



Impact the Driver Shortage with an Innovative Incentive – Used Truck Warranties

Robert S. Amico
President
National Truck Protection, Inc.

As the cost of fuel, tightened credit markets and tougher competition put strains on the already slim-margined trucking industry, the ongoing driver shortage adds a formidable challenge to fleet owners of all sizes. Over the last several years, fleet owners have needed to become increasingly innovative in dealing with the driver shortage and many have employed owner/operators (OO's) as a new business model or as a supplement to their fleet operations to deal with the issue.

The decision to utilize OO's is strategic and can have far reaching effects on operations, capacity and profitability. Clearly these benefits can be substantial and as they have been recognized throughout the industry, they have resulted in an increase in demand for OO's which has in turn, created greater competitiveness in attracting and retaining them. An innovative incentive that is creating great results for fleets, is buying independent service warranties for their owner operator's vehicles. These warranties are managed independently without any ongoing fleet involvement which fully removes the liability and overhead of claims management. Following below are two scenarios where a used truck warranty can be a very powerful tool that can help fleets manage the driver shortage.

Fleets Selling or Leasing Vehicles to Owner Operators

Many fleet owners are selling or leasing their trucks to drivers in an effort to manage driver availability. They assist their drivers in becoming owner operators and then in turn contract with them to employ their services. This can be a win-win situation for both the fleet owner and the driver. The fleet is able to move their used truck inventory, hire and retain known drivers, and eliminate some driver availability risk. The driver benefits from the ability to purchase a vehicle with a known maintenance history, available credit and financing arrangements provided by the fleet, load regularity and of course living the American dream of entrepreneurship. However, even more value is added for both parties when the fleet provides a service contract or warranty on the vehicle. The vehicle becomes more valuable, the new owner has immediate disaster protection, and there is a greater likelihood of ongoing business solvency for the owner operator. This is particularly important because an owner operator's contingency plans are few, their margin for error is very small, and their tolerance for unforeseen costs and economic pressures are minimal. When fleets sell their vehicles to owner operators, the best way for them to protect their business relationship and protect the owner operator's new business is to provide a warranty.

As an incentive to attract and retain Owner Operators

An innovative incentive that has emerged as a way to differentiate a company and attract OO's is a used truck warranty. Given the competitiveness in the marketplace, it is important to provide the right incentives to attract and retain owner operators. Fleets are trying everything from cash

signing bonuses, medical benefits, paying for base plates and permits, orientation pay, fuel cards, and on and on and on.

A highly leveraged (low cost/ high benefit) incentive that provides huge value to the owner operator and also provides security and reliability to the fleet is a warranty on their truck. *For a relatively modest investment, fleet owners can provide their owner operators with a service contract that covers catastrophic breakdown costs. This is extremely appealing to owner operators as it protects them from one of their greatest risks.*

There is no greater area of risk or burden for the “small trucker” than with the costs associated with the purchase and maintenance of a truck. Unless a trucker has the financial resources to absorb potentially significant, unexpected repair expenses, their entire business can be put in jeopardy with just one mechanical failure. When you compare the average price of a warranty, to cost of other incentives, or forms of security, nothing else provides the same value to the owner operator.

Why are Warranties valuable to Owner Operators?

Answering this requires you to consider all of the component costs that they will incur when they have a breakdown. Start with towing. Towing costs vary greatly but in general, they can be expensive. Next, look at labor rates. They range on average in the US from \$80 - \$100/hr. Depending on the severity of a mechanical problem; labor can be a large part of the total cost of a repair bill. Now factor in the cost of parts. Parts are a big wildcard, because what is needed will depend on the problem, its severity, and their availability. So to help understand what these costs could look like, here are some common breakdowns and typical repair costs that include parts and labor:

- Turbo failures - \$1,400-\$5,500*
- Head Gaskets - \$1,700-\$6,000*
- Fuel injectors - \$550-\$1,400*
- Fuel Injector Sleeves - \$1,300-\$2,000*
- Oil Consumption Blow by - \$3,800-\$7,500*
- Pistons/Rings - \$7,000-\$21,000*
- Crankshaft failure- \$8,000 - \$20,000*
- Cracked cylinder head - \$4,000-\$7,000*

** Source – NTP Inc. Market Database of repair expenses over a 25 year period.*

Summary - In an effort to combat the driver shortage, buy a warranty!

If you are a fleet owner selling or leasing vehicles to your drivers or if you are hiring owner operators, consider providing a warranty on their vehicle. You can purchase these from third party independent providers. They will differentiate your offer and provide highly leveraged benefits. A warranty can pay for itself with just one breakdown, let alone multiple problems. In addition, a warranty increases owner reliability and safety, provides breakdown assistance, strengthens your business relationship and most importantly, it helps you combat the driver shortage!

The trucking industry is better served when owner operators and small fleet owners are thriving. Remember, a warranty may provide peace of mind, but it also provides critical business protection.