Owner-operator Tim Paxton and his 2017 Ford Transit Van at the 2018 Expedite Expo, where he was named Expediter of the Year by *Expedite Now* magazine.

Todd Dills

THE LOWDOWN ON DOWNSIZING

The easy-in reputation of the cargo-van hauling subset of expediting is somewhat deserved, but the small-vehicle niche brings its own big set of challenges. Those who employ enhancements to get a competitive edge can thrive.

BY TODD DILLS

With its under-10,001-pounds regulatory category, cargo-van hauling might seem to hold the key to addressing some of the biggest complaints among Class 8 owner-operators.

Outside of placardable hazmat hauling in a van, such owner-operators do not have to cross scales, keeping them out of the prying eyes of temperamental inspectors. Parking well away from crowded truck stops and rest areas is easy — many van operators make use of campgrounds and RV parks, often with shorepower available.

Home time often can be achieved more easily, given vans are capable of well more than double the typical fuel mileage of a Class 8. Empty somewhere late on a Thursday? "When you can get 18 to 20 miles per gallon," says Landstar-leased van owner-operator Darren Ayres, it might make sense to deadhead a few hundred miles to "be home and spend the weekend in the house."

And perhaps most important to some operators: Outside hazmat, vans by and large do not have to adhere to federal hours of service regulations or the electronic logging device mandate.

The cargo-van niche also has attracted attention inside and out of *Overdrive*'s traditional Class 8 owner-operator audience in recent times for other reasons. There's a lower barrier to entry in terms of equipment costs and licensing. For most van operators, a commercial driver's license is not a prerequisite for obtaining non-hazmat work.

Sticker prices on new gas or diesel vans of optimal size for hauling are far less than prices for new Class 8s. Ohio-based expediter Tim Paxton purchased his high-roof 2017 Ford Transit 350 new for a little more than $40,000 and last summer was running at 34 cents a mile for costs, including fixed costs. Fuel mileage in the Ram, Ford, Nissan and Mercedes vans common in the niche easily can hit 20 mpg.

These numbers also lead to per-mile pay rates that look terrible to most Class 8 owner-operators. Recruiting advertisements of 70 to 90 cents are common and profitable, though rates can vary considerably. Rates approaching a dollar a mile were typical for Paxton in the Midwest last summer, though he noted different areas and freight could yield lower rates from Barrett DirectLine, the Arkansas-based operation to which he's leased with 250K miles on the van, without issues.

Paxton also noted a downside to most van operators' existence outside the regulatory limits of hours of service — the sense among some that they're pushed by their carriers. Granted, operators running hard easily can exceed the annual miles that are typical for a Class 8 owner-operator, but fewer miles also are common in choosy operations such as Ayres'.

SLEEPER IN A CARGO VAN? While it's common for cargo van expediters to run with a small cot that, folded up, can be stowed against a wall of the hold when space is needed for freight, various conversion companies exist for more permanent sleeper treatments. One example is this 8-foot area behind the front seats in Darren and Trish Ayres' Mercedes Sprinter. The two designed it with Fastlane Products of Oak Ridge, Tennessee. Tax, tag, title and the upfit added a little less than $20,000 to the roughly $45,000 price of the basic van with super singles and extended length. Visit OverdriveOnline.com/overdriveradio to catch an *Overdrive* Radio podcast featuring Darren Ayres, and search his name at the site for more views.

But the easy-in reputation isn't always justified. Operating with motor carrier authority can be difficult for new entrants. A unique multicarrier expediting model also brings its own costs and problems. Nonetheless, those who find ways to set themselves apart with extra credentials or unique equipment have found profitable homes within it.

BENEFITS OF A CDL: ACCESS TO HIGHER-RATE FREIGHT

When Darren and Trish Ayres retired from the military years ago, "we weren't sure what we wanted to do next," says Darren Ayres, who had a Class B license at the time. "I upgraded to a Class A, and after six months, she did the same thing."

The pair had a leased Class 8 truck before buying a used unit they leased to Landstar. With their military backgrounds, they gravitated to the company's substantial contracting with the U.S. military, hauling arms, ammunition and explosives.

"We were hauling a lot of loads

Operating with authority, and the multicarrier model

It appears that relatively few cargo van owner-operators are hauling with their own authority in the expedited freight niche. It can be done, says Shelly Benisch, a CIS (commercialinssolutions.com) insurance agent well-known in the expediting world. Regulatory insurance requirements for under-10,001-pound interstate operations sit at a minimum $300,000 in commercial auto liability, less than half the $750,000 required of larger units. As in the Class 8 world, though, $1 million liability is a common coverage.

Also similarly, policies can be prohibitively expensive for new authorities, but that's not the biggest challenge, Benisch says. As usual, it's the freight: "There is no magical internet board" dedicated to cargo vans.

Some independents with cargo vans have supplemented primary hauling contracts, as in traditional independent owner-operator models, by using common freight boards, such as DAT or Truckstop.com. Benisch notes, however, the "main for-profit hubs of Omnitracs/Sylectus and Full Circle" – collaborative networks built with capabilities specific to expediting – "have contracts with their current clients that restrict anyone new coming on board without some hoops."

The same goes from some of the freight-specific bid boards, with limitations of access relative to the carrier's size.

Such hurdles prevent "a leased-on owner-operator from leaving his motor carrier" to start his own authority "and backselling to take the customers," Benisch adds.

Around the time of the Great Recession, many van drivers were desperate for any way to stay loaded. A multicarrier model arose in which van owner-operators essentially negotiate loads in leased arrangements with a multiplicity of expedited carriers. It's presented some of the same opportunities and challenges that traditional Class 8 independents encounter when working with multiple brokers in spot freight, but without the need for the independents to have motor carrier authority.

"Many still like that independence and believe they make more money hauling for multiple companies," she says. Some motor carriers "have come to respect it in some cases because of the current litigious climate regarding the independent contractor model." Leasing with multiple carriers is an obvious sign of such contractors' independence of direction and control.

However, Benisch notes, "larger, more established motor carriers on the traditional structure" – the exclusive lease to one carrier – "hate it."

Cue Load One head John Elliott. He believes the multicarrier model makes for an artificial cargo-van supply boost on the bid boards and freight networks where much expedited business takes place.

COMBATING EXPEDITING'S LONG WAITS BETWEEN LOADS | Catch two editions of the *Overdrive* Radio podcast featuring sections of a conversation with Load One CEO John Elliott at OverdriveOnline.com/overdriveradio, including his thoughts on the multicarrier leasing model. Elliott also detailed Load One's "Ultimate Advantage" smartphone app for its owner-operators and drivers. The app was deemed to be the No. 1 innovation among those featured last year by *Overdrive* sister fleet publication *Commercial Carrier Journal*. The innovation, used by the vast majority of Load One's operators, has data on available loads and missed load opportunities in any given area and for different time periods. Its data helps owner-operators reduce empty miles and the long waits between loads that are common in expediting.

that would fit in a cargo van," Ayres says. In talking with other Landstar expediters, he confirmed that continuing in AA&E while downsizing was viable.

In November 2017, they moved to a diesel-powered Mercedes Sprinter with rear super-single tires. The model was chosen principally for the 2.5 extra feet of available cargo space compared with Chrysler and Ford models, Ayres notes. The couple planned to take up about 8 feet of cargo space with a custom sleeper. Unlike most cargo van haulers who can fit up to three skids in the hold in standard configuration, the Ayres' unit is capable of just two and up to 2,000 pounds of cargo.

They make up for that limitation with their CDLs. "About 80 percent of our loads are hazardous material," Darren says. They bring much more in percentage revenue than the typical less-than-a-buck a mile. In 2018, the couple ran about 150,000 miles, 40 percent of that deadhead. They averaged about $1.40 for all miles on many trips, after fuel costs but not accounting for other costs. That yielded combined net income in the six figures, well more than $1 for every loaded mile.

With the two of them getting generous military retirement income, they can be picky about freight. A cargo van set up with some of the comforts of a home is ideal for such choosiness. Deadhead miles home or to the next load cost much less, for one. "We average 18 to 20 miles per gallon" of diesel, Ayres says.

"We didn't expect to be running as hard" as previously when they moved to the van, he says, which turned out to be mostly true. "We spent a lot more time at home" during 2018, but "we found out we actually made more money."

ONE OPERATOR'S COMPETITIVE EDGE IN VEHICLE CONFIGURATION

Load One-leased fleet owner Steve McNeal of Holland, Michigan, runs his West Michigan Expedite business from the home shop, but he started out behind the wheel of a van doing nonexpedited work.

When Lyme disease forced him out of the driver's seat 10 years ago, he took his two vans to Express-1 Expedited

Assume an available load and two vans in the area, one of them his, Elliott suggests. If the competing van "hauls through three carriers … he tells all three dispatchers" about his availability. To the shipper with the load, it easily could look like four competing vans, creating conditions ripe to drive down the rate.

Insurance issues also are not uncommon for multicarrier haulers.

"All our vehicles run for us and are logo'd," Elliott says of Load One. "We provide liability and cargo insurance for all the vehicles."

For a multicarrier cargo van owner-operator, just as if the owner had his own authority, commercial auto liability and cargo insurance is going to be necessary to make coverage portable between entities, Benisch points out.

The multicarrier model can be done legally, Elliott says, but "we've seen plenty of cases where that is not how it's done." The leasing carrier may have an insurance certification filed with DOT for one van but have a variety of other multileased owner-operators running for him. In such cases, "there's no way to verify that insurance is in place" when the van is hauling a load for that carrier.

Elliott contends some van operators, given the expense of commercial auto liability, will just "call their local State Farm agent" for a personal auto policy and hope to run under the radar.

Todd Dills

For more about Steve and Carol McNeal and their West Michigan Expedite small fleet's four custom-built six-skid-capacity van units, search Steve's name at OverdriveOnline.com. There you'll find a 2017 story about custom vans as well as McNeal's more recent recommendations for outfitting any van for driver comfort.

Solutions until XPO bought the company early this decade and changed the rate structure.

His vans had been set up to get higher rates by being capable of handling more weight. After the change, that no longer applied, McNeal says, and "revenue dropped significantly. I had met a couple people from Load One that were on good terms with John Elliott," the company's president. There, he found a new home.

Payment at Load One for contracting owner-operators and fleet owners is based on percentage, notes Elliott and McNeal. McNeal believes it's the "ultimate in fairness" to contracted parties, he says, including independent contractor drivers with his 13-van fleet. "If Load One gets a great rate, everyone shares in that."

His leased fleet's growth over the years can be seen as a testament to both his appreciation for what a driver needs on the road and his design-build acumen. Those attributes increasingly are setting his operation apart from the competition in what Elliott and others contend is a generally oversupplied cargo van market.

Delivering cannabis – and cash – in California

Most hauling the almost 2-year-old Nabis company does is of the last-mile variety on a traditional hub-and-spoke model, says cofounder Vincent Ning. That segment among the nation's total overall freight mix has been among the fastest-growing due to the rise of e-commerce, with urban and intraregional deliveries multiplying rapidly.

The American Transportation Research Institute published statistics this year showing courier services adding nearly 2,000 businesses between 2015 and 2017. Over the entire sector, 85,000 new employees were hired. From 2007 to 2016, newly registered single-unit commercial vehicles grew by 7.8 percent compared to 4.4 percent for combination truck registrations.

A lot of that last-mile business is being conducted in vehicles such as those used by Nabis, with its Nissan NV200 delivery vans and a lesser number of Mercedes Sprinters. But not much of that freight is destined for the same endpoints Nabis supplies: Newly regulated, and newly legal as of 2018, recreational-cannabis dispensaries in California's marijuana market.

This attached caging at the back of a Nabis-owned Nissan NV200 is part of what's required by the California Bureau of Cannabis Control's cannabis-transport regulations. Nabis CEO Vincent Ning says the regulations also led to outfitting vehicles with security cameras, alarm systems and GPS units.

Vans are ideal for the business because they can appear "a little more discreet" than a box truck, Ning says, and they are not required to cross scales since they're less than 10,000 pounds. The slightly larger Mercedes Sprinters in Nabis' 15-unit distribution fleet have the same advantages. He employs them to transfer product from suppliers to, and on point-to-point hauls between, Nabis' warehouses in the Los Angeles area and Oakland. From those sites, the NV200s, upfitted according to California Bureau of Cannabis Control requirements, "fan out to retail locations with orders."

Upfit costs can vary considerably. With the Sprinters outfitted with refrigeration capabilities for the cargo hold, the modifications are slightly more expensive, adding $10,000 to $12,000 to an approximate $50,000 initial price tag, Ning says. The Nissans' upfit, less that climate control, adds about $7,000 to the $24,000 sticker.

The upfit entails secure caging for the product. The bureau's regulations also require a drop-only safe secured to the frame for cash. Given the continued federal illegality of cannabis, cash underpins much of

Years ago, McNeal began purchasing cutaway vans and designing a single-bed sleeper behind the cab. For the cargo area, he designed a lightweight aluminum-constructed box capable of accommodating up to six skids — double the pallet capacity of a stock van, if not the weight capacity.

"It certainly is a freight opportunity that nobody else has," he says. If a load includes "four to six skids, there isn't another option except for straight trucks, and then you have to deal with hours of service and everything else."

The sleeper has vented and screened windows on either side. McNeal and company built side compartments for the Harbor Freight generator and spare gas can he outfits the units with for supplying power to window-unit air conditioners, useful when it's hot and a solo driver needs a nap. (McNeal has just one team contracted to him.) He knows the details of what's necessary for his drivers' needs and has long experience outfitting his vans on a budget — another part of "what gives me an advantage," he says.

the legal-cannabis economy.

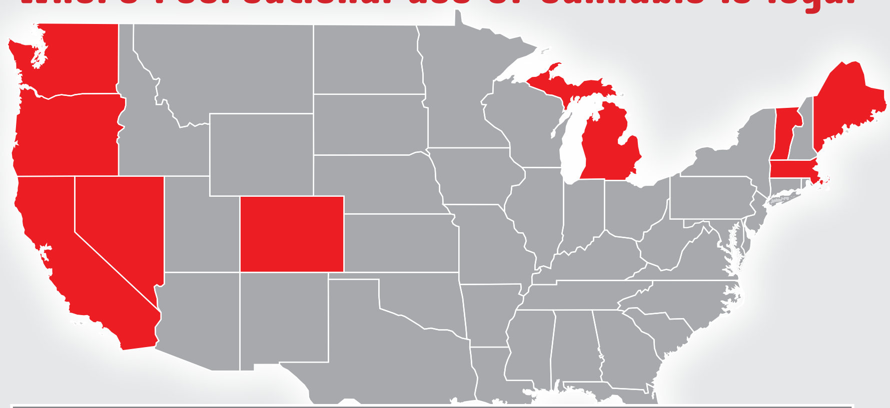
"Whenever we drop off a delivery," says Ning, cash "is picked up by the driver and gets brought into the vehicle and slipped into the safe. Facility managers are the only people who know what the passcode is" — a protocol meant to protect the driver from robbery attempts.

"We've heard of delivery drivers getting shot," says Sergio Buenrostro of Hardcar, a hybrid distribution and security firm dedicated to cannabis- and cash-transport security. Other incidents have involved promotional representatives "knocked out stepping out of the retail shops. It's money, and criminals are out there."

Cash quantities in Hardcar vans can be exceptionally large. The company has positioned itself less within the retail distribution side of the dope-delivery business and more on the cash-haul side that rolls from retailers, growers and distributors to Hardcar's processing center for storage or direct to the Federal Reserve.

Hardcar's fleet, 14 basic plus two frozen-in-transit-capable vans, is about the same size as Nabis' but takes the regulatory requirements further. Hardcar's Ford Transit 250 vans have added armoring with steel plating and bulletproof glass, making them something of a discreet armored-car service. Units are equipped with satellite phones and GPS tracking.

Where recreational use of cannabis is legal



One result of the 2018 midterm elections was the addition of Michigan to the list of states that have created new markets for legal recreational cannabis — places where transportation opportunities are expected to grow around the product.

The growing trend in legalization is part of what Hardcar driver-agent Sergio Buenrostro calls the "slow crawl" toward nationwide acceptance of cannabis use. Even in California, Buenrostro says, there are plenty who feel it's "going to corrupt the children," a sentiment at odds with what he saw in his last post before he joined Hardcar — as a security contractor to the U.S. State Department in the Netherlands. There, he feels, cannabis is viewed as a routine element of the broader culture.

Buenrostro, a military veteran, has been diagnosed with post-traumatic stress disorder, for which cannabis can be a salve for some. While the U.S. Department of Veterans Affairs "feeds you pills and you walk around in a cloud" as a means of treating PTSD, he says, "every veteran that I know who has turned to cannabis has totally left pills behind."

Cash pickups occur at 10 to 15 locations throughout the state, says Buenrostro, who's also a driver-agent with the company, one of about 20 employed there. Setting out for a cash haul, Hardcar "contacts retailers so they know we're coming. We go in fully armed, and we pick up and take off with … a boatload of money in the vans bound for the processing center" the company maintains for sorting and secure storage.

Hardcar's also active in more bulk-type marijuana hauling in their vans, with destinations more to processing warehouses from farms or between warehouses.

The company starts its all-employee driver force at $25/hour, well above the average $13/hour pay for armed guards in California. Standard drivers have security guard and weapons permits. All agent hires to date have had some form of military or law enforcement experience, Buenrostro says.

Nabis' all-employee driver force also is paid on an hourly basis.