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Assigning Value To A Job



I am about to go down a road that has been traveled so many times, the ruts are so deep you do not even have to steer. But, I am brave and have decided to go down it one more time and take a few of you with me. The subject is: Invoicing by Weight.

by Charles "Chuck" Ceccarelli

There — I've said it. I can hear the gasp from some of you all the way up here at my cabin in Pine, Idaho, where this article is being written.

The subject has been debated, argued, cussed, booed, and had rocks thrown at it. Some swear by it; some say that since using it, they have finally started to make money. Some have abused it; those who do not understand it have called some who use it crooks.

A person who had a great influence on my life, Donnie Cruse, once told me that if the water in the harbor goes up, all the ships go up. If we could get the rates up in the industry, then everyone would benefit, especially the public through improved traffic flow.

If rates went up within the industry, we could afford to spend more time on training, pay higher wages, and improve our quality of life. Donnie always felt that for the risks we take, most of us are underpaid.

What makes me qualified to talk about pricing? I have asked this of myself often. Who am I to say what success is, or if you are charging too much or not enough? Everyone puts value on success several ways. One is money. How much do you need to have in the bank to become an industry expert on how to become

rich? Is that number \$50,000, \$200,000, or over a million dollars? Some would say money has nothing at all to do with being successful or being rich.

Some Thoughts

Years ago, my towing company was hosting a training class. While we were outside doing recoveries, I had to keep pulling trucks out of the class to run calls. I kept apologizing to the instructor about delaying the class, but the calls kept coming in and I could not afford to turn one down. During one of the breaks, the instructor came up and said, "Chuck, you need more trucks and should look at updating your older ones." I told him that I could not afford to purchase any more trucks. He looked at me and said "Let me get this straight, you are so busy you cannot keep up. You leave your family alone every night to run calls, and you lay your life on the line out on the freeway every day. You offer a convenience to local law enforcement and remain at their beck and call even if they don't pay you. And you are telling me that you cannot afford to update your fleet?" I said "That's right." He looked at me for a minute, then said, "Maybe you should go to work for UPS. They will give you a nice truck to drive, a nice

uniform, and pay you \$16 per hour."

Boy Did I Feel Insulted!

How dare this guy talk to me like that? That night while laying in bed waiting for the next call, I thought about what he had said and realized he was right. After the class was over, I went to the bank, where the banker asked to see my P&L, balance sheet, and wanted to know if we were using GAP accounting. Are we operating on a cash or accrual basis? "Huh, uh...well um...ah...can I have my bookkeeper call you?" was my response. The light bulbs started going off in my head about how little I knew about being in business. Sure, I was good at driving and operating a tow truck, but I knew little about running a business and making money.

Billing Per Hour

Shortly after, my journey to learn more about being a good businessman began. I started to realize that charging a per-hour fee on recoveries was penalizing my company. If I bought a bigger, newer piece of equipment that could do a given job faster, it cost my company. When you charge by the hour, the faster you get the job done, the less you can bill. Everything changed when I was

introduced to Invoicing by Weight. Suddenly, it all fell into place, and we started getting paid based on our performance. The price was preset so the more efficient we became, the more we earned.

An Example

Let's say that a company gets a heavy-duty call and they bill out \$150 per hour for a heavy-duty wrecker with an operator. I don't believe anybody would say that \$150 is too much per hour to charge. The company goes out on the job and it takes 10 hours to complete, the invoice would

be \$1,500. (This is the value of the job). OK. Now let's say another company does the same job in five hours. That company should receive the same \$1,500 or \$300 an hour. Going even further, another company has the latest in equipment, the best training and was able to do the job in one hour. Shouldn't that company be able to charge \$1,500? All of the companies charged the same for the job, the only difference was the time spent.

The problem is that most uninformed people would think a company that charged \$1,500 for one hour or \$1,500 for three hours was

way out of line with their invoicing. They far exceeded the area's \$150 per hour rate standard. With Invoicing by Weight all the comparisons are gone. It is only a service that was performed. A given amount of weight was moved for \$1,500. It would not matter how many pieces of equipment were used, or how much time spent. The outcome is the same.

Most law enforcement bids are written with the amount per hour that we could charge. This way of thinking needs to change! By doing this, there is no incentive to improve response times, purchase newer equipment, or invest in training.

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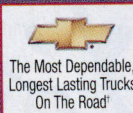
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When billing per hour, the more equipment we bring to the scene and the longer we take, the more we get paid. Shouldn't it be the other way around? Wouldn't everyone benefit if we accomplished the same jobs with fewer pieces of equipment and in less time? Traffic and secondary accidents are getting worse every year, yet nobody will reward us for getting the job done faster.

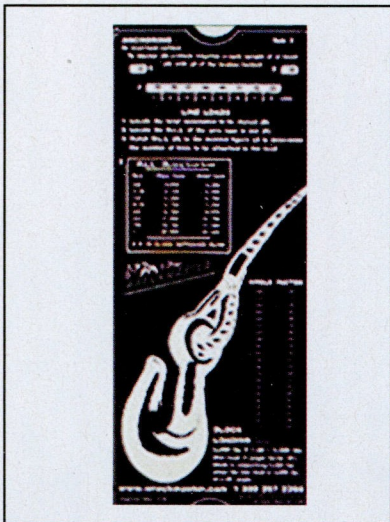
Setting Fees

Should we be paid more when we are working in a snowstorm, working at night, or on a holiday? Of course. Rarely does billing per hour allow any extra for these situations.

Let's say a 5,000-pound vehicle rolled over in your parking lot. What value would you assign to rolling it back on its wheels?

I am going to say \$100 to roll it back on its wheels. If I charge per hour, the longer I take, the more I would make, so there is no incentive to work fast. But suppose we use a per-pound price of say 2 cents per pound. No matter if this recovery takes one hour or 10 minutes, we get an Upright fee of 2 cents per pound. Multiply that by 5,000 pounds and the fee for that job is \$100. Sounds fair to me. Our established Upright fee will be 2 cents per pound. The important thing to remember is the value of the job — not the time spent.

It's the same as if you had a vehi-



WreckMaster Resistance Calculator

**“Should we be
paid more when
we are working in
a snowstorm,
working at night,
or on a holiday?
Of course.”**

cle that needed a water pump installed, two qualified shops each bid \$200, one could do it in a day and the other in two days. Who are you going to pick?

Added Fees

Let's go a little further. Should we charge more if the outside temperature is below 0 degrees or above 100 degrees? We will call this Inclement Weather Charge, and most would agree, we should get a little extra to work in bad weather. For this article I

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What's It Worth

I have recently sold my towing company to start In The Ditch Towing Products: www.intheditch.com. In that business, the faster we can produce an item without giving up quality, the more profit we make. I feel that in the towing industry we could do the same. Along with my passion for recovery, I own and operate an airplane recovery company: www.airplanerecovery.com. We handle many airplane recoveries and transportations around the United States. Every month we receive a phone call from someone asking how much to charge to recover an airplane. The first question I ask is what's the value of the vehicle? Then: Do they have enough insurance, and who is responsible for secondary damage? What is the value of lifting the nose gear of a \$20-million aircraft if you were responsible for secondary damage? What if the owner of the airplane said they will hold you and your company liable for any damage done to their airplane? Should the fee be different if they had a legal document that released you from liability?

I always asked myself when working a truck wreck what is the value of the unit and load? I think you should price the job according to the risk involved. If a tractor-trailer with cargo is worth \$200,000 and it is leaning and ready to fall over, should we charge \$150 per hour for a two-hour job? Or should we, due to the risk involved, use Invoicing By Weight?

How about motor homes? Many of us are towing motor homes for an hourly fee with no additional fee for the replacement value of the motor home. You really should ask yourself: Could I tow a \$500,000 motor home? If you answer "yes," then also ask yourself — Should I? How much is it worth to go down the road with a half million dollars of cargo hanging off the back of your truck? I know of several companies that have stopped towing motor homes altogether because they felt the liability is not worth the risk. Others have set their towing rates based on the length and replacement value of the motor home. The question no one has ever answered is how much is a fair amount to charge?

There has to be a limit.

— Charles "Chuck" Ceccarelli

Cont. from page 25

will say it is worth an extra \$25. If you won't give me an extra 25 bucks to be out in the bitter cold then I am staying home. If we divide \$25 by 5,000 pounds we come up with \$0.005 or 5 cents per pound. So our established fee for Inclement Weather will be 5 cents per pound.

I also believe we should get paid more if we have to perform this recovery during nights/weekends or during a holiday. Let's say \$25 more or 5 cents per pound, this will be our Nights/Weekend/Holiday Charge.

Should we get more to do the above recovery if it was not in a parking lot but in a traffic zone, where the traffic is going by at a speed of between 35 and 55 mph? Should we get even more if the traffic goes by at a speed of 55 mph and above? It seems to me we should get paid more because the odds of getting injured increase from the parking lot to the freeway. I will say for this article 35 to 55 mph traffic zone should pay an extra 1 cent per pound. With a 5,000-pound vehicle, we would take 5,000 pounds x 1 cent per pound, meaning we get an additional \$50 to do this rollover in a 35 to 55 mph speed zone. We will call this our Speed Zone Charge. You can decide how much more for a 55 mph and above speed zone.

There are many different charges you may consider, such as a Minimum Response Fee, an Off Load Cargo Fee, or a Hazardous Fee. I am not telling you what to charge, or that billing per hour is wrong, just that this is another option.

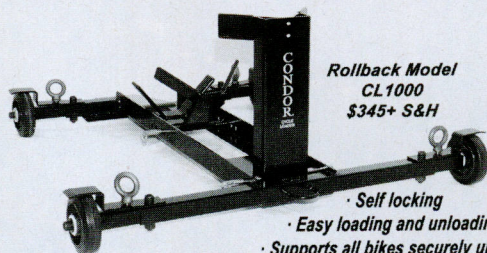
Plan To Succeed

It does not appear that towing rates are increasing with inflation. I recently spoke at a towing convention and I asked the group, "If Microsoft owned your company, would they continue to operate at your current rates?" An overwhelming majority said "No!"

I was once told that the definition of insanity is doing the same thing over and over expecting different results. For those of you making a good income, stay with it. For those

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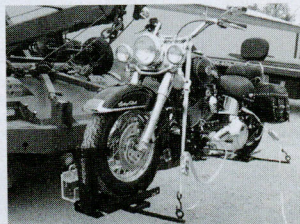
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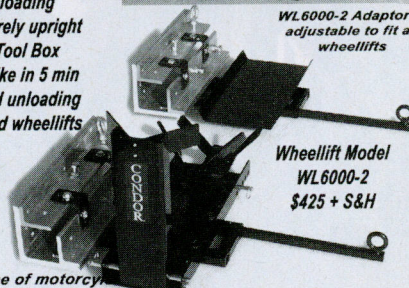
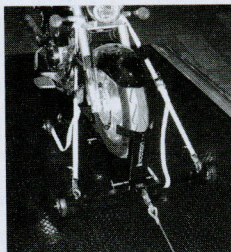
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who feel you are not getting enough, ask for more. When someone asks you to review another tow company's invoice to see if they were over-charged, think about this as a response: "I was not there, so I don't feel I can comment." Or, "I am not sure of their cost of doing business."

Set a goal to increase your profits over the next six months. Make some money and spend it on loved ones. Let's try to keep the water going up in the harbor. 🚚

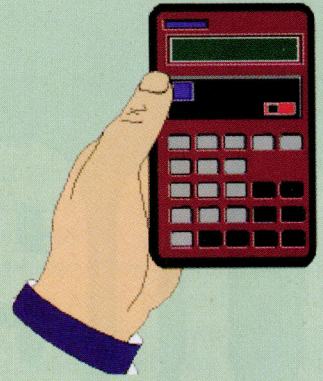
Charles "Chuck" Ceccarelli has been in the towing business since 1990. He operates light-, medium-, and heavy-duty tow trucks as well as Air Cushions and is a leading authority on airplane recovery. He was the president of the Idaho Towing and Recovery Professionals for five years and was also on the State of Idaho T.I.M. committee. In 1999 Chuck was voted WreckMaster of the year.

Calculating Additional Fees

If we get called to a rollover, we would ask ourselves, is it inclement weather? Is it nighttime? What is the speed zone? Our invoice may look like this based on a 5,000-pound vehicle.

A benefit of invoicing by weight is that you are rewarded for completing the job quicker. If the rollover occurred during a weekday on a city street, and the weather was nice, the only charge would be the Upright fee of 2 cents per pound, so the invoice would be \$100.

In the case of a truck wreck, calculate 80,000 pounds at 4 cents per pound to give you an invoice of \$3,200.



Upright Fee	2 cents per lb.
Inclement Weather Fee	5 cents per lb.
Nights, Weekends, Holidays Fee	5 cents per lb.
Speed Zone Fee	1 cent per lb.
Total Price per pound	4 cents per lb.
Total Weight Recovered	x 5,000 pounds
Total Bill is 5,000 lbs x 4 cents per lb.	\$200

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