



Canadian Tired Money

in business *Were you caught short by the weak American buck, too? Here's a plan to do something about it. By Mike McCarron*

Don't feel bad. You weren't the only one caught off guard by the unprecedented drop of the U.S. greenback this summer. I attended an out-of-town soiree recently and was raising a glass with a few peers when I had my suspicions confirmed. The currency-rate change took everybody by surprise.

If you're a Canadian trucker doing any significant billing to U.S. customers, you have a problem to deal with: a high dollar that looks like it has no intention of going too far south in the near future. When diesel fuel goes up 25 per cent, we know what to do because it has happened so often. But the currency issue is a new one, and my instincts are telling me that it has hit trucking much harder than anyone has admitted. The fact that it took us by surprise is more of a problem than the fact it changed so fast.

The question is, what to do? Some of the liberal pundits in our industry have suggested that the government or our trade associations do something, but really, what impact can they have on world currency markets?

More realistically, I'd suggest one or a combination of the following actions.

RIDE IT OUT. My guess is that this isn't an option for small and medium-sized carriers. While everyone is expecting the American dollar to return to a higher level, nobody, unless he's a fortune

teller or good friend of Alan Greenspan, knows when. Betting on things we have no control over is how we got into this jam in the first place.

HEDGE. While buying currency now with the intention of selling it later is indeed one option, I recommend against it. It's no different than going to your bookie on a Sunday afternoon and putting 10 grand on the Cowboys over the 49'ers. If you decide to hedge against future currency fluctuations, make sure that you have a good bookie. I mean investment advisor.

RAISE YOUR RATES. I always get in trouble for suggesting this, yet charging more for your service is often the simplest solution to rising costs. Before you hike your rates, ask yourself what effect this will have on your margins. If an individual account's margin stinks, it's a no-brainer. You can afford to up the rate. But last time we analyzed our client's margins, one by one, we found some were lucrative despite our high dollar. In these cases, it wasn't worth risking having them open the contract to bidding. The last thing that you want to do is to create an unnecessary competitive situation on a contract that would be hard to replace on the street.

FX SURCHARGE. Properly implemented, a currency exchange surcharge can be an effective short-term way to



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offset lost revenue. It can be an administrative headache, but one worth the trouble. An FX fee might also prove a very tough sell to your customers. The trucking business has been affected but so has everyone else. Your American customer's office chair is now 20 per cent more expensive than it was six months ago.

SWITCH TO CANADIAN-DOLLAR BASE RATES. It's crucial to learn from history so you can protect yourself in the future. One way to accomplish that is to switch all your billings to Canadian dollars. Your American customers might not take too kindly to the idea, but you can make it easier for them if you simply ensure that even though your rates are in Canadian funds, you're converting the invoices based on the current

exchange rate. American common carriers have been doing it with Canadian shipments for years. They change their rates on the 1st and 15th of every month.

Your situation is no doubt unique and calls for its own solution. You might decide to try just one option or a combination of several. However you proceed, you'll eventually have to sit down with your customers and talk to them with the candour they deserve. Most people are reasonable. Your customers, you'll find, are no different. It can't hurt to ask. ▲

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