Going Lease or Own Authority: *What's Best for You?*

THE DOTTED LINE by Timothy D. Brady

By Timothy D. Brady

Truckers all have the thought of, "Should I go lease or bite the big bullet and become an Owner/Operator?" This is a decision which should never be taken lightly, as it will have a financial impact on you and your family. How you approach the choice will decide if the impact is a positive or a negative one.

For this discussion, "going lease" is where you own or are purchasing the truck from someone other than the trucking company to which you are leasing. In very few situations is it wise to lease-purchase a truck through the trucking company. The number one reason: vast majorities of lease-purchasers are tremendously under-capitalized—they have little or no money for operating or maintaining the truck, and the only benefactors are the trucking companies.

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The first process you need to complete is your self-evaluation—do you have the character to make it work? Do you have the skills and knowledge required to be a success? Finally, do you possess the financial strength to weather the challenges of building a business?

Do you have the character to be a lease operator or Owner/Operator?

1. Do you lead others well?
2. Are you decisive?
3. Do you enjoy being competitive?
4. Are you a self-starter? Do you have the required self-discipline?
5. Do you map out each step before moving forward?
6. Are you outgoing and assertive?
7. Can you delay immediate reward for future prosperity?

Understanding what makes you tick, and if that will translate into become a successful businessperson is something only you know. Self-honesty is paramount in deciding to make the leap. Do you have a hard time delegating projects and tasks to others? Are you able to admit to mistakes, learn from them and move forward? Are you able to go to people who are experts in areas in which you lack skills and knowledge and follow their guidance? These are all traits which will move you toward success. Lack of these can doom you to failure.

Do you have the physical and emotional strength to not only drive the truck, but also run the business end of the operation?

1. Are you prepared to give up even more personal time than what you currently do as a company driver?
2. Are you prepared for the disruptions to your take-home income, and the initial lower standard of living that occurs with any new business?
3. Is your family supportive of your trucking venture? (Going into the trucking business without family support has destroyed the strongest of families.)
4. Are you prepared for the emotional upheaval that invariably occurs with the disappointments, rejections and failures that come with going into the trucking business?
5. Do you have the financial strength to endure the business start-up period and inevitable slow times that occur with most truck Owner/Operators?
6. Are you prepared to work twice as hard to own a truck as opposed to just driving one?
7. Are you prepared to invest many hours, and risk your family savings to achieve your dream of truck ownership?

It is said that opportunity doesn't come without risk. You are the one who can decide what your risk tolerance is. But also consider the ones who depend on you: are they going to support you in the venture of going independent?

How much business know-how do you have?

1. Have you ever worked in a managerial position?
2. … in the trucking industry?
3. Have you had any business or accounting classes?
4. Do you understand basic business accounting?
5. Do you know the difference between fixed costs and variable costs, and how they relate to figuring your hauling rates?
6. Do you know what a break-even point is and how to calculate it?
7. Do you possess marketing and sales skills?

If you discover you don't have the business skills needed, are you willing to delay your plans while you learn them? Going into any business and finding you lack the knowledge or skills to operate at full throttle would compare to starting down a mountain knowing your brakes are out. In both cases, the results at the end aren't pretty.

Keep in mind the following responsibilities as you prepare to take on the business of trucking under your own authority:

1. You will increase your administrative time from a few hours a week as a lease operator to a few hours each day under your own authority.
2. With your own authority, you are everything from safety, dispatch, sales, operations, billing and collections, secretary, receptionist, HR and maintenance to the person who mops the floor.
3. With your own authority, your expenses will increase above those of a lease operator, with costs like cargo insurance, employee costs, taxes and more.
4. The days of tossing all your paperwork in a pile are over, as you will need a filing system to be prepared for a safety audit.
5. Advances will be a thing of the past. You'll need definitive cash flow management, billing and collection systems.
6. You'll need to be a part of a drug testing consortium.
7. You will need a marketing plan to locate direct ship customers, and a customer service plan to keep them. Relying strictly on brokers puts you on that mountain pass without any brakes.

Now, that's all the bad news; here's the good news—

1. You're a small businessperson in every sense of the word.
2. All the freight revenue belongs to your company.
3. You get to determine your freight rates.
4. You have increased flexibility of who you haul for and where you haul.
5. The sky's the limit. The potential to grow your business is only limited by your desire, abilities and knowledge.

Whatever direction you select; lease operator contracted to a trucking company or an Owner/Operator with your own authority, the choice is yours. Just do your choosing wisely. Continually seek knowledge and information to improve your operation, and you'll prove dreams do become reality.

Remember, it's your company, your truck.

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