My Story

I started transport costing as an in-house accountant for a regional LTL carrier located in Sioux Falls, SD. While working part time on the freight dock, I completed an accounting degree at the University of Sioux Falls. After graduation, I returned full time with the company's newly formed Truckload Perishable Division. The division transported perishable products originating in South Dakota, Iowa, and Minnesota packing plants to destinations in Illinois, Indiana, and Ohio returning to nearby freight terminals to haul LTL truckload freight back to Midwest freight terminals.

My first cost accounting project was to design a standardized Chart of Cost Accounts for the truckload perishable division. I worked extensively with then Interstate Commerce Commission's Bureau of Accounts Uniform System of Cost Accounts used to support the ICC's rate approval process. Current, accurate, and complete financial statements with supplemental cost data had to be prepared. Financial statements had to fully support the total cost of transport to receive rate approval increases from the ICC. The goal of rate making was to keep freight rates low but allow transport carriers to recover the full cost of transport to include a fair and reasonable profit and return on invested capital.

The Bureau of Accounts Uniform Chart of Cost Accounts were well documented describing how every financial transport transaction had to be classified, recorded, and summarized into the financial statements. The Chart was developed by a national accounting firm and was outstanding for measuring operating performance. With the passage of the Motor Carrier Act of 1980 deregulating the rate making approval process, the Uniform Chart of Cost Accounts along with the Bureau of Accounts handbook was phased out. The Chart and handbook was archived in June of 1983 and destroyed in 1987.

I designed and completed a Uniform Chart of Cost Accounts for the division leaving the transport carrier two years later to enter public accounting working for the national CPA firm of Coopers & Lybrand, obtaining my CPA certificate in 1972. I started my own firm in 1977 and have been designing transportation solutions and specializing in accounting, auditing and taxation of transport carriers for over 40 years.

As a subsequent investor in a truckload carrier, I coined the phrase "Trucking by the Numbers" and continued to modify and perfect the Chart of Cost Accounts into a full-fledged managerial cost accounting system. I had to know my numbers. The financial statements generated by the accounting system had to give me two key financial measurements: where is the company historically at financially, but more importantly, generate income statements on a per-mile basis that could target improved future performance in a regulated utility environment.

The final Chart of Costs Accounts consisted of four key truckload transport cost segments with one significant managerial cost account called *transport margin dollars available.* With knowing my transport margin dollars available through current, accurate, and complete financial statements, I made more money. If you implement the same system I can guarantee you will make more money too.

Transport margin dollars available is knowing how many dollars remain after subtracting over-the-road variable costs from gross transport revenue using a dispatch and accounting system. The Transport margin account is built right into the Chart of Accounts. Available “margin” dollars allow a transport carrier to quickly calculate breakeven revenue points and target profit points right from a historical current, accurate and complete income statement generated on revenue or per mile basis.

The second phase of the development of the cost accounts model covers the measuring and managing of the three remaining key transport costs segments: fixed line haul costs, shop costs, and general and administrative costs, needed to calculate breakeven and targeted profit revenue points: by miles driven. By continually measuring historical transport cost we have found that over the last 40 years total truckload transport costs have increased at approximately the rate of inflation. Further we have found that by sampling a full basket of truckload transport costs we can arrive at predictable, stable inflation adjusted transport costs per-mile.

That brought us to this final phase, the development of this Transport Cost Center for both Shippers and Transport Carriers. Transport carriage will remain a federally regulated utility and are essential to our national economy. As in regulated days “trucking by the numbers” served the regulated transport industry for over 50 years. That focus was on full transport cost recovery including a profit. We still believe.

The development of Freight broker spot market load boards has eliminated the ability of small transport carriers from covering their full cost of transport and have moved to spot market prices that are lower than total truckload cost of transport. Broker load boards are

The motivation for this Cost-per-Mile Center is the desire to help transport carriers in “trucking by the numbers” to determine fair and reasonable freight rates in the provisioning of transport services. Like in the old days of rate regulation an no spot market freight rates.

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