

I am always impressed with the work ethic of the people behind the wheel of a truck. Getting owner operators off of the porch and down the road is not an issue with 90 % of our owner operator workforce. I was one of you for ten years and my objective when I left my home to begin a trip was to get where I had to be, unload, reload and then kick it to the house. If work ethic was the one and only factor necessary for success, almost all owner operators would be happy, financially secure individuals and we as an industry would be fighting off people who wanted to become independent contractors. Being an Owner Operator can in fact be a very profitable and liberating career. The intention of this column is not to scare off potential owner operators, but rather to draw your attention to the issues which, if approached correctly, will enable you to achieve personal and financial success should you decide to make this your chosen career.

Why aren't more owner operator ventures successful? One reason is that unlike any other business, it is far too easy to become an owner operator. What other business can you enter with nothing other than a driver's license and a down payment? Even the down payment is not always necessary. Trucking companies advertise for lease operators; be careful, though as some carriers' primary motivation is to remove the capital cost of equipment from their books. There is nothing wrong with this as carriers are in business to make money, as are we all. They offer equipment to individuals who, in many cases, see the

offering as possibly the only way they may ever become an owner operator.

So where do these programs go bad? Many problems stem from wrong assumptions; for example an individual who is a good driver with a good work ethic believes he or she has a good chance of success. In reality, although work ethic is a required ingredient of a successful owner operator, it is only one of many requirements. The driver, soon to become owner operator, might look at the price of the truck and ensure it is in line with the rest of the market. They look the contract over and again measure it against the rest of the market and if it appears to be in line they sign in all the right places.

It is soon after this that things often begin to fall apart for a variety of reasons. There are far too many reasons to analyze each one thoroughly in a two-page column, but the following is my big picture opinion, which I hope will provide you with a broad sense of why many owner operators are not successful. Use this information to plan your career and avoid the mistakes that some others have made in the past.

Good intentions are dangerous. Let me clarify this by saying I am not looking for bad guys here, rather I am suggesting that things often go wrong because of bad habits and wrong assumptions rather than by intent. To elaborate, I have long heard many of you complain that the major banks don't like owner operators.



Take Control

While this thought is commonly shared in our industry, I totally disagree with this line of thinking. It's not that they dislike trucking, the fact is that they have standard requirements they must adhere to when lending money. Unfortunately, many owner operators just don't measure up. Many don't measure anything for that manner, which is a serious part of the problem. I believe it would be a good exercise for all owner operators to head to the bank and ask if they will lend you the money to purchase your next truck. Do it to now and prepare yourself for your next purchase even if it's a year or two away.

Let me tell you what you will experience; the friendly bank manager will ask you for your cash flow statement, your business plan and your financial statements. Assuming you can come up with one or possibly all these items, the manager will then fill out a detailed credit application designed to establish your financial strength. A couple of primary questions that the bank requires answered are: Can you afford the vehicle? Can your cash flow support your payments? Can you absorb a hit such as a financial setback or an accident? What happens to your payment if you become sick or the engine blows up and you're not able to run your truck for a period of time? A thorough measurement of risk is taken and then they make their decision based on this risk.

This doesn't make banks bad guys; it makes them smart guys. Should the many people who don't have these very basic business items in place be jumping from their very secure driving positions to become owner operators? I don't think so.

Many truck manufacturers offer financing, as do other third party lenders. These finance opportunities were developed so that companies could sell trucks. While their interest rates tend to be higher than those of the banks, they are not bad guys either. Providing a financing option is a business decision for them and let's face it; they usually are taking much more of a risk because they are often financing the vehicle without proof of the business elements such as cash flow statements, a business plan and security needed to assist success.

If carriers made rudimentary business training a pre-requisite of participating in a lease op plan or even part of their owner operator hiring requirements, there would be many fewer failures within the owner operator community. I am not talking about turning every owner operator into a business expert. I am talking about teaching business basics to potential owner operators such as showing that a simple cash flow statement can be prepared in as little as a few hours' time. The information gained from this simple exercise can open a world of opportunities and potential avenues for success and position you to reap the benefits of this rewarding career.

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

Safe Driving!

Ray J. Haight
CEO The Alliance Canada
Email: ray@otr.on.ca 🍁