minimal WCB, which many (owner/operators) do, and then top it up with our type of program." Generally speaking, however, Caldwell says an owner/operator can put together a more well-rounded program for about the same cost as WCB. **O/O**



"When you're an owner/operator you're still a truck driver, but you can't operate it with a truck driver mentality. You've got to have a businessman's mentality."

– Frank Vanderhoeff, 2007

Jim Bray is a long-time automotive journalist and western editor of *Truck News* and *Truck West*

WHEN YOUR ENGINE PARTS ARE PROTECTED WITH DELO® ELC, EVERYTHING'S COOL.

Delo®

Sometimes, all you need to hear is: everything's cool. With Delo® Extended Life Coolants, not only do you get cool, but you get the technology leadership, protection and confidence you need to focus on your business. Delo ELC is formulated to reduce maintenance and inventory costs by delivering 1.2 Million km of worry-free protection without the need for any additional additives. Whether you're running newer EGR or ACERT™ technology engines, or running engines using various fuel types, Delo ELC delivers complete cooling system protection. When you consider the value of using Delo ELC, you may find that the most important part of your engine isn't a part at all, but the fluid that keeps it cool. Learn more about Delo ELC and *The Delo Performance Advantage*™ online at www.deloperformance.com.

Chevron

A **Chevron** company product

DELO DELIVERS CONFIDENCE™

Mind over MOTOR

Weighing the pros and cons of buying a used truck

By Carroll McCormick

If I was looking to replace my ride, I would track down a 1955 Peterbilt 281, the one with the split windshield, long nose and bulbous fenders and paint it flat black. It looked great in the 1971 terror/thriller *Dual*. That truck just hollered, 'I mean business.'

But I've also been advised to: 'Buy what you can afford.'

But hang on. Maybe I should buy new, because someone else told me that a new tractor growls 'success' and an oldie bleats 'just squeaking by.' On the other hand, success says fat loan payments, right, and used can mean not sticking your neck out further than it belongs…say, if you buy a second truck so your squeeze can scoop a solid-looking contract to do orange runs out of Florida. Then, surprise, three months later a hurricane bowls Florida's oranges into the Atlantic. I feel a headache coming on.

Same goes for a short contract. If your new lane or freight opportunity doesn't pan out or get extended, it is easier to take a 20% loss on a used truck than a 20-30% loss on a new truck you might have for only six months, points out Maurice Belanger, sales manager at Cambrian Truck Centre in Sudbury.

If you think that a used truck can't possibly scratch your itch, look at this year's *Truck News* Owner/Operator of the year, Michael 'Motor' Rosenau. He bought a 1997 Freightliner in 2004 (it now has over 1.3 million kilometres on it) and he has tats, a nice ring and everything. Used rules, right?

"The first thing you have to remember when you buy a truck is you have to be able to live with no money for two to three months. If you've got money in the bank put away, you're good to go. If you don't have the money and you're financing a new truck, it's going to be a struggle for a while," Rosenau says. "I didn't need brand new. I bought what I could afford and slowly fixed it up to where it is today."

Check out the cost of new versus old. Belanger roughs out a new versus old scenario to think about (this is not a dealer promise): For a new $130,000 over-the-road tractor, you'll make a $15,000 down payment, then 48 monthly payments of $3,280, or 60 payments of $2,750. That's $172,440 over four years, or $180,000 over five years.

On the bright side, your four-, or five-year-old truck will still be worth $60,000 or so, depending on the miles and how well you've treated it.

For a similarly spec'd used ride, say four years old with 800,000 km on the odometer, Belanger suggests a purchase price of $50,000. You'll need a $7,500 deposit, followed by 24 monthly payments of $2,300 or 36 monthly payments of $1,630. That adds up to $62,700 (24 months) or $66,180 (36 months).

Hot dog! The used wheels look like a steal, right? But don't forget that in three years your now seven-year-old ride might have 1.5 million kilometres on it and be worth maybe $12,000 on the lot, and less on a trade-in for your next ride. There's more to consider too.

New trucks come with warrantees. They offer a more or less guaranteed cost of ownership for several years, valuable for a trucker on a budget and with no crystal ball. Extended warrantees are available for used trucks, but they can cost $10,000 to $12,000, according to Doug Haynes, sales manager at Beaver Truck Centre in Winnipeg.

An engine rebuild at a cost of up to $25,000 could be in your truck's future anytime after a million kilometres or so. There's also a long list of other things that can go wrong as a truck ages. Breakdowns will mess up your delivery schedule, leave you at the mercy of distant repair shops, cost you hotel bills, tick-off your boss and his clients… that's why some carriers say up front that they aren't interested in O/Os with trucks more than three years old.

"Take a close look at tires. Look for signs of good or bad maintenance. Things like out of balance brakes, worn wheel seals, broken springs or air bags say stay away from this one. Likewise, broken body parts indicate hard usage," suggests

Words of Wisdom

"Start slow. Start with a used truck. Get low payments on it because you have to factor in the price of fuel and how much work there is out there. Start slow and work your way up,"

– Marty Gardner, 2008

Allan Anderson, a retired sales and leasing manager with over 35 years in the truck and leasing business in British Columbia.

"The chance of major components needing repairs depends on the maintenance, but the buyer should be able to go a long time without major repairs. But smaller items tend to need replacing. The nickel and dime stuff will kill you," Belanger says. He adds, "(A new vehicle means) less time spent on weekends and evenings doing repairs."

Haynes says this is an important quality of life issue for used truck owners. "Do you want to be away three weeks of the month and spend one week a month repairing your truck? Do you want to risk your quality of life with your wife and kids?"

Maybe a younger used truck would be a better deal. Well… Craig Schofield, sales manager at the Lockhart Truck Center in Dartmouth suggests thinking hard about a $95,000 one-year-old truck with a loan at 13% interest or more, versus a new $115,000 truck bought with a 7.5-8% interest loan. Is the narrow spread between the two trucks worth it?

A truck at the far end of its life can be a great fit to its new owners. Beaver Truck Centre lists in its inventory two Volvos with 1.6- and 2-million kms that can be had for $12,000 to $14,000. "Trucks with this kind of mileage are perfect for farm applications: taking grain off the fields, hauling it to the northern states. A farmer might only put 5,000 kms on them a year," Haynes says.

If you can get used wheels from a driver or a fleet with a good reputation, or one with a complete service file that proves regular maintenance, you could do very well.

"Maintenance files are scarce, but you can usually tell by the look of the truck how well it has been taken care of. If you have to wear slippers in the truck, the oil has probably been changed," Belanger says.

Ray Haight, the CEO of ATBS Canada, a service provider that provides assistance and guidance to O/Os, favours used trucks: "This is a great time to become an owner/operator because the used truck market is so depreciated right now. You can get into a decent truck at a really cheap rate. We don't advise any new (owner/operators) to get a new truck. Get into something that's got some warranty on it, go that way (used), then you're not as exposed as having these huge payments."

On the other hand, Haynes points out that if you are a young driver and plan to stick with the business for a long time, what he calls the life-cycle of the driver, a new truck will have plenty of equity left in it after four years to roll into a bigger down payment for a replacement new truck or a second truck. "Resale value is so important," Haynes says.

Okay. You're in the biz for the long haul, with a solid long-term contract in your paw, "not some dispatcher that just wants to get another tractor hauling his freight and doesn't care if you go broke," as Anderson puts it. Especially if the contract is for a high-mileage lane, a new ride could be a wise investment.

Anderson, who also worked a dozen years in the banking and finance business, has a suggestion to help cook down your agony to a more manageable set of numbers: Enter all the costs of the new and used vehicles you have in mind on a spreadsheet, say for four years of ownership. To cover your butt for breakdowns (leave self-deception to teenagers), ask the various component manufacturers for the used tractor you are eyeing when they recommend an overhaul and what each will cost. Compare the mileage figures with the timeline to reach that mileage on the proposed work contract. That way you may see, for example, that you should plan for a $12,000 engine overhaul in 33 months, and so on.

Voila: You will have your total cost of ownership for the new and used tractor.

One more thing, look at the fuel mileage that the used and new tractors get. Drivers tell Haynes that a 1.5 mpg difference in fuel consumption is worth about $1,500 a month. This alone might turn you away from a fire-breathing, chrome-plated monster that'll scald your eyeballs and onto a sleek job spec'd just for you.

Anderson sums up the challenges buyers face: "Trucking is a good business for businessmen and a road to the poorhouse for dreamers." **O/O**

Carroll McCormick is an award-winning writer for the Transportation Media family of magazines and has covered the Quebec transportation and logistics industry for more than a decade.

By James Menzies

Caught in the Carrier Lease-Purchase Plan **Death Trap**

Not all carrier lease-purchase plans are created equal. Don't sign your life away when leasing a truck from a carrier.

Martin Spaleck's 2006 Volvo VNL630 has become a permanent fixture on the parking lot of a nearby truck stop. Occasionally, the truck stop manager calls him and asks him to remove it.

But he says he's got no place to go. This wasn't how it was supposed to be.

Spaleck, a hard-working German immigrant to Canada, is an experienced professional driver specializing in cross-border expedited freight. He signed on with a southern Ontario carrier about two years ago. A few months later, he says, the owner made overtures about leasing a truck and becoming an owner/operator. Business was brisk, and the thought of collecting 70% of gross revenue appealed to Spaleck. He slapped down a $5,000 security deposit as well as a $2,000 holdback and signed a 36-month lease agreement with monthly payments totaling about $2,400 with insurance. But then the bottom fell out.

The economy crashed and took the automotive industry down with it. Loads became irregular and then practically non-existent. Spaleck said the carrier favoured company-owned trucks when it did have freight to move and Spaleck soon realized the payments on his truck exceeded the revenue it was generating. He also realized the agreement he signed didn't contain any form of mileage guarantee, leaving him without a legal escape from the contract.

Spaleck tried to find a part-time job to pay the bills, but the carrier required him to be on-call 24/7 for any loads that did become available.

"I'm in a trap," says the mild-mannered trucker. "I feel like a slave for this company. All these carriers are the same, they promise you the blue from the sky and once you've signed an agreement, you are a slave - you have no rights."

Spaleck says he must earn $12,000 per month in revenue in order to take home $3,000, since expenses eat up about 75% of his income. Now, he wishes he never signed the agreement.

"This is a warning for all owner/operators," he says. "They should be very, very careful if signing a lease agreement if there is no guarantee for income."

Spaleck loves Canada – and trucking – but he can't help but feel let down by both.

"I've never worked in my life so hard, for so little money," he laments. "Canada's a nice country, a beautiful country, but it's very, very hard here."

•

Spaleck's story is not unique. He is one of many owner/operators who have fallen victim to the Lease-Purchase Plan Death Trap, which has killed the dreams and aspirations of many an owner/operator.

Lease-purchase plans are a popular option with carriers – and for good reason. They allow the carrier to collect

a significant share of revenue (30% of gross, in Spaleck's case) while offloading all the risk and responsibilities associated with vehicle ownership onto the shoulders of the owner/operator.

Not all lease-purchase agreements are created equal and they won't necessarily doom an owner/operator. However, as with any contract, the devil is usually in the details – or lack thereof.

Ray Haight, CEO of owner/operator business consulting company ATBS Canada, says no owner/operator should sign a lease without first seeking a second opinion from a trucking accountant, lawyer or business advisor.

"Get some advice, whether it be from an accountant or a lawyer, and make sure it is something that can be supported," he suggests. "You're signing a legal document, you've got to get those contracts looked at before you sign them. These trucks, for the most part, are the largest or second largest purchases these guys are ever going to make, but they'll sign a lease as if it's nothing."

Many accounting firms that provide business services to owner/operators will review a contract before you sign it, and it doesn't have to be expensive. In Haight's case, it's something he'll often do over breakfast or lunch at a nearby truck stop.

"We'll do it pro-bono," says Haight. "I'll meet somebody out at the Fifth Wheel or the Flying J and it'll cost them a breakfast or a lunch for an hour of my time."

One of the things to consider when signing a lease-purchase agreement with a carrier is how loads will be allocated. Spaleck has accused his carrier of favouring company trucks when assigning the most lucrative loads.

Don't be afraid to ask a carrier how it will allocate loads, suggests Haight. Will it be first-in-first-out? Company trucks first? Is there seniority? He also suggests speaking with a company's other owner/operators before signing an agreement to see how they're making out. If a company is reluctant to provide you with its owner/operators' contact information, red flags should be flying like fireworks on Canada Day.

The contract should disclose everything that will be withheld, how those items are calculated and the interest paid on escrow or maintenance funds, according to a handy check list in ATBS Canada's *Business Manual for Owner/Operators*, available online at www.atbs.ca.

Alarm bells should be sounding if the contract requires you to pay extra for exceeding a certain number of miles or to perform maintenance on a predetermined schedule that may require you to shell out big bucks for expensive overhauls near the end of the lease. You should also demand to see the truck's title and compare the serial number to the one on the truck, if you plan to take ownership.

Another thing to watch out for is an unreasonable security deposit or down payment. Spaleck paid a $5,000 secu-

Ask before you sign

Before signing a carrier lease-purchase plan, or any contract for that matter, don't hesitate to ask questions of the carrier with which you'll be signing on. Here are a few questions you should be asking:

- How large is the down payment?
- Can I purchase the truck at the end of the lease?
- Is there a penalty for early pay-off?
- Will an accurate account of payment show up in every settlement, or will withholding come at other intervals?
- Will I be able to show a profit after payments are deducted? (Make sure you calculate revenue and profit based on the payments you'll be making and your revenue expectations).
- When will I own the truck?
- What percentage of lease-purchase participants in your plan actually take ownership of their tractors?
- What happens if I want to change carriers?
- Is there a guaranteed minimum mileage or revenue?

- Questions reprinted with permission from A Business Manual for Owner/Operators, published by ATBS Canada

rity deposit plus a $2,000 hold-back, which Haight found to be excessive.

"The used truck market is so depreciated right now, you can get into a decent truck at a really cheap rate," says Haight. "There are four-year-old trucks that are great trucks with low mileage and you can get them for $30,000 to $35,000, so why do you want to lease a truck when you can buy one? Then you can shop around (with various carriers) and take that truck and sign it on somewhere else."

Spaleck's $5,000 security deposit would easily surpass the recommended 10% minimum down payment on a decent used truck, and he wouldn't be restricted to hauling for just one carrier when freight dried up.

One of the dangers (and for drivers, appeals) of lease-purchase plans is that they allow easy entry into the business for drivers who may not be qualified to be owner/operators in the first place and who may not have done their due diligence.

PARKED: Martin Spaleck stands in front of his Volvo VN, which he says is parked more often than not due to the lack of a mileage guarantee in his lease agreement.

"Lease options, for the most part, are far too easy for somebody that's probably not qualified to be an owner/operator to just walk in and sign it and away you go," Haight says. "It's too easy to get into one of these things - there's your truck, go trucking. You're not forced to do your homework up front, you're not shopping for carriers, you don't have to qualify for a loan – it's almost too easy."

However, Haight says not all lease-purchase plans are designed as carrier profit centres at the owner/operator's expense.

"There are some out there that are good," he admits. "There are some that have the intent of having the individual be successful and eventually own that truck. But I've gotta tell you, they're the exception and not the rule." **O/O**

Maintenance:

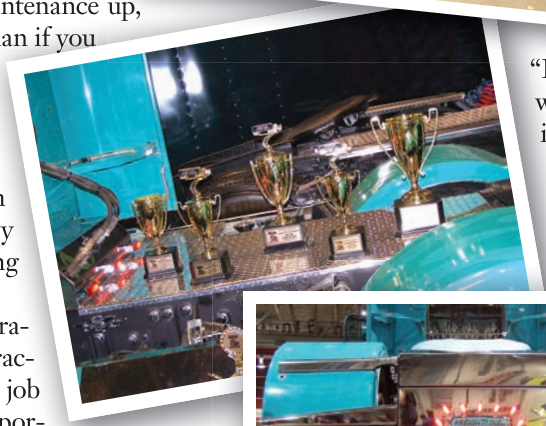
Spend a little now to save a lot later

By James Menzies

With costly new emissions requirements and a lack of freight, many owner/operators are hanging on to their trucks longer than usual. But how do you ensure your truck is going to be able to last for the long-haul? For that, we decided to ask Michael Rosenau, owner of a 1997 Freightliner FL120 day cab with 1.3 million kilometres on the odometer.

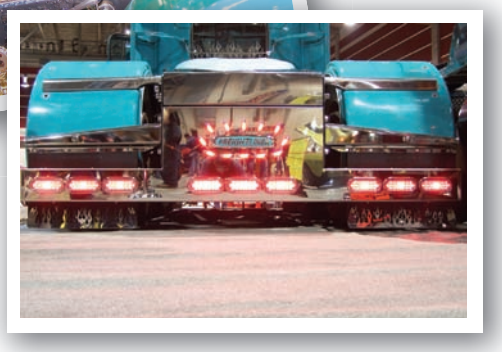
Rosenau's motto is 'If it don't shine, it ain't mine' and he keeps his truck looking like it just rolled off the showroom floor. Rosenau is philosophical about maintenance. While most owner/operators view it as an expense, he sees it as an opportunity to keep costs in check.

"A lot of people think maintenance is a high cost item," he says. "The way I look at it, if you get it fixed right away and don't let it get worse, that's a reduction in cost right there. If you let it get worse, it will cause another problem down the road, plus you could get a fine for it. If you keep your maintenance up, there is a cost to it but it's lower than if you let it slide and then everything falls apart right behind it."



Getting on top of potential problems early also ensures you can source replacement parts from a local dealer and not at the mercy of a truck dealer in some far-flung town.

Rosenau advises owner/operators to constantly inspect their tractor. He likes to do his own grease job every once in a while, as it's an opportunity to look for defects or impending problems.



At just $30 for a complete grease job, Rosenau does take it into the shop on occasion, but even then he'll climb down into the pit to get a good look at his truck's components.

"I still like to do it myself once in a while to make sure everything's where it should be and nothing has rattled loose," he says. When in the pit, he'll chase the wiring and then he'll check the belts and make sure his tire pressures are alright.

Rosenau says keeping components such as the driveline, transmission and joints well greased is one way to reduce the risk of breakdowns. He greases components every two to three weeks. Rosenau also suggests using a premium heavy-duty engine oil (Chevron Delo in his case) and he extends oil change intervals using an aftermarket clean oil filter.

In the fall, Rosenau begins winter preparations by draining the air tanks more frequently and ensuring no moisture collects in the air system. He also will flush the radiator and run a fuel conditioner in the winter months. But one of the simplest, and most important, maintenance chores to perform in the winter time is washing the truck.

"I'm washing (the truck) all the time in the winter," he says. "Ninety per cent of the time, before I park it at my shop I head on over to the wash bay and wash all the salt off."

Rosenau is constantly tinkering on his own truck, but in many cases he finds it's just as cost-effective and less time-consuming to have work done at a shop. However, he's particular about where he takes his truck.

"If I walk into a dealer to get some work done on my truck and I mention 'I've got stainless on the side, can they cover it?' and they say 'We'll see what we can do,' I'll turn around and walk out," he says. "If they're not interested in taking care of what takes care of me, I'm not interested in giving them my business. It sounds trivial. People say 'It's a work truck.' Well yeah, it's a work truck, but I spend a lot of time *working* on that work truck."

Many business advisors and trucking tax specialists advise owner/operators to keep a maintenance account so they're able to pay for unplanned repairs. But Scott Taylor, vice-president of Transport Financial Services admits that hasn't been realistic during the past couple years with the industry in the tank.

So how does Rosenau ensure he doesn't get caught in a pinch? "If I have the money, I pay for it right away," he says. "I pay my bills and I have a reputation with the people I deal with, so if I get into a bind I have accounts at a couple of places that know I'm good for it. When I get the bill, it's paid. I don't sit on it."

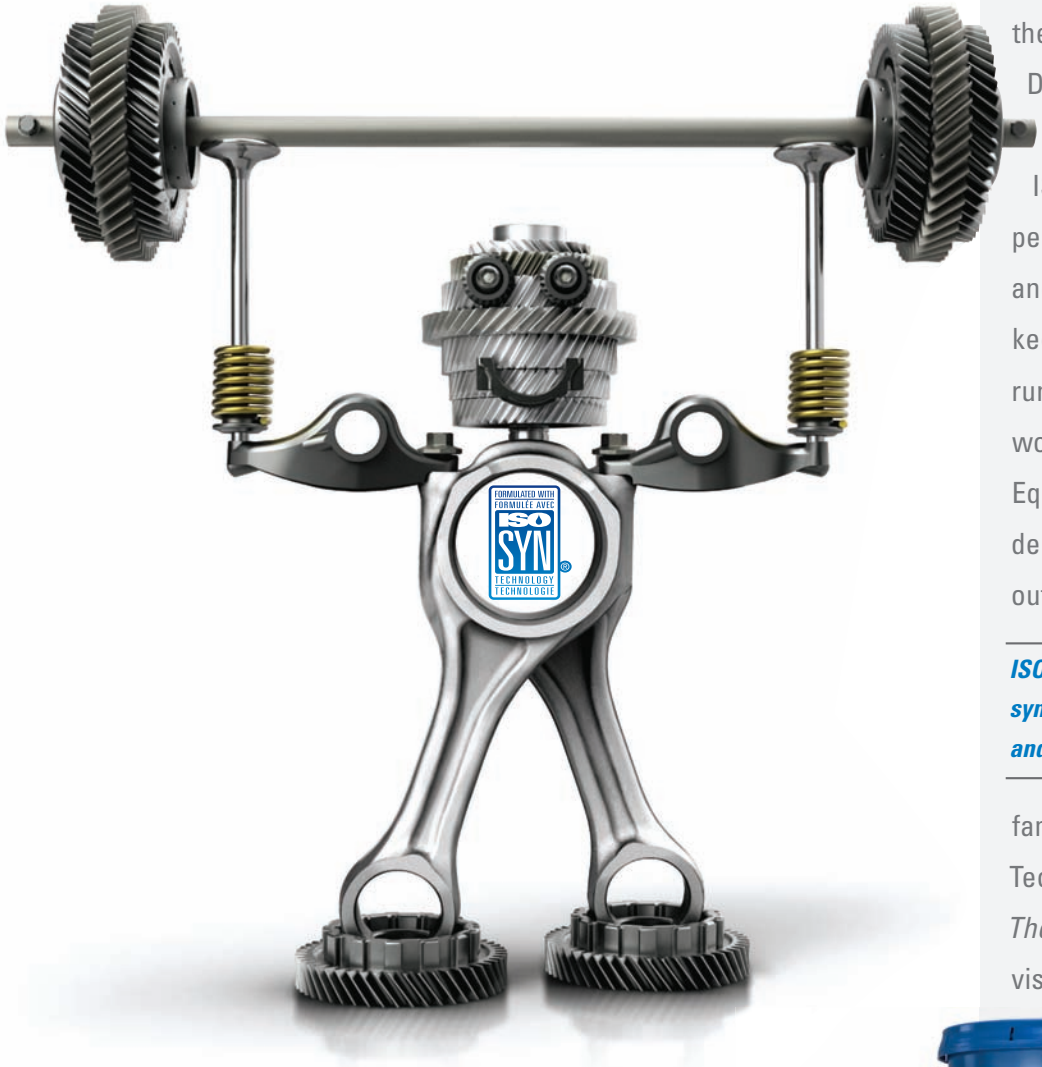
Maintaining relationships, maintaining reputation and maintaining good credit – just three more elements to a successful preventive maintenance program.

For more on choosing the right lubes, see this supplement in our Knowledge Centres on trucknews.com **O/O**

Delo®

DELO® WITH ISOSYN® TECHNOLOGY:

A POWERFUL COMBINATION OF PROTECTION AND OUTSTANDING VALUE FOR THE PARTS YOU RELY ON MOST.



Your business is only as strong as the parts that keep you moving forward. Which is why you need the unsurpassed protection of Delo® with ISOSYN® Technology. You can count on Delo with ISOSYN Technology to deliver performance that rivals synthetics, and the value that you need to keep your trucks and business running strong. Some of the world's largest fleets and Original Equipment Manufacturers (OEMs) depend on the performance and outstanding value of our Delo family of products with ISOSYN Technology. To find out more about *The Delo Performance Advantage™* visit www.deloperformance.com.

ISOSYN® Technology delivers synthetic-like performance and outstanding value.

A **Chevron** company product

DELO DELIVERS CONFIDENCE™