

From: Driver... to Lease Operator... to Owner Operator... to Trucking Company

Most every driver has been tempted to consider owning their own rig (no matter how fleetingly). When 8-12% of all drivers are operators the remaining 88-92% naturally compare. Some comparisons last only a few seconds while others roll it around in mind for decades. Most (obviously) don't take the plunge. They stay the course and safely huddle in their fortified trucking careers (not that they may not venture out in things non-trucking related).

Seeing that about 10% accept the challenge, it's a worthy objective to present a road map for those whose thoughts entertain rolling ideas. Society consists of many different types of personalities and abilities. There will always be those who engage themselves in entrepreneurial thoughts. Their minds are seldom satisfied with the status quo no matter how pleasant and productive it is for them. They are not necessarily enticed by money and power but usually the challenge itself. It's the challenge to create their own destiny and build something they can call their own. Operators have a thread of independence and courage that the remaining 90% either: do not have, apply in other fields, or simply ignore. Having the entrepreneurial spirit doesn't guarantee success at anything except maybe partially understanding restlessness.

Some have strongly implied operators are a thing of the past. To which I respond, only if the entrepreneurial spirit dies in the society as a whole. Trucking companies generally acknowledge that operators perform 25-30% more than company drivers. It may well be because they are more driven... ("pun alert").

As in my first book I define Lease Operator and Owner Operator differently. Usually the terms refer to operators who lease their truck verses those who own them. Probably these definitions originated from trucking companies who tried to categorize their in house operators (comparing regular operators from those in the company "truck lease programs"). The terminologies have also become somewhat interchangeable. The reason I define them differently is because the operator industry has two very different business model contracts available to drivers.

I define a lease operator as one who gets paid cents per mile while an owner operator as one who gets paid percentage of the freight charged to the customer. The two business models require completely different skill sets, and can get completely different results if the skill sets are not properly aligned.

A lease operator's first concern is: miles, miles, miles! Their next concern is the efficiency of their personal cost per mile because their revenue is a fixed rate (such as the word "lease" implies). Their profit is (should be) completely dependent on their operating efficiency and not market fluctuation. If market freight rates go up (or down) their revenue doesn't change. If the market price for fuel goes up (or down) their net fuel expense shouldn't go up or down either (assuming they are getting standard fuel economy from their truck operations). Companies who set their fuel surcharge for their lease operators at 12.5 miles per gallon (actual example) are consciously exposing their operators to an illegitimate business practice (they are thieves).

An "owner" operator has an inherent sense of risk associated with ownership. They are exposed to the market fluctuations of their asset. Therefor OWNER operator is the business model that best describes a contract that exposes them to: empty miles, freight rate volatility and market fuel costs (just to name the big ones). The type of contract that is fully exposed is generally referred to as "percentage".

The mindset of the owner operator is revenue per mile (over time). If you have an opportunity to pick up a backhaul load for \$5.50 per mile but have to wait 10 weeks for it... it doesn't pay to stick around. But waiting for two days for an extra \$1000 is often times worth it.

Most lease operators can make the leap to owner operators... but not all. Some (all-be-it a small amount) just don't get it. Some will NEVER get it.

For some making the leap from a driver to a lease operator may not be as "risky" as leaping from a driver to an owner operator (the market exposures add complexity, requiring market freight knowledge such as lanes/rates/loops as well as other factors). The trust level toward the trucking company also rises exponentially. If you don't possess the added skill set, the learning curve may be too long to financially weather.

For many, moving from an owner operator to a trucking company may not be nearly as "risky" as the move from a lease operator to an owner operator. If you've been successful as an owner operator (running percentage) you have learned freight rates/lanes/loops fuel hot spots, cold spots, freight cycles and seasonal fluctuations. The primary difference between being an owner operator and running under your own authorities is now YOU quote the company, YOU invoice your bill, YOU have your own customs concerns, YOU deposit your own check and YOU pay your own fuel cards. The leap is almost entirely administrative. You may have to market and present yourself directly to the customer, but the entire trucking industry is built on reputation not but kissing. For the serious business minds there is a much higher requirement for action than words.

Building a career: into a business, into a venture into a dynasty is the story of all free markets. Running down the road today, maybe in the lane beside you is the next generation's industry leader. Maybe it's you! Nobody knows that for sure... except maybe you!