

## THE BUSINESS IS TRUCKING

Not for most rural transport companies that participated in the Road Transport Forum New Zealand Survey of 2006 Transport Business Results.

59 rural participants', from throughout New Zealand, results suggest that a number of trucking businesses in this sector have stalled. Looking at the financial results after owners remuneration these business are making losses. Hardly a way to keep the business trucking.

Adding in another key indicator for most of the rural businesses, other than those with larger fleets in the South Island, their return on assets after interest is also negative.

With transport business input costs rising the outlook for these businesses could be bleak unless they take appropriate action. Business cannot 'keep on trucking' over the longer term without making a profit and making a return on assets. With plenty of finance around it is easy to be fooled into borrowing money to keep in the game.

There have been some disturbing signs that I have seen recently to support why the survey results demonstrate poor returns. Companies tendering their business requirements have seen their rates reduced by transport companies. While not wishing to condone inefficiency there is little evidence to say that transport input costs are declining. In one particular instance the pressure came from the company Board to get the freight rates down and

the transport industry obliged. Examination of these new lower rates being charged found they were at the lower end of the survey quartile of rates and this is hardly a way to keep in business for the long haul. It will be a challenge for these businesses to ensure they make positive returns.

Another example of pressure was a large company Board requiring the transport division to improve their financial returns. When examined the rates were at a level at the three quarter quartile and still they were not satisfied with the returns. This trucking business clearly understands its costs and whilst it might have some additional head office costs the pressure on the division to make a fair return on assets and be profitable was being worked on positively.

Noting that the Road Transport Forum New Zealand survey was from 2006 financial results transport businesses need to recognise there have been further cost increases. Rather than denying the facts transport companies need to be making changes by increasing rates to reflect the current costs of doing business. It is clear since the 2006 survey looking at 2007 financial results the input costs have continued to rise which is further reducing the margins. For those that had negative results in 2006 and have taken no action since that date the 2007 financial results are unlikely to look flash.

For transport businesses who did not participate in the survey there is an opportunity to get a

'Certificate of Fitness' for your business by comparing your results with others within the industry and sector. It is appropriate to contemplate what this benchmarking can do for your business. Using a yachting analogy the survey helps determine where the 'wind shifts' are coming from and how to deal with them. Businesses that are constantly measuring their performance can decide on what action to take. It also helps them understand why they differ from other businesses and whether these differences are legitimate.

Benchmarking is a guard against complacency and provides an awareness of the costs against current revenue. The monitoring internally and externally ensures business owners are aware of any unusual or adverse trends.

Over the years the use of benchmarking information has transformed businesses who have been able to change tack to ensure they remain relevant and profitable in the market.

The use of the benchmarking survey keeps the business trucking to a destination that will provide appropriate rewards for those owners who are prepared to take the risk. **FTI**

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