

TRUCKING IN 2008: Surviving the potholes ahead, PG. 38

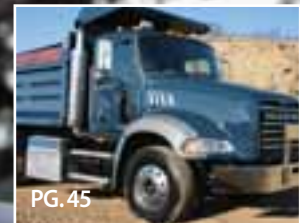


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Today's Trucking

The Business of the Trucking Industry



PG. 45

What you have to know about hybrids

The Einwechter Approach

How one of Canada's sharpest operators adapts to change, PG. 41

BY ROLF LOCKWOOD

Hauling freight from a base in middle Canada has rarely been tougher than it is in 2008. No secret there. Tougher still if you're a cross-border player. So how do you survive?

Challenger Motor Freight Chairman and CEO Dan Einwechter doesn't have a magic wand to make everything right again. But after more than 30 years in the game he's got an idea or two, and they seem to be working.

"The key is to constantly question every action, every decision, and decide whether it's the right one or whether it needs re-inventing," he says. "And that means the markets we serve, whether geographically or in terms of customers, the types of equipment in the fleet, and the methods we use to deliver on our customer promise."

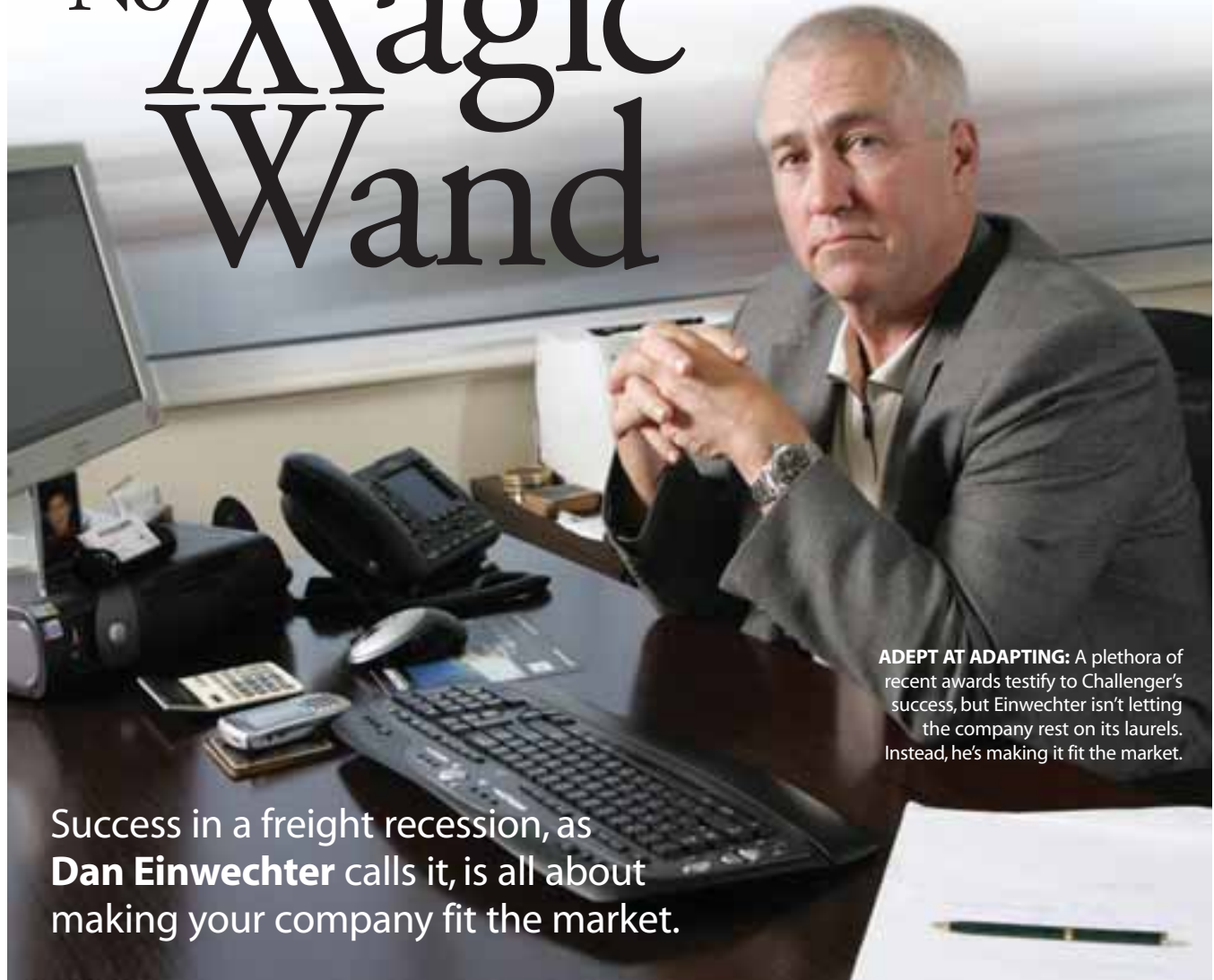
Now running some 1,500 tractors and about 3,500 trailers—up from one of each in 1975—from a base in Cambridge, Ont., Einwechter says that he's not really in the trucking game any more. And therein lies another key to survival. It's a way of thinking.

"I used to say I was in the trucking business when I first started. But nowadays I'm in the customer-service business," he says, "and I happen to use trucks to meet a portion of my clients' needs. That attitude has allowed us to deal with the adversity of the marketplace because we can go to a client and be a one-stop service provider.

"We've expanded dramatically on intermodal activity, for instance," Einwechter adds. "If it makes sense from a customer's perspective, we offer that as a solution."

With a full-bore logistics division, complemented by warehousing services and some 650,000 sq ft of warehouse space, Challenger has also become adept at air and sea freight forwarding and third-party freight management. That's in addition to the truckload, LTL, and specialized trucking operations that have

No Magic Wand



ADEPT AT ADAPTING: A plethora of recent awards testify to Challenger's success, but Einwechter isn't letting the company rest on its laurels. Instead, he's making it fit the market.

Success in a freight recession, as **Dan Einwechter** calls it, is all about making your company fit the market.

Profile

been the company's stock in trade for many years. There's even a thriving used-truck sales business that sends well-maintained company trucks to customers all around the world.

"For some customers we do intermodal, we do warehousing, we do over-the-road, and we even load and ship boxcars," Einwechter says.

"Our clients want a choice. What we can do is offer them the services that they need when they need them."

AUTO PARTS DOWN:

Challenger reduced the number of auto-parts trucks by 130.



By all accounts it's been a successful approach because Challenger has been winning a lot of awards lately, including the rare achievement of Platinum status in the Canada's 50 Best Managed Companies competition.

That's no small feat. It means Challenger qualified as one of the country's 50 best for the seventh consecutive year. Run by *The Financial Post* in concert with CIBC, Deloitte & Touche, and Queen's University School of Business, the award is based on a rigorous and independent review that evaluates management skills and practices.

Einwechter has come a very long way to get there. He launched the company way back in 1975 as a one-truck operation while he was still in university, and it had grown to 100 power units by 1987 when it was profiled in the very first issue of this magazine. Cited then as an up-and-comer, with the ink on its all-Ontario operating authority only barely dry, Challenger now sits in the fifth spot on the *Today's Trucking* Top 100 list.

Other achievements of late include winning, for the second consecutive year, the prestigious Johnnie Walker Blue Award, given by Diageo, the world's largest distiller and distributor of spirits. It's presented to

the overall carrier of the year, based on four key performance metrics: on-time pickup, on-time delivery, load tender acceptance percentage, and EDI compliance.

And then there's the just-announced General Motors award for Best FAST Carrier Performance in 2007. Out of 18,288 shipments last year, Challenger managed to get just over 98 percent of them through the FAST lane.

Automotive freight has long been a Challenger mainstay, and it remains so,

but as part of the mix it's shrinking.

"In fact," says Einwechter, "we do less automotive now than we used to do because that industry is challenged. We do some Big Three and some non-Big Three and that's not going to change. But as a percentage of our total sales we've chosen to grow the business elsewhere."

"We've reduced the number of trucks we assign to the automotive sector by 130. We didn't reduce the size of the fleet, we just deployed them elsewhere."

"The company is still a north/south specialist, and that won't change because Canada and the U.S. are the world's greatest trading partners," he adds. "The cross-border market isn't dead by any means."

In practice, however, Challenger has nearly tripled east/west traffic between central Canada and Alberta and B.C. in the last two years. The Montreal terminal has been expanded and the company has been doing a lot of drayage work across the country, even de-stuffing containers coming in from the Far East.

"In the next year you'll see us increase our presence in B.C. dramatically," says Einwechter, "de-stuffing containers in Vancouver and forwarding the freight inland, sometimes in 53-ft over-the-road

trailers, sometimes in intermodal boxes. It makes sense for us to balance our trucks that way."

He acknowledges that the business environment is a lot less than rosy these days, and, like other carriers, he's had to adjust to a changing market, with more than a few plant closings suffered by his customers.

"Over a 24-month period up to last year we had to replace \$60 million worth of business due to either plant closings or shifting markets," Einwechter says, "and we did it." He attributes that to the depth of talent he has on staff, and to a good deal of hard work, of course.

"We're in a freight recession," he says flatly. "So we're planning as if all of 2008 will be a crappy year, even though some of the forecasts we've seen suggest that by July or August it should be pretty decent from a carrier perspective."

"We haven't had any layoffs at all in any area of the company—and none are planned—and in fact we're currently running ads for qualified load planners, dispatchers, and team drivers in Ontario, Quebec, and B.C. That's the beauty of being a provider of such varied services. We can simply allocate the resources to where they're needed," Einwechter says.

Size and success, however, also bring on a different sort of challenge: the ever-present rumor mill. In Challenger's case, that mill has been running on overtime lately, concocting tales of bankruptcy, mass layoffs of owner-operators, even the purchase of 52 percent of the company by Swift Transportation. None of them are true.

"I've been sold to the Americans over the years, now to the Germans, and the latest news is to the Chinese. Not bad, from Waterloo County to international in scope," Einwechter jokes. "I guess the good news is twofold: first, people are talking about me and not themselves; and the more important part, they're talking about me in the present tense, meaning I'm not dead yet, in their eyes or in reality. Small blessings."

There's a certain gleam in his eye when he says that, a mix of ironic self-deprecation and don't-mess-with-me determination, the same look that this reporter saw back in 1987. It's part and parcel of the entrepreneurial edge that got things started in the first place. And it's clearly still there. ▲