

# **20 Cost Saving Strategies to Improve Your Bottom Line NOW**

By the Colorado Motor Carriers Association

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## **1. Reduce Fuel Costs**

The rapid rise in fuel costs over the last few years proved to be a jolt for many trucking companies who found it challenging to stay ahead of each up tick in prices. While fuel prices have dropped, they still represent a major cost component for trucking operators. Below are several strategies that can help you reduce fuel use and costs:

- a. **Reduce Idling** – Idling can represent up to 25% of the fuel use of a long-haul trucker. Using an APU or other form of heater for the cab, can allow a driver to shut-off the engine. In addition delivery companies need to instruct their drivers to shut off their vehicles while making deliveries.
- b. **Negotiate Fuel Rates with Truckstops along Key Routes** – Many truckstops or chains are willing to work with companies on establishing some type of program for a better rate for fuel.
- c. **Driver Training and Incentives for Fuel Efficiency** – Probably the greatest fuel savings may be realized through better and more responsible driving. Dropping the overall speed from 75 mph to 62 mph translates into tremendous fuel savings. Many successful operators offer drivers an incentive to reduce their fuel use.
- d. **Acquire SmartWay Type Technologies** – The EPA SmartWay program identifies a wide range of technologies and strategies to reduce fuel use and emissions. These include wind deflectors that reduce wind resistance, single wide tires that reduce rolling resistance, APUs, etc.

## **2. Prompt Payment Discounts**

During tough economic times cash flow is critical and cash is king. Based on this fact, we encourage you to see if you can negotiate with your vendors for a prompt payment discount. Many companies will be willing to provide some discount to ensure quicker payment. In cases where you have negotiated such discounts, pay the bill on the last day of the discount.

## **3. Property or Office Leases/Rents – Negotiate Reduced Rates**

With the real estate market depressed, many leasing companies, landlords, and property owners are offering attractive rents or leases, well below prior year prices. If you are nearing the end of a lease, you may wish to consider moving or negotiating a better deal from your current leasing company. If you are in the middle of a lease, you may be able to negotiate a better rate by extending the lease.

## **4. Truck Parts Inventory – “there may be gold in the parts department”**

Many companies have a vast array of parts for vehicles that they no longer own or older parts that may be of use to others. Is there anything you can return for credit or sell? With older truck parts, you may wish to try to sell these to current owners of these trucks through Craig's List or EBay?

## **5. Sales and Use Tax Refunds for Parts and Repairs in Tax Exempt States**

A number of states in the country have sales and use tax exemptions for trucks, equipment, and services that are provided for interstate commerce. If you are an interstate carrier and purchased trucking-related equipment or services in those states, you can apply for a refund from those states.

## **6. File an Amended Return If You Experienced a Net Operating Loss**

Have you had a net operating loss (NOL) in prior years? Generally, you may carry back a NOL for two years. If you have not applied for this, you may do so by filing an amended return or a Form 1139 for corporations. It is important to note that applications for tentative refunds must be made within 12 months following the end of the loss year.

## **7. Installment Payment of Registration Fees**

Colorado allows interstate carriers registered through the state with IRP to pay their registration fee on an installment basis. This allows you to spread your registration payment over three payments. While this only applies to the Colorado portion of the IRP fees, this can help your cash flow. To be eligible for the installment plan, you must be base plated in Colorado and secure the remaining balance due to the state with a letter of credit, bond, or CD.

## **8. Insurance**

- a. Workers Compensation – Certain associations, such as CMCA, have a group association plan with Pinnacle Assurance that provides eligible companies with a 4% savings on their annual premiums and also may pay a dividend if the group has a good year. In addition carriers, if they are not already cost-contained, should become so. Many work comp insurers provide companies with an additional discount on their premium if they achieve this objective. For more information on CMCA's program, contact Rick Jenkins at 970-454-3381 or Rob Ronzio at 720-977-6013.
- b. Health Insurance - Costs are projected to rise by 15% to 40% for the upcoming year for small companies. Many companies are seeking to lower their costs by increasing the deductible level. Other strategies involve higher co-pays and reduced benefits. One major trucking company, who was partially self-insured, cut their prescription medical bills by \$85,000 by having a high co-pay (\$100) for any drug where there was a generic alternative (\$15 co-pay). CMCA is rolling out a health insurance program for our members in the next couple of months.
- c. Property and Casualty – Companies should look to jump-start the insurance renewal process and look for a savings in property insurance.
- d. Disability and Gap Coverage – While not actually insurance, disability coverage and gap type benefits can help employees and their families cope with health related costs. Aflac offers a great program and benefits now used by many of our companies. For more information, please contact Krista Price at 303-400-1424.

## **9. Telecommunication Expenses – Are You Paying Too Much?**

One of the areas where many companies are paying more than they should, is the telecommunications area. The array of plans by various carriers for phone, internet, and cellular services is confusing for almost anyone. A strategy to address this problem is to have an outside telecommunication company review your bills and the services that you need. These consultants can better match a program with the services you need and allow you to take advantage of discounts and other special pricing. These groups do not work for any particular telecommunication provider but rather seek the best deal for the customer. In many cases these companies do not receive compensation unless they are able to save you money. CMCA has a recommended vendor who provides these services for our members, LB Telecom. This group has assisted a number of our members in obtaining significant savings and great programs for their local, long distance, cellular, and data communication services. For more information, contact Dan Hagen at 1-719-322-8802.

## **10. Extended Payment Terms**

For vendors, who do not or will not offer prompt payment discounts, negotiate longer payment terms. These longer terms also provide you with a source of cheap credit.

## **11. Safety Forms and Supplies**

Many of our companies do not realize that CMCA sells forms and other products to allow companies to comply with safety rules and regulations. CMCA provides our members with a significant discount which in most cases is better than the price a company can obtain elsewhere. See Jessica Hardy of our staff at 303-433-3375 Ext 101 for more information as to how you can save money.

## **12. Energy Audit of Your Facilities**

Many of our members have older buildings which may be very inefficient from an energy standpoint. A number of companies including Xcel Energy perform energy audits at a very low cost. These audits provide companies with a list of strategies to lessen their energy use and reduce their energy bills. In addition reducing the thermostat by even a few degrees can make a major impact on reducing your bill.

## **13. Diesel Refunds for Refrigerated Carriers**

The diesel used in a company's refrigerated trailers is eligible for a tax refund. Because this fuel is not used for on-highway purposes, the state provides a refund to carriers for the amount of diesel used in this manner. Unfortunately, we have found that many of our carriers have not filed for this refund. For more information, please get with CMCA.

## **14. Office Equipment Rental, Leasing and Purchase**

With the downturn in the economy the office product market for copiers, mail machines, faxes, computers etc has been hard hit. In many cases the leasing rates for newer copiers and other office equipment may be less than for your existing equipment. Review the terms of your equipment leases and discuss trading in your existing unit for a newer one with better terms for a better, more efficient unit. In addition slash your equipment expense by getting rid of excess office equipment that is only rarely used but may be costing you money.

## **15. Conference Calls, Webinars, and Videoconferencing**

Rather than expending money for individuals to travel to the home office, many companies are now conducting meetings via conference calls, webinars, and videoconferencing. This concept allows companies to cut costs for flying or driving, hotel expenses, and other per diem costs. While this may not address all needs, companies are finding that these strategies are a low cost and effective means to conduct meetings and training sessions.

## **16. Adjust Your Estimated Tax Payments**

In many cases companies may not have adjusted their quarterly tax payments to reflect lower revenues and profits. In those situations companies may be paying for more than is needed. By adjusting your estimated tax payments you may free-up some cash for operations. For corporations and other businesses, this generally means making payments equal to 25 percent of your required annual estimated tax.

## **17. Drug and Alcohol Testing/ Background Screening**

All trucking companies must conduct pre-employment as well as random drug and alcohol tests on drivers. In addition companies must conduct background checks on all prospective driver candidates. This can prove costly for many companies. On CMCA's part we have negotiated special member rates for a program through USIS, the leading company for these

services for transportation operators in the country. CMCA's rates are very attractive and can save companies money as well as time. For more information on the program, please contact Kristi Hogan of Kristina Consulting at 303-670-2269.

#### **18. Avail Yourself of Available Tax Credits and Incentives**

A substantial number of our companies reside in areas designated as enterprise zones by the State of Colorado. These areas are economically disadvantaged areas within the state and companies may qualify for certain tax credits for the creation of new jobs, provision of health insurance, purchase of equipment, and others. Many trucking companies and related businesses fail to apply for these credits which may represent a substantial savings on their state income tax. In addition there are a number of grant programs available such as the Diesel Emission Reduction Act which offers grant funds for the acquisition of EPA SmartWay technologies which save fuel and reduce a carrier's costs while reducing emissions. For more information, contact Greg Fulton or Tracy Sakaguchi at CMCA at 303-433-3375.

#### **19. Refinance Property or Building Loans**

While credit is very tight, companies with good credit may be able to refinance their building or property at a lower rate than they currently have. The federal bank rate is expected to drop to 0.5% soon and this should lead to lower commercial lending rates. Companies should check their current mortgage rate and see whether refinancing makes sense. Such refinancing can save a company thousands of dollars in interest costs annually.

#### **20. Consider Contracting for Certain Services in Down Markets**

While many businesses are struggling in this difficult economic period, it also presents an opportunity for cost savings for companies. If you are considering office remodeling, new construction, paving, asphalt services or other construction-related activities, you may be able to obtain these services at a steep discount. If you have the resources and need work done, now may be the opportune time to contract for these services. We encourage our members to get three estimates and also check references.