

Is It Time We Take a Practical Approach

Despite the current economic conditions carriers continue to struggle to recruit drivers. The hours are long, the work is not easy and their pay is not high. Most long haul drivers are paid based on miles; however, there are miles and then there are miles. As taken from Rand McNally's Official Transportation Mileage Guide, carriers typically pay their drivers based on "short-route" household goods miles. The "short-route" mile is what most shippers look for in their contracts with carriers. In most instances these are not the routes used and miles driven. This is a practice that stems from trucking industry practices dating back to the Great Depression and the era when the Interstate Commerce Commission regulated carrier rates and services and mileage.

As carriers struggle to recruit drivers even in our current tough economic conditions, motor carriers are rethinking driver compensation and the calculation of miles. Many carriers are increasingly offering drivers per-mile pay based on "practical" miles rather than the "short-route" or household goods miles. That can amount to an immediate pay raise for the driver as long as the pay rate remains the same. "It's 2% to 4% more in your pocket for miles you're actually driving now," said Richard Snyder, director of recruiting for truckload hauler Crete Carrier.

There has also been a class action suit filed by drivers at the nation's largest truckload carrier, Swift Transportation. The suit alleges Swift underpaid drivers by 7% to 10% for more than a decade, and drivers seek lost pay as far back as 1998. Swift, which declined to comment on the lawsuit, calculates per-mile pay based on household goods miles and called its pay system "the industry standard remuneration based upon dispatched miles" in its most recent quarterly financial report. Practical miles still aren't actual "hub" or odometer miles. Both practical and shortest miles are short, many truck drivers complained. But practical miles do come closer to what the driver sees on his or her odometer at the end of a week.

Short miles the shortest legal distance a truck could travel between points. That often involves secondary roads and highways as well as interstates. "Practical" miles are based more on the highway routes used by carriers. They may be longer in terms of distance, but often takes less time.

Deregulation freed carriers to use various mileage systems. This was further stimulated by personal computers that let carriers capture and use mileage information as more sophisticated routing software became available. Today, firms like Rand McNally and ALK Technologies offer software that can generate both household goods and practical mileages for carriers.

The move to practical mileage usage will have big implications for what and how trucking companies charge shippers to haul freight. More carriers want shift customers away from shortest miles and get shippers to accept practical miles in pricing. This results in higher revenue for the carrier and higher costs for the shipper. Shippers who resist the change in their mileage basis may find their rates moving up.

When faced with a choice between practical miles or an increase rate consult with Data2Logistics, we can help you analyze these alternatives and make the best decision for you business. Please contact Karin Speaker at Karin.Speaker@Data2Logistics.com or by phone at 239 707 7204.