TAXES AND TRUCKS

GROWTH AND FINANCIAL PLANNING

IN THE TRANSPORTATION INDUSTRY

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Growth is a way of life. Probably no other business approach to expansion will yield better results than a concise operational financial plan.

While no plan is perfect, insight into a company's current financial statements provide an important historical background. They reflect situations, conditions and decisions that have been completed but cannot be reversed. However, many transportation managers continually refer to past performances as the benchmark of their success. This information is important but the focus should be concentrated on the forecasted future operations, traffic patterns, capital needs and return on investment potential. By comparing the results of the perceived operation to the aforementioned base, the effect of the proposed business direction will become more pronounced and the process narrows the risk of any decision.

The planning process should always consider the after-tax effect of the operating decision that points the trucking operation in a desired direction. Such information is the result of a careful analysis of the market factors and their relationship to the "would-be" future activity.

Ascertaining the market potential is very important or otherwise considerable time and money will be invested without the prospect of an acceptable return. Information obtained in the field and assembled into logical, understandable data will generally define the parameters of the competition. Many of the details have to be extrapolated and tempered by judgment because such are not otherwise available. The outcome will not be exact but a range of variables facilitating one or more conclusions. Each issue involved should be measured so that the effects on profitability, cash flow and financial position can be anticipated.

Planning is a continual process and is revised many times during the year when hard operating decisions are required. If forecasted revenue falls short of the goal, a possible revision of cost factors may be a solution to obtain the objective. Much can be accomplished through increases in productivity whether directly from management and other employees or in the form of concessions from customers, financiers or investors. All too often, because of pressure within the company, all "offset factors" are not explored in depth and the company completely misses its goals.

The forecasted growth has to be supported by a combination of assets and personnel. A sub-plan to acquire needed transportation equipment and operating personnel should be compiled to facilitate the company's salary administration plan and capital appropriations requirements. Timing of the purchasing and hiring process is critical. Time should be allowed for training newly acquired employees even if they have prior transportation industry experience. Many times an employee's past trucking experience does not coincide with current company policies and regulations.

The equipment purchasing requirement leads to a review of financing alternatives. Current economic conditions provide many low cost financing arrangements, involving not only direct/shared ownership but many creative lease options. The plan must also include a provision for sufficient amounts of working capital to finance the operating cycle of the business.

At the outset, the plan has to be obtainable. The planned activity has to assist management in the "long-run" direction of the company or it should not be undertaken. These "after-tax" planning concepts are not new but need constant reinforcement. Everyone involved should be accountable for their element of the plan. Responsibility accounting methods should be used to track progress or the overriding plan purpose will be defeated.

Whether the plan is to promote growth in the marketplace, to gain long-term financing or for a variety of short-term operational purposes, realism and personal discipline are necessary to achieve success.

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