

Coronado Cartage Company Case

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O-O: Cost Per Load



Owner Operator Calculations



**50 weeks * 5 days per week= 250 working days

	<i>Efficient (50%)</i>	<i>Congested (50%)</i>
66.7% Local 15 miles	$(250 * 0.667) / 2 =$ 83 days 83 days * 6 loads per day = <u>498 loads</u>	$(250 * 0.667) / 2 =$ 83 days 83 days * 4 loads per day = <u>332 loads</u>
33.3% Inland 45 miles	$(250 * 0.333) / 2 =$ 42 days 42 days * 3 loads per day = <u>126 loads</u>	$(250 * 0.333) / 2 =$ 42 days 42 days * 2 loads per day = <u>84 loads</u>

- Efficient fixed per move payment: \$65**
 $498 + 126 = 624 \text{ loads}$
 $624 * \$65 = \$40,560$
- Congested fixed per move payment: \$90**
 $332 + 84 = 416 \text{ loads}$
 $416 * \$90 = \$37,440$
- Payment from Coronado to O-O of \$2 per revenue mile operated**
 - Local
 - $498 + 332 = 830 \text{ loads}$
 - $830 * 15 \text{ miles} = 12,450$
 - $\$12,450 * \$2 = \$24,900$
 - Inland
 - $126 + 84 = 210 \text{ loads}$
 - $210 * 45 \text{ miles} = 9,450$
 - $\$9,450 * \$2 = \$18,900$

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- Total Annual Cost of O-O Driver= (\$40,560+\$37,440+\$24,900+\$18,900)= \$121,800
 - Total Loads: (830 Local + 210 Inland)= 1040 Loads
 - Cost Per Load= \$121,800/1040 loads= **\$117.12**

Company Driver: Cost Per Load



Company Driver Calculations



Local Moves Avg: 15 miles one way,
5.5 MPG

Inland Empire Moves Avg: 45 miles
one way, 7.2 MPG

Local Loads: $498 + 332 = 830$ Loads

Inland Empire: $126 + 84 = 210$ Loads

830 (local) + 210 (inland) = $1,040$
moves per year per driver

6 cents per mile in maintenance

\$4 per gallon

Cost of employing Company Driver Per Year:

Salary: \$80,000.

Fringe Benefits: $\$80,000 \times 40\% = \$32,000$

New Diesel Tractor Lease: $\$2,800 \times 12 \text{ months} = \$33,600$

$(830 * 15) = 12450$ miles

$(210 * 45) = 9450$ miles

$9450 + 12450 = 21900$ miles

Gas:

$21900 * .06 = \$1314$

$12,450 / 5.5 * 4 = \$9055$

$9,450 / 7.2 * 4 = \$5250$

Insurance cost = \$6000

Vehicle registration and Tax = \$3,550

Miscellaneous Items = \$500

Total Cost of Company Driver Per Year: \$171,269

Cost Per Load: $\$171,269 / 1,040 = \165

Net Earnings Per Year Driving for Coronado



COMPANY DRIVER

NET EARNINGS

\$80,000
0

OWNER OPERATOR

NET EARNINGS

\$153,120
0

- O-O Fixed:
Local: $(\$65 \times 6 \text{ efficient moves}) + (\$90 \times 4 \text{ congested moves}) = \750 per day
Inland: $(\$65 \times 3 \text{ efficient moves}) + (\$90 \times 2 \text{ congested moves}) = \375 per day
 $(\$375 + \$750) / 2 = \$562.50 \text{ per day}$
Assuming O-O worked 250 days per year: \$140, 625
- O-O Variable:
 $(45 \times 33.3\%) + (15 \times 66.7\%) = 24.99 \times \$2 = \$49.98$
Again, assuming 250 days worked, $250 \times 49.98 = \$12,495 \text{ per year}$
- Total Annual Earnings (Net pay) for O-O:
 $\$140,625 + \$12,495 = \$153,120$

Cost Analysis



Background Info:

- 3,000 owner-operators (O-O's) in support of transloading locations on both the East and West Coast
- 15% of Coronado's O-Os have left each year
- Attracting and qualifying a single new driver costs over \$10,000.
- 1,040 loads per year per O-O
- $3,000 * .15 = 450$ O-O 's leave per year

$450 * 10,000 = \$4,500,000$ to re-recruit O-O's LOST if using O-O's

Total Cost of Company Driver Per Year: \$171,269

Cost Per Load: $\$171,269 / 1,040 = \165

Total Annual Cost of O-O Driver= \$121,800

Cost Per Load= \$117.12 **LOWER**

$3000 \text{ drivers} * 1040 \text{ loads} = 3,120,000 \text{ loads per year across all regions}$

$3,120,000 * 165 = \$514,800,000$

$3,120,000 * 117.12 = \$365,414,400$

$\$514,800,000 - \$365,414,400 = \$149,385,600$ LOST if using Company Driver

Strengths

- **Lower Cost Per Load**
- **Incentivized Productivity:** (paid per move/mile) encouraging efficiency and higher load completion.
- **Flexibility**
- **No Fringe Benefits**
- **No Truck Ownership Costs**

OWNER OPERATOR

Weaknesses

- **Turnover Costs**
- **Regulatory Risks:** Potential fines if O-Os are misclassified as employees instead of independent contractors.
- **O-O Financial Strain:** Rising costs (equipment, fuel) make it harder for O-Os to be profitable, risking higher turnover
- **Lack of Control** over schedules, impacting efficiency

Strengths

- **Greater Control:** controls schedules, productivity, and load completion without relying on driver preferences
- **Predictable Costs:** Fixed salaries and truck leasing create consistent expenses
- **Lower Turnover:** Company drivers tend to stay longer, reducing recruitment and training costs

COMPANY DRIVER

Weaknesses

- **Higher Cost Per Load:** \$165 per load vs. \$117.12 for O-Os.
- **Fringe Benefits:** Adds 40% to salary costs for health insurance, vacation, and payroll taxes.
- **Capital Expenses** such as truck leases and maintenance

Recommendation



Owner Operator (O-O) Model due to cost efficiency...

Improve O-O Turnover Rates:

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- **Financial Support:**
 - a. Offer fuel-saving incentives
 - b. maintenance discounts
- **Retention Bonuses for O-Os who stay for 12+ months.**
- **Driver Feedback**
- **Work-Life Balance:**
 - a. Offer flexible schedules
 - b. Promote home time

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Strengthen Regulatory Compliance:

- **Regular Audits to ensure compliance and prevent misclassification**
- **Compliance Training**
- **Document/Record Independence**

Careful Management of O-Os:

03

- **Onboarding:**
 - a. set expectations and provide necessary tools.
- **Incentives:**
 - a. Tie bonuses to performance metrics: safety, efficiency, and productivity.
- **Technology:**
 - a. digital tools to streamline scheduling, load management, and communication

THANK YOU



Sources



Sources:

[Combatting Driver Turnover in the Trucking Industry - TruckingHQ](https://walton.uark.edu/initiatives/supply-chain-research/posts/new-study-shows-why-truck-drivers-quit-and-how-firms-can-fight-turnover.php)(Trucking HQ)

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