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NORTH DAKOTA MOTOR CARRIERS ASSOCIATION PUBLICATION

NDMCA Annouces New Executive Vice President

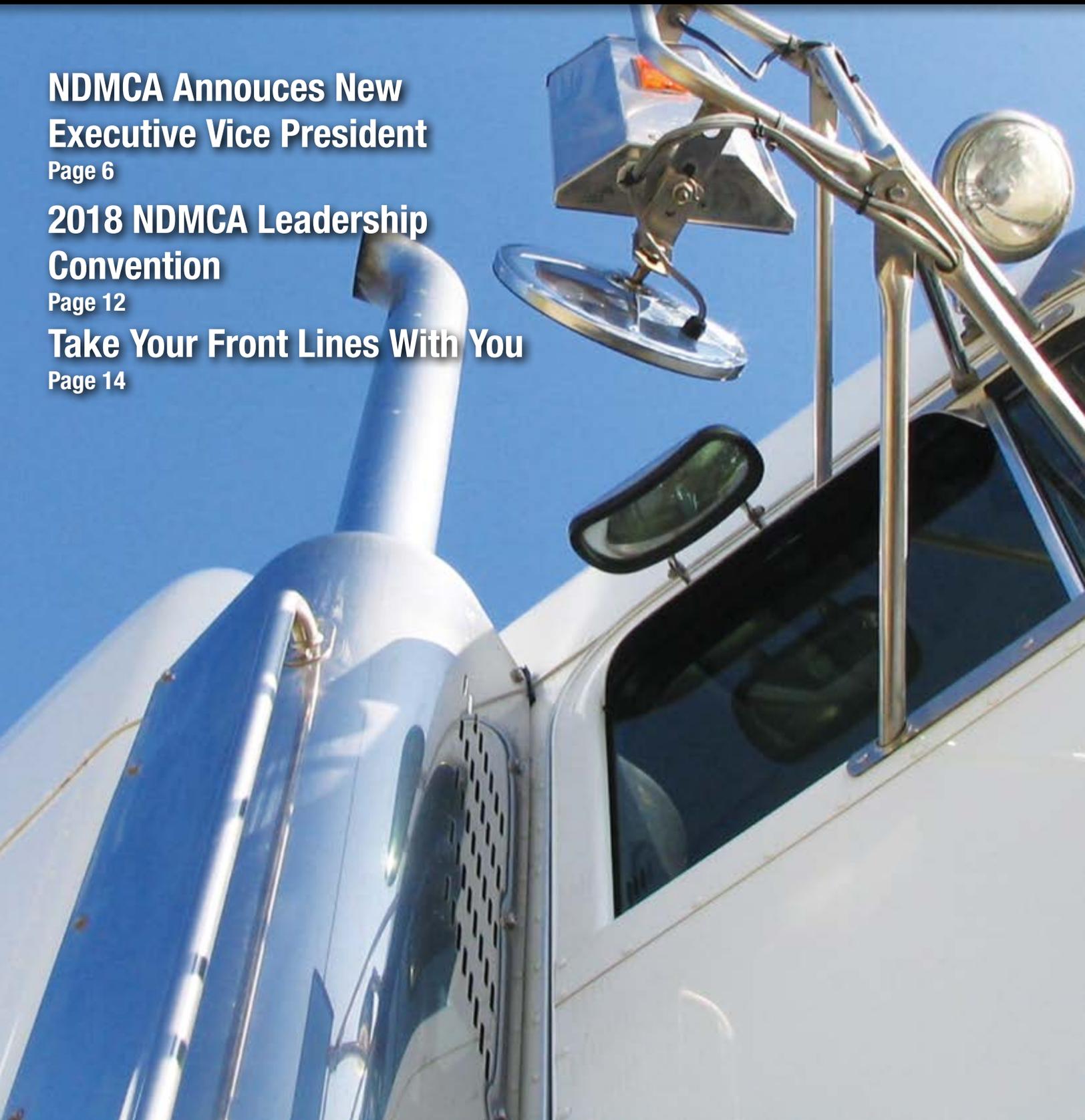
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2018 NDMCA Leadership Convention

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Take Your Front Lines With You

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The North Dakota Motor Carriers Association has been publishing the Rolling Along magazine since 1948. Each issue provides members with information concerning their association and the issues impacting the trucking industry.



Rolling Along is published quarterly (April, July, October and January) by the North Dakota Motor Carriers Association. Statements of fact and opinion are the responsibility of the authors alone and do not imply an opinion on the part of the officers, members or staff of the North Dakota Motor Carriers Association.

The mission of the North Dakota Motor Carriers Association is to promote highway safety, deliver services and provide representation for our members. All rights reserved. Materials may not be reproduced or translated without written permission. Subscription rate for members is \$50, which is included in the dues. U.S. subscription rate to nonmembers is \$100 for one year. For advertising information, please contact the Association office at info@ndmca.org or by phone at 701-223-2700.

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Kacey Heidrich..... Office Manager
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PRESIDENT'S MESSAGE

BEST PRACTICES AND BENCHMARKING



Greetings Fellow Members!

As I write this note, I am attending a meeting with my peers where we compare our Agency financials, business operations, perpetuation plans, organizational structure and basically measure ourselves against one another in an effort to strive to be the best in our field.

As usual, my mind is spinning with the possibilities and responsibilities of trying to achieve the end goal, to bring our clients and business partners the best products and service while providing good-paying jobs for our teammates and striving to be the epitome of "best practices" in our industry. In our group we are not the big fish, not the smallest fish, but somewhere in the middle. This gives us great perspective on where we came from, where we are today, and most importantly, where we are heading tomorrow.

Dixon Insurance and ITL's industries are insurance and compliance. Your industry is trucking, which includes compliance, and also requires insurance; we are closely aligned! One of the things my father taught me was to benchmark our agency against other like agencies so as to be prepared for the unexpected and this is a big part of what we do at this meeting.

The thing about best practices and benchmarking, is that regardless of the industry you are in, doing so regularly helps you keep a good pulse of your own operations as well as your industry in general. All of us who are responsible for the management of our businesses, and the strength and growth of our companies, have a fiduciary responsibility to keep the doors open, pay our team members, and service our customers. Following best practice guidelines and benchmarking are great tools to help us succeed in this endeavor.

Making sure that our companies are both financially strong and responsible can be a burden, and benchmarking is one of the things we can do to position our companies so as to be best prepared when markets turn.

Incorporating "best practices" in your industry will help your company secure more favorable financing, attract better drivers, keep talented team-members in your office and secure a desirable insurance partner.

Three things you can do to make your trucking company more attractive to your insurance partners are:

1. Treat your safety department as a profit center
2. Build a business plan that includes controlled growth strategies
3. Strengthen your financial position

Your safety department needs to work in concert with your dispatch and service departments to deliver products safely and on time. Teamwork! Safety needs resources and time to watch your SMS data and to communicate with drivers, dispatchers, and your service team so as to avoid surprises. When insurance companies see a strong safety department that is integrated with the rest of your business, they see a good partner.

Having goals, and a plan to achieve those goals not only helps you and your team stay on track for growth but also helps you communicate your desires and plans to your insurance partner. Sharing your plans with your insurance agent provides important information on your company, and helps guide them to the best insurance partner for your particular company goals. Aligning yourself with an insurance partner that has an appetite for your specific growth plan makes for a strong partnership that will serve you faithfully for many years. Stability in your insurance partner is key.

Strengthen your financial position. Study your financials; your insurance partner looks long and hard at your financial position when offering you a quote both initially and on renewals. Make sure that the monetary decisions you make today will be right down the road rather than satisfying an immediate whim. When growth and investments are planned, your financials reflect the same, and that shows strength.

I am excited about all the changes in the trucking industry and the challenges and opportunities it brings. I hope that each of you are equally excited and that you are properly aligned with a plan to make the best of current and future opportunities.

See you all in Fargo May 14-16 for our 73rd Annual Convention!

Continued on page 6

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PRESIDENT'S MESSAGE *Continued*

Executive Vice President Search

By now most, if not all of you are aware that our Executive Vice President, Arik Spencer, has accepted a new job as the President and CEO of the Greater North Dakota Chamber. Arik's last day at NDMCA was March 23rd; he will be missed.

During his five-year tenure Arik exemplified the position he held through hard work and diligence. He did an excellent job getting to know our membership, our needs and voicing our desires as an industry.

The Board of Directors is grateful for his service and feel fortunate to have been blessed with such an admirable individual, even if our time together was shorter than we'd hoped.

The world of Association Management is interesting and in many ways competitive. The Greater North Dakota Chamber is lucky to have Arik to lead their organization forward, and we are lucky to have made a good friend and good supporter of the Trucking Industry.

I'm also excited to announce that our new Executive Vice President is Colonel Mike Gerhart, who will be retiring from NDHP in June, and joining NDMCA sometime in July. We will share more information regarding this stellar individual but for now, please rest assured that the search team and the Board of Directors are extremely happy with his acceptance of the position. We are looking forward to experiencing his leadership and what it will bring to NDMCA.

After receiving Arik's resignation letter, the task at hand was to find an equally suitable successor and fortunately, whether through planning or providence, Arik was able to give the board some well thought out candidates for his position.

With the blessing of the Executive Committee I appointed a four person 'search team' to identify the best person for the job. The search team looked at several options and determined that hiring an individual from within ND was the right choice for NDMCA and met with an excellent candidate whom we eventually signed an employment agreement with and we couldn't be happier.

Between now and then, please know that Kacey will be handling the day to day operations, and that we will be working closely with her to make sure there is no interruption in our services to you, our valued members.

The best way that you can do your part in the continued success of our organization is to make sure someone from your business attends our seminars, the annual meeting, participates in our scholarship fund raising events, donates to Truck PAC, and that your business continues to purchase your transportation related supplies through NDMCA.

Being a part of an organization as rich with history and full of purpose as NDMCA is, brings opportunities to you, but also comes with responsibility. To this end I would also invite you to become a "founding contributor" to our new NDMCA Foundation. A strong organization gives voice to its members' concerns, and encourages good legislation through reputation and lobbying. NDMCA is the one organization that truly has trucking at the core of it's being, and only through your support and promotion can we truly deliver our members' needs!

Stay safe,

Melissa Dixon

NEWS & NOTES FROM THE EXECUTIVE VICE PRESIDENT

Thank You

For the past five years, I've had the privilege to serve you as the Executive Vice President of the North Dakota Motor Carriers Association (NDMCA). On April 1st, I'll begin a new chapter in my professional career with the Greater North Dakota Chamber as their President and CEO. It was certainly a tough decision to leave NDMCA because it is a great organization with members who truly care about the future of the trucking industry. When I joined NDMCA, I didn't have a background in trucking, and I've certainly appreciated the time NDMCA members took to explain issues to me, which has been invaluable in providing effective representation for the trucking industry at the legislature in Bismarck and with lawmakers in Washington D.C.

As I reflect on my time with NDMCA, I am very proud of the things we've accomplished together. These accomplishments include the development of our No Zone Program, the creation of the NDMCA Foundation, enhanced training and education, creating our safety committee, increased TRUCKPAC ND fundraising and many public policies wins. These accomplishments are only possible through the effective leadership of the NDMCA Board of Directors, the hard work of NDMCA staff and support from you, our members. Enough credit is not given to our board of

directors, who volunteer their time to ensure NDMCA is moving in a direction, which is in the best interest of our members.

When I speak about the Association's staff, I'm really speaking about NDMCA Office Manager, Kacey Heidrich. While different staff and executive vice presidents have come and gone, Kacey has provided consistent and steady service to NDMCA for nearly 10 years. Her dedication and loyalty are rare today, and she doesn't receive enough credit for working behind the scenes so that all of our programs, projects, and events are successful.

With the announcement of a new Executive Vice President, and with the oversight of the board, hard work of NDMCA staff and your support, they will continue to lead NDMCA to more success. As for me, I'll still be fighting for ND businesses on a variety of issues, including transportation.

Thanks again for the opportunity to serve you and as always feel free to contact us at info@ndmca.org should you have any questions.

Sincerely,

Arik Spencer



ARIK SPENCER
arik@ndmca.org

NORTH DAKOTA MOTOR CARRIERS ASSOCIATION ANNOUNCES NEW EXECUTIVE VICE PRESIDENT

The Board of Directors of the North Dakota Motor Carriers Association is pleased to announce that after a targeted search they named Michael Gerhart as Executive Vice President, effective July 2018.

Gerhart brings with him substantial leadership experience in public policy, event management and program development. Gerhart is retiring as the Colonel of the North Dakota Highway Patrol, a position he was appointed to by Governor Jack Dalrymple in July 2014 and again by Governor Doug Burgum in 2016.

Gerhart began his career with the North Dakota Highway Patrol in 1992. As a trooper he was stationed in Kenmare and Minot. In May 2004, he was promoted to the rank of sergeant and served as a regional sergeant in Minot. He was promoted to lieutenant in August 2007 and served as the Highway Patrol's Safety and Education Officer. In 2009, he relocated to the Law Enforcement Training Academy as Training Director. Gerhart was promoted to major in 2011 and served as the Field Operations Commander.



"It is quite an honor to be joining the North Dakota Motor Carriers Association" Gerhart says. "Trucking is so important to the future of North Dakota and I am proud to be selected to represent such an important industry."

Melissa Dixon, board president, echoes Gerhart's enthusiasm. "Mike is a natural fit for the North Dakota Motor Carriers Association. His leadership, administration, programming and legislative experience will continue the robust reputation of the organization." Dixon continues, "The Association has changed significantly in the last five years, and we are looking forward to the future under Mike's leadership."

Gerhart was selected to succeed Arik Spencer as the executive vice president. Spencer departed the organization to join the Greater North Dakota Chamber.

GOVERNMENT NEWS

HIGHWAY PATROL NEWS

The Highway Patrol now has a toll free number 844-474-NDHP (6347). The permit office can be accessed by the toll-free number as well as 701-328-2621.

During Spring Weight Restrictions please be sure to access the NDDOT 511 map at <http://www.dot.nd.gov/travel-info-v2/>. This will have all updated information on North Dakota roadways for legal axle weights. Non-Divisible loads that are within 5,000 pounds of the restricted group weights are automatically approved by the permit system. The fees paid are based off axle and group weights.



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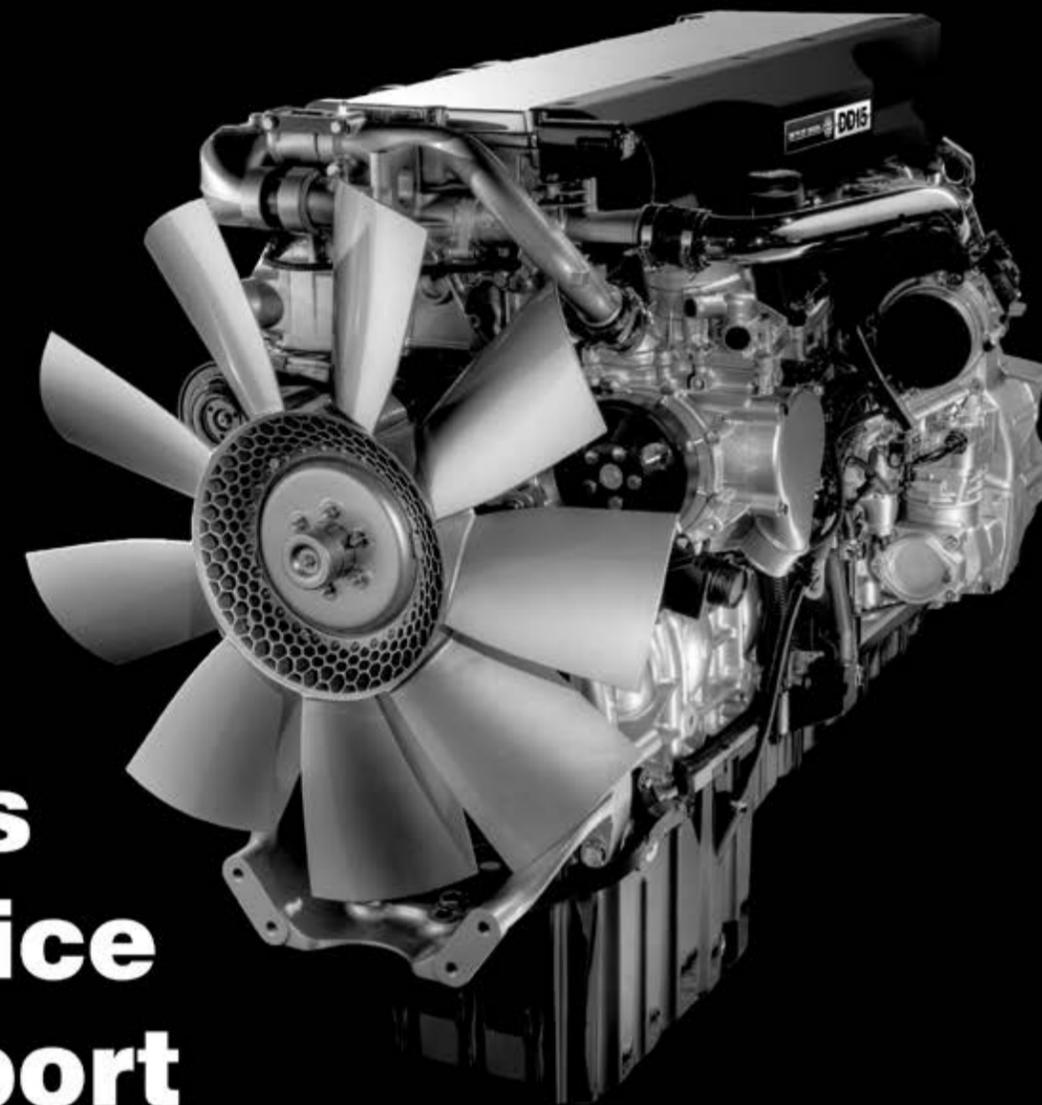


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ASSOCIATION NEWS



Description of proposed 2018 NDMCA Bylaw Changes

At the December 6th, 2017 NDMCA Board of Directors Meeting a series of bylaw amendments were tentatively approved. As required by Article X of the Bylaws, proposed amendments must be approved by two-thirds vote of the Board of Directors at the annual meeting of the Association provided notice of the substance of the proposed amendment is provided to the membership no less than 60 days prior to the meeting.

Substance of Amendments:

- 1. Fold the Household Conference into the Specialized Conference.** Currently, NDMCA has five Household Carrier members, two of which are owned by one company. At this year's convention, only one household carrier attended the conference meeting, and not all board positions were filled from the conference. In the future, it will continue to be hard to find directors who are willing to serve from this conference.

Under the proposed bylaw change, the three director positions from the household conference would be split between the three largest conferences, Truckload, Allied, and Specialized.
- 2. Add the Chair of the NDMCA Foundation Board of Trustees to the NDMCA Executive Committee.** This change is for better communication and coordination of activities between the NDMCA & the Foundation.
- 3. Prevent any current NDMCA officer (President, 1st VP, 2nd VP, Immediate Past President, ATA VP, or Treasurer) from serving as a Foundation, Board of Trustees officer (Chair, Vice Chair, Secretary/Treasurer) at the same time.** This is, so that leadership positions are not consolidated with just a few people and the workloads of each position are at a reasonable level.
- 4. Put a limit on the total number of directors.** Currently, there is no limit on the number of at-large directors that can be elected to the board. In this proposal, the total number of board members is capped at 35, which means there can be between four and eight at-large directors.
- 5. Remove the term "conferences" from the bylaws.** In the Bylaws, our conferences are referred to as membership groups or conferences in different areas of the document. Also, when visiting with newer members, they seem to be confused when we refer to our conferences. In the future NDMCA is going to phase out the term "conferences" for clearer communication.
- 6. Adding additional requirements to hold the ATA State Vice President Position.** The ATA has recently updated the qualifications for being on their board of directors. Because the person elected as the ATA State Vice President has a seat on their board, NDMCA is must change our bylaws to reflect the new ATA requirements.

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2018 NDMCA LEADERSHIP CONVENTION

Register at www.ndmca.org

May 16-17, 2018; Fargo, ND • Delta by Marriot

Join Us for the 73rd North Dakota Motor Carriers Association Annual Convention and See the New Schedule

NDMCA is hosting the 2018 Leadership Convention at the newly remodeled Delta by Marriot (formerly Ramada Plaza) in Fargo ND. The 2018 Leadership Convention will include great keynote speakers, entertainment, concurrent sessions, NDMCA's safety awards banquet, the TruckPAC ND reception and great vendor booths.

Convention Highlights: Keynote Speakers



Dave Manning: Chairman, American Trucking Association

Dave Manning is President of TCW based in Nashville, TN. TCW was founded in 1948 as a small family-owned warehousing business serving the finished tobacco industry. After joining TCW in 1985, Dave was instrumental in leading the growth of the company from a single terminal to a diversified transportation enterprise with more than 600 employees and revenue in excess of \$80 million. TCW is still family owned and operated by the third generation of the George family.

Dave currently serves as Chairman of ATA; He also has served for more than a decade as a member on the nine-member Committee which administers the Uniform Intermodal Interchange Agreement; the standard interchange agreement for the intermodal industry.

Brian Fielkow: President, Jetco Delivery



Based on his 25 years of business leadership and firsthand experiences as a current business executive, Brian Fielkow, J.D., offers a unique approach to cultivating a healthy culture. Owner of Houston-based Jetco Delivery,

he is the author of *Driving to Perfection: Achieving Business Excellence By Creating A Vibrant Culture*, a comprehensive guide for building strategic company culture. He has developed

a proven formula that directly ties a company's culture to its bottom line by empowering employees, managing and driving change, and distinguishing between values and priorities.



Tom Sorel: Director, ND Department of Transportation

Thomas Sorel was appointed Director of the North Dakota Department of Transportation (NDDOT) in August 2017 by Gov. Doug Burgum. Sorel served as Minnesota Department of Transportation commissioner from 2008-2012, overseeing a workforce of 5,000 employees with a \$4.3 billion annual budget and a \$1.4 billion annual transportation program. Prior to that, he had a 30-year career with the U.S. Department of Transportation's Federal Highway Administration, serving as administrator of its St. Paul Division from 2005 to 2008 and receiving a presidential honor for his leadership related to the I-35W bridge collapse response, recovery and rebuilding.

Sorel most recently served as chief operating officer of the Minnesota Trucking Association. He previously ran his own transportation consulting firm in Woodbury, Minn., and served as vice president of surface transportation for Serco North America, working on intelligent transportation systems and other areas.

Fun Night Entertainment



Andy Hendrickson, Comedian

Andy Hendrickson is a comedian, writer, and actor who built his career in New York City. He now resides in Los Angeles. He has a clever, conversational style that has been

engaging audiences for over 15 years. His material is based on real-life experiences, and his anecdotes are laced with a hearty disapproval. He doesn't really know what that means either.

Andy has a matter-of-fact sense of humor and specializes in highlighting life's silly details. One reviewer said it best, "He's the exasperated guy next door." But hey, don't take my word for it, I'm just a broke college student that Andy paid \$5, on a freelancer website, to make this thing sound good. Instead, watch one of his many clips from his TV appearances.

Convention Special Events

TruckPAC ND Contributors Reception (by invitation only)

This reception recognizes members of TruckPAC ND's 141 Capitol Club. For more information on attending or to become a member of the 141 Capitol Club, please see the registration desk.

Golf Scramble

The NDMCA Convention Golf Scramble, which is sponsored by RDO Truck Centers, will be held at Fargo's Rose Creek Golf Course. This great networking event will offer free golfing to up to 48 carriers (limit two per company) the afternoon before NDMCA's Fun Night Reception.

Sanford Health Occupational Medicine Health Fair

This is your opportunity to experience a Health Screen that could be incorporated into your company's comprehensive wellness program. The Health Screen measures biometric values and assesses well-being. Your personalized review will identify risk factors for disease, discuss lifestyle habits influencing biometric results and provide recommendations for follow-up. Employers offering Health Screens receive an aggregate report and corporate wellness strategy consultation.

Safety Awards Banquet

Each year the North Dakota Motor Carriers Association gathers at our annual convention to give special recognition to industry professionals who go above and beyond and show an unwavering commitment to safety. Awards for Fleet Safety, Service Technician of the Year, Service Manager of the Year, Safety Professional of the Year, Trooper of the Year and Driver of the Year will be given in 2018 in recognition for achievements in the previous year.

Breakout Session Topics Include

FMCSA Regulatory Update, The New Tax Law and the Trucking Industry, Electronic Logging Devices, Cyber Security, Reasonable Suspicion Training, Permitting System Feedback, Fuels and the Trucking Industry, ND DOT & the Vision Zero Campaign, Safety Director Roundtable, Truckers Against Trafficking – Train the Trainer, ND Transportation Research, Human Resources and Platooning.

Schedule of Events:

Platinum Sponsors – Dixon Insurance & ITL, Great West Casualty Company, PrePass - Service provided by HELP Inc.

Tuesday 5/15/18

- 7-9 p.m. – Vendor Booth Set Up – Ballroom

Wednesday, 5/16/18

- 8:00 a.m. – Breakfast – Ballroom, **Sponsored by PrePass - Service provided by HELP Inc.**
- 8:30 a.m. – Convention Opening, **Melissa Dixon, NDMCA President** – Ballroom
- 9:00 a.m. – Opening Keynote Speaker: **David Manning, Chairman American Trucking Associations** – Ballroom
- 10:00 a.m. Breakout Sessions
 - › Executive Session – Bach Room: **2018 Human Resources Trends and Legal Topics**, Lauri Dahlberg, Eide Bailly
 - › Industry Session – Brahms Room: **Fuels & the Trucking Industry**, Hoon Ge, Meg Corp
 - › Compliance Session – Mozart Room: **Reasonable Suspicion Training**, Sanford Occupational Medicine
- 11:00 a.m. Breakout Sessions
 - › Executive Session - Bach Room: **Reducing Workforce Insurance Costs in ND**, Trisha McParland, WSI
 - › Industry Session - Brahms Room: **ND DOT & Vision Zero**, Karin Mongeon, ND DOT
 - › Compliance Session – Mozart Room: **Reasonable Suspicion Training (continued)**, Sanford Occupational Medicine
- 12:00 p.m. Luncheon – Ballroom, **Sponsored by UPS & Sponsored by J.J Keller & Associates**
- 12:00 p.m. Golf Scramble, Rose Creek Golf Course, **Sponsored by RDO Truck Centers, Golf is free to the first 48 carrier members (two per carrier) to register for golf.**
- 12:00 p.m. – 4:30 p.m. Visit the ATA Image Truck Outside Convention Center
- 1:00 p.m. **Safety Director Roundtable**, Mark Wolter, President, FM Transportation Club - Ballroom
- 2:15 p.m. **Truckers Against Trafficking, Train the Trainer**, Ashley Smith, TAT – Ballroom
- 2:15 p.m. Feedback Sessions
 - › IFTA/IRP Office – Bach Room
 - › North Dakota E-Permit System – Brahms Room
- 3:15 p.m. Afternoon Break– Ballroom
- 3:45 p.m. – Electronic Logging In North Dakota, North Dakota Highway Patrol
- 6:30 p.m. – 7:30 p.m. - Fun Night Reception – Ballroom, **Sponsored by Freightliner Corp, Fargo Freightliner, Forks Freightliner, Trucks of Bismarck, Westlie Truck Center**

2018 CONVENTION CONTINUED

- 7:30 p.m. Fun Night Entertainment: Andy Hendrickson, Comedian – Ballroom, *Sponsored by Interstate PowerSystems*
- 8:30 p.m. Fun Night Dessert – Ballroom, *Sponsored by AllState Peterbilt Group*

Thursday, 5/17/18

- 7:30 a.m. Leadership Breakfast – Ballroom, *Sponsored by Johnsen Trailer Sales*
- 8:15 a.m. Keynote Speaker: Tom Sorel, Director, North Dakota Department of Transportation
- 9:15 a.m. – 11:15 p.m. Sanford Health Occupational Medicine Health Fair – Outside Ballroom
- 9:15 a.m. Breakout Sessions,
 - › Executive Session – Bach Room: **Cyber Security in the Trucking Industry**, John Nagel
 - › Industry Session – Brahms Room: **ND Transportation Research**. Upper Great Plains Transportation Institute
 - › Compliance Session – Mozart Room: **FMCSA/ELD Regulatory Update**, LeeAnn Jangua, FMCSA
- 10:15 a.m. Morning Break – Ballroom *Sponsored by Pro Transport, Inc.*
- 10:45 a.m. Breakout Sessions
 - › Executive Session - Bach Room: **Tax Reform & the Trucking Industry**, Brittany Dunn, Eide Bailly
 - › Industry Session - Brahms Room: **Platooning & the Trucking Industry**
 - › Compliance Session – Mozart Room: **FMCSA/ELD Regulatory Update**, LeeAnn Jangua, FMCSA

Registration Information:

Register at www.ndmca.org Registration Deadline - 5/9/2018

- › New Member Company (limit 2) – Free
 - › First Member Company Rep. (Includes all events except golf) - \$250.00
 - › Additional Member Company Rep. (Includes all events except golf) - \$210.00
 - › Non-Member (Includes all events except golf) \$350.00
 - › NDMCA Golf Scramble - Free for Carriers (limit 2 per company, up to 48 total registrations)
 - › NDMCA Golf Scramble - \$80 per Allied Member/Vendor
 - › Fun Night Ticket- \$90.00
 - › Banquet Ticket- \$90.00
 - › Vendor Booth - \$400.00 (Includes one Registration)
 - › Non-Member Vendor Booth - \$600 (Includes one Registration)
- Registrations are transferable Cancellations before 5/9/18 are subject to a \$50.00 cancellation fee Cancellations after 5/9/18 are non-refundable

- 12:00 p.m. Member Luncheon – Ballroom, *Sponsored by Wallwork Truck Centers*
- 12:30 p.m. Keynote Speaker: Brian Fielkow, President Jetco Delivery, Author
- 2:15 p.m. Industry Segment Meetings:
 - › Allied Members – Bach Room
 - › LTL Carriers – Urban 42
 - › Private Carriers – Urban 42
 - › Specialized Carriers – Mozart Room
 - › Truckload Carriers – Brahms Room
- 3:15 p.m. Afternoon Break – Ballroom, *Sponsored by Lahr Agency*
- 3:30 p.m. NDMCA Annual Meeting (Open to all attendees) – Bach Room
- 5:00 p.m. Truck PAC ND Contributors Reception with special guests, Senator Gary Lee & Representative Cory Moch (By Invitation Only)
- 6:00 p.m. Awards Banquet Social – Ballroom, Sponsored by Nelson International
- 7:00 p.m. Annual Safety Awards Banquet with Lt. Gov. Sanford (Invited) – Ballroom Presented by Great West Casualty Company Supporting Sponsors - Dixon Insurance & ITL, Vaaler Insurance, Lahr Agency, Butler Machinery, PrePass - Service provided by HELP Inc, Strata Corporation
- 9:00 p.m. Awards Banquet Dessert – Ballroom, Sponsored by Cummins NPower

Lodging Information

The North Dakota Motor Carriers Association has secured a room block at the Delta by Marriot at the special rate of \$105/night for a standard room or \$125/night for a two-room suite. Reservations can be made by calling 701-277-9000. The room block ends 4/16/18.

Optional Golf Scramble: RDO Truck Centers is sponsoring this year's golf scramble, which will begin at 1 pm at Fargo's Rose Creek Golf Course. Registration for this event is free to carrier members of NDMCA (limit 2 per company, up to 48 total registrations) with prizes given during the Fun Night Reception.

TAKE YOUR FRONT LINES WITH YOU

By Brian Fielkow



A recent *McKinsey Global Survey* found that “organizations are no more successful at overhauling their performance and organizational health than they were ten years ago. A particular blind spot seems to be the failure to involve front line employees and their managers in the effort.”

Front line engagement is critical to a robust company culture. Our front lines are often responsible for the execution of mission critical tasks. They often have more customer contact than any other employees in our companies. Most of us know that front line performance can make or break our companies. If that is the case, why is it so difficult to truly engage our front lines?

Here are a few ideas on how to take your front lines with you:

- 1. We work for our front lines.** Let's face it: many executives and managers assume they are better than their front lines by virtue of their titles, education, or resume. This “pecking order” mentality is certain to create an unhealthy wedge between managers and their employees. We must promote a servant-leader mindset. Our mission as managers and leaders is to empower, grow and support our front lines.
- 2. Put away the discipline form.** When something goes wrong, many organizations revert automatically to progressive discipline. This robotic process must stop. It breeds fear, mistrust, and resentment. When an employee makes an innocent mistake, adopt a coaching process

instead. We are human. Humans make mistakes. When an innocent mistake is made, let's use it as an opportunity to coach the employee and identify any contributing systemic factors.

3. Recognize that the manager-employee relationship is sacred. I really dislike forced expressions of appreciation. They mask the need for a healthy day-to-day relationship. One day per year, companies send a birthday card to the employee. For the remaining 364 days, he or she is treated as an anonymous worker. Our time is much better spent training our front-line managers on how to truly lead front line employees. It's about getting to know our employees as human beings first, and as employees second. Consider that front line managers often come from a front-line position. The front-line manager may be technically excellent, but do they know how to manage? Let's spend resources teaching people what it means to manage. In the end, if the manager-employee relationship is broken, you can't fix it. You can intervene. You can mediate a situation. You are only delaying the inevitable if the employee and manager cannot develop their own relationship.

4. Bring your front lines inside. In my logistics company, Jetco Delivery, we created a drivers' committee. This was the single most transformative action we have taken. Far from a “coffee and doughnuts” feel-good session, our drivers' committee is involved in all fundamental decisions affecting our front line employees. Our front lines know they are represented and have a clearly defined (and safe) avenue to share concerns and ideas.

The McKinsey study above confirms what most of us know. Unhealthy alienation often exists between our front lines and the rest of our organizations. The good news is that you can fix this. It is a deliberate and strategic decision. It will take time, trust and transparency. It will not cost a lot of money. By making the decision to take your front lines with you, it is your opportunity to create a better functioning internal organization which will deliver superior results to your customers.

Brian will be a keynote speaker at the 2018 NDMCA Annual Convention

TRUCKING COMPANIES: HERE ARE THE ANSWERS TO YOUR QUESTIONS ABOUT TAX REFORM

By Andy Bollman, Trucking and Transportation Tax Principal P: 612-215-1842 E: andrew.bollman@CLAconnect.com www.claconnect.com/trucking

The recent tax reform legislation is the largest tax overhaul since 1986. While there are some elements of simplification (increasing the standard deduction, removing the alternative minimum tax (AMT) for C Corporations, etc.), the law as passed is quite complex. It will take years for the IRS to issue rulings and interpretations and for tax court rulings to settle disputes and offer clarity.

The change most trucking companies are immediately curious about is the treatment of pass-through entity income (e.g., income flowing to an owner's personal return from an S corporation or LLC). Under the new law, the top personal tax rate was reduced from 39.6 percent to 37 percent. Trucking companies structured as pass-through entities are eligible for an additional 20 percent deduction against income, reducing the effective tax rate to 29.6 percent.

The following discussion includes answers to many of the questions trucking companies are asking about the new tax law.

I own an S corporation.

What will my tax rate be?

The effective rate on your pass-through income will vary each year based on your circumstances. Instead of establishing a pass-through tax rate (like was the case with C corporations), Congress settled on pass-through entities being taxed at ordinary rates but with a deduction of up to 20 percent of qualifying income. Determining what "qualifying income" is will be tricky enough, but Congress added several limitations on the deduction as well. They include a limitation of the greater of:

- 50 percent of the W-2 wages paid by the business, or
- the sum of 25 percent of the W-2 wages paid plus 2.5 percent of the unadjusted basis of all depreciable property used in the qualified business

In the end, the blended federal tax rate for many trucking companies with pass-through income will end up at about 29.6 percent.

Because the C corporation rate is lowered to 21 percent, should a trucking company switch from an S corporation to a C corporation?

The earnings of a C corporation are generally subject to a lower

tax rate than the earnings of a pass-through entity (21 percent vs. 29.6 percent). However, the earnings of a C corporation are subject to a second level of tax of up to 23.8 percent when the corporation pays a dividend or is liquidated or sold. The second level of tax means the owners of a C corporation keep about \$0.60 for every \$1.00 in corporate earnings, compared to about \$0.70 for a pass-through entity, making a pass-through entity the entity of choice for a business that distributes most or all of its earnings. Each taxpayer's situation is different, and we encourage you to consult your tax advisor to discuss your entity structure.

What about state income tax?

As you may have heard, the deduction for state income tax and real estate tax paid by individuals will be limited to \$10,000 per year, starting in 2018. Thus, individual state income tax paid by business owners on pass-through income will generally not be deductible.

For example, an S corporation trucking company making \$1 million a year in Minnesota will lose about \$88,000 in state tax deductions (\$98,000 state tax, \$10,000 deduction limitation). Business property taxes continue to be fully deductible.

Is full expensing allowed for fixed asset purchases?

Bonus depreciation has been enhanced with a full deduction of the cost of most new or used property acquired after September 27, 2017. Real estate will generally not be eligible for the bonus depreciation, but certain real estate improvements will qualify. All eligible fixed asset acquisitions made between September 27, 2017, and December 31, 2022, will qualify for 100 percent bonus depreciation. From 2023 through 2026 bonus depreciation will phase down to zero.

Can I still claim Section 179 expense?

Yes. The maximum amount per year that can be expensed under Section 179 been increased from \$500,000 to \$1,000,000, effective for tax years beginning in 2018, subject to a phase-out beginning when the total cost of acquisitions during a year exceeds \$2,500,000. You can even elect to immediately expense the cost of some building improvements, including the cost of

replacing a roof or HVAC system. Now "qualified real property" for which Section 179 can be claimed includes roofs, heating, ventilation and air-conditioning (HVAC) property, fire protection and alarm systems, and security systems.

Can I still defer gains on equipment through like-kind exchanges?

No. In the past, trucking companies could defer gains on equipment traded in by making like-kind exchanges. Effective January 1, 2018, like-kind exchanges are only allowed to be made on real property (like land and buildings). With 100 percent bonus depreciation allowed over the next few years, this should have minimal tax consequence to trucking companies.

How does the new law affect per diems?

Trucking companies are still allowed to pay drivers a per diem allowance to cover meals and incidentals. The per diem is still nontaxable to the driver, and the company is still allowed an 80 percent business deduction for this. Some companies do not pay their drivers a per diem allowance. In the past, those drivers were able to take the per diem as an itemized deduction. Miscellaneous itemized deductions were eliminated with the new tax bill, so company drivers will no longer be able to deduct per diems. Owner-operators are still able to deduct per diems since they are in business for themselves.

Are entertainment expenses affected?

In the past, business-related entertainment expenses were 50 percent deductible. Under the new law, the cost of business-related entertainment is generally not deductible. Baseball tickets given to employees or customers, luxury boxes at stadiums, etc., are now non-deductible. Business-related meals continue to be deductible at 50 percent (going to dinner with the customers, etc.). Business meals on site for the employer's convenience are now 50 percent deductible. Holiday parties remain 100 percent deductible.

Is interest still deductible?

For businesses with less than \$25 million in average annual gross receipts, interest will continue to be deductible in full. For those with over \$25 million in gross receipts, interest is limited to 30 percent of net income before interest and depreciation. Since the deduction limitation is a function of income, the limitation is most likely to apply in years in which profitability is down. Interest exceeding the limitation amount can be carried forward to future years.

Since the 2017 year has ended, are there still some things I can do in light of tax reform changes?

There has been a lot of noise about various tax tricks, etc., that can be done for your 2017 year-end. Many have been generated from the tax headlines and not by actually reading the bill or making educated guesses on how the IRS will interpret the law. Some items are clear, however:

- Because tax rates are going to be lower in most instances (top rate going from 39.6 percent to 37 percent or less for S corporation/partnership owners), tax deductions are worth more in 2017. If there were expenses you expected to incur in early 2018, accelerating them to 2017 will save tax. The obvious type of items are accrued expenses, prepaid items, changing to the overall cash method, etc.
- Consider accelerated depreciation to expense fixed asset purchases.
- Write off old uncollectible receivables.
- Accrue bonuses to employees (must be paid within 2 ½ months after the business year end).

In conclusion

It will take some time for the dust to settle on this law. The IRS interpretations are just starting to come out and will continue for years. They will be followed up by tax court decisions. To help understand the impact of the new tax law on your business and your family, give me a call or contact a tax professional.

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