Over the Road

Speaking from Experience

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There's a Better Way

I was thinking the other day about what the real success rate is of the many lease op programs offered in this industry. Although I am aware and involved in a couple that have very good success numbers, unfortunately they are the exception and not the norm.

Lease Op programs are an attractive option for many company drivers. Become an owner operator and the company will provide you an attractive truck that is well spec'd for the work offered and all you need to do is sign on the dotted line. Other companies feel strongly that entrants into their Lease Op program should put some skin in the game in the form of a down payment as a sign of commitment. If you're a decent company driver and your credit's in good shape...you're in!

Here is a revelation I have repeated many times:

"Good drivers do not make good owner operators, good drivers who are interested in running a small business and have an eye for detail can but don't always make good owner operators."

Here's an idea for both company drivers considering making this move and for trucking companies offering these programs. Try spending some up front time and do a little role playing to test the waters. What better way to check the likelihood of success of the candidate than to do a dry run of the program being offered?

If you're an existing company driver or an outsider who wants into a program, find out exactly what the pay package is for the company you are considering entering into the program with. The company you're considering should willingly offer up all of the details of the program. If they don't seem willing to share this information, cut and run fast.

Once you have obtained this information, create a "cheat sheet" containing all pertinent information such as rate per mile, all potential deductions including plates, insurance, fuel tax etc. Determine how the fuel surcharge is calculated and what the pay cycle is for cash flow purposes. Is there a balloon payment at the end of your lease? If so, then take the amount you might owe and divide it by the term (number of months) of the lease and put that amount aside each month. Factor in breakdown insurance, accounting and business services costs and other related expenses. All of these expenses are readily available with a little investigation. Budget for three months' operating expenses which need to be available in the case of an illness or any other occurrence that might keep you off of the road. You also need to determine your maintenance cost, which will depend largely on the age of the truck you are being offered. What you've done by compiling all of this information is create a simple business cash flow plan.

Is all this sounding a little overwhelming? If so, and if you're thinking you're not sure you're going to remain committed to this type of detail, stop right here. If you are not prepared to budget and track all of these items your likelihood of success just plummeted.

But if you're still with me, here is the next step. Realize and accept the fact that your pay cheque no longer rewards you by simply multiplying the number of miles driven by a mileage rate. You now will be rewarded by what is left on your statement. Remember some of my previous articles where I mentioned that it is not what you gross in dollars that count as an owner operator; it is what is left over at the end of the month that pays your bills. This doesn't mean that you will not need to work long and hard to get your miles in, because you will. But now your attention needs to be equally divided between maximizing revenue while minimizing your expenses.

If you are a company driver considering entering a lease op program and you're armed with all of the previously described knowledge, you have the tools needed to determine if you will be successful. Start driving your company unit as though you are an owner operator. Track your miles per gallon; the fuel cost should be available to you or easy to determine. Apply the fuel surcharge and when you have scheduled maintenance, ask the mechanic the normal cost of the service or repair. Apply your company's owner operator pay rate to the miles you have driven and do the math. If you do this properly (by the way you might want to mention to your company that you want to try this exercise for a month or two) by going through this exercise you can easily compare what you would make as an owner operator versus your regular paycheque as a driver.

Those companies reading this article who have an existing lease op program or are thinking of offering one in the future, should consider this idea as an effective way to screen for success. Rather than losing a suffering lease operator who ends up in over his or her head, you might just keep a very good driver. I would also strongly suggest that when you've done all your homework that you take your findings and offering to a qualified trucking industry business advisor who can review your work and troubleshoot any errors or emissions you may have missed.

Just like your kids who are heading back to school this month, you need to do your homework; it's the first step to success!

What do you think?
Feel free to drop me a line on this idea.

Safe driving!

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