



Department for Planning
and Infrastructure

Running a Trucking Business in Western Australia:

A guide for owner-drivers

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Introduction

This guide is to assist owner-drivers to run a trucking business in Western Australia. It is by no means complete and exhaustive, and we urge you to also seek additional professional advice. The Small Business Development Corporation is one organisation that can provide advice on how to run a business.

A more detailed version of this guide is available online at www.dpi.wa.gov.au/ownerdrivers.

Before you go into business as an owner-driver, you'll need to be clear on a number of things.

You'll need to know who your customers are going to be, because without a guarantee of work, you'll find it almost impossible to get finance.

Who your customers are will also determine the sort of truck and combination you'll need, although you'll have to decide whether you want to buy second hand or new.

And you'll need to be clear about the risks involved, why you're going it alone and how much work you're prepared to put in, because that will have a bearing on how much money you'll need to set yourself up.

This guide will help you with considering options you'll have and with the calculations you might need to do. It will also help with information about how to set up and manage your business.

Don't forget that, by going it alone, you'll be foregoing employment benefits worth thousands of dollars – benefits like annual and sick leave, long service leave, superannuation and workers' compensation.

The road transport industry

Here's some information about the trucking industry as a whole. This will give you an idea of what to look for when you are finding out about the part of the industry you want to operate in.

You probably already know how to run a truck successfully, and this guide won't be giving you any advice about that. But running a business, even if you are the only worker, is different from being an employee. You'll need to set goals, draw up plans and make decisions that will mean the difference between success and failure. To do these things, you'll need detailed information.

While governments are pushing for more freight to be carried by rail, there will always be a place for trucks. Trains may be better for carrying large volumes of bulk goods over long distances, but trucks are better for moving goods door to door, over shorter distances or where time is a factor.

About 400,000 trucks are employed to carry freight in all parts of Australia. There are approximately 45,000 rigid trucks and 7,000 articulated trucks registered in Western Australia. The majority of them are used commercially and most are run by owner-drivers.

Will this situation continue? The Commonwealth Department of Infrastructure, Transport, Regional Development and Local Government (DITRDLG) predicts that the amount of freight to be moved will double by 2015, especially in perishable and specialised goods. Road transport is expected to maintain its share and to continue to grow as well. And there are opportunities for road transport operators to work with railways and ports, providing the links between ships and trains, exporters and importers, distributors and end users.

The freight industry is changing, however, and this is likely to place more demands on road transport operators.

If you are working for a prime contractor(s), you will need to develop your business plan taking into account the amount of work available now and into the future. One of the factors you may take into consideration is whether any of the loans or leases you have entered into will be affected by your being in a contractual relationship with others. The price of fuel also needs to be considered in any contract to ensure you are not caught out by any large price increase.

Prime contractors often prefer to deal with fewer operators and look for companies that can provide a range of services that include logistics and warehousing as well as transport. Many companies are introducing electronic systems for stock control, despatch and distribution planning. Transport operators may have to buy equipment that allows them to access the work or pay for somebody else to do it for them.

Regulators require:

- accreditation for operators of permit vehicles;
- maintenance and fatigue management systems for the business; and
- occupational safety and health training for drivers.

The emphasis on self-regulation means that road transport operators need to spend more time and money on planning, recording and reporting their activities. It also means that you must keep up with legislative changes and new techniques that improve efficiency and productivity.

The bottom line is that to make a living as a truck owner these days, you need to be a professional operator. And this means thinking like a business person.

Making a success of your business

There are a number of things you can do to increase your likelihood of success. Here are some of them:¹

- Increase your efficiency where you can.
- Ensure you're running only cost-efficient vehicles and keep a record of both vehicle-related costs and services.
- Monitor vehicle use and downtimes. This is essential if you are to make the most profit you can.
- Understand activity-based costing. If you know how much it costs to run your truck and how much it costs to be off the road for the day, you'll make better decisions about what jobs to take, what you need to be paid to do the job, and what extras you can afford to buy. And be prepared to change things quickly if your costs rise or your revenue falls.
- Use technology to ensure you are operating efficiently. If it helps your business, investigate truck management software, internet booking systems, allocations of load drops, approved increased axle loading schemes and global positioning systems (GPS).
- Develop relationships. Developing good relationships with the people you do business with is worth the effort, particularly those who provide you with advice, services and supplies. You are more likely to get good service day to day and a little bit extra in an emergency.

¹ From Prentice Parbery Barilla (SA), *Industry Risk Bulletin on the Road Transport Industry*

- Add value. Consider providing a holistic service, perhaps through a strategic alliance with another business. While warehousing requires significant capital expenditure and involves totally different skills, you could work with a company whose people have those skills.
- Find a niche and specialise. Provide a service not many other people provide. An example of a specialist niche is the provision of container transport between railhead and distribution depots.
- Compare your business with others in the industry to see if you are better and smarter.
- Develop strategic alliances. Network and make contact with operators in other geographical regions.
- Carry out other transport tasks, inter-modal operations, warehousing and logistics. This will enhance your reputation and make your business more attractive to your customers by expanding the range of services you can offer.