

Frequently Asked Questions (FAQs)

1. What is the difference between an owner-operator and a leased on owner-operator?

An owner-operator that operates under their own authority is a true entrepreneur in that they operate under their own DOT number. A leased on owner-operator operates under the authority of a carrier.

2. As someone new to the trucking business which is the best route to take?

That of course will vary somewhat but the normal path is to lease on to a carrier for a few years until you understand the basics of the business and then obtain your own authority. It is difficult and often cost prohibitive to obtain truck insurance without having experience as a leased on owner-operator.

3. If I lease on am I an independent contractor?

Yes you are considered an independent contractor.

4. Why should I lease on instead of getting my own authority?

When you lease on you are responsible for your own cost of operation. You pay the bills on your truck you purchase the fuel, maintenance, license etc. Depending on the carrier you lease on to you are for all intensive purposes an owner-operator, however, you are not responsible for finding your own loads and may take advantage of benefits that an established carrier provides, such as fuel discounts etc. This provides the new owner-operator a chance to understand the various cost of operation and to experience how the business cycle works.

5. Do all leases look similar and are there things to be aware of in a lease?

Leases may be as short as one or two pages or as lengthy as 30-40 pages. There is no basic format for leases but there are Federal Regulations that require that all leases contain certain information found in Title 49 part 376.11 and 376.12 of the Federal Motor Carrier Safety Regulations. It is vital that you understand your rights and your responsibilities.

6. What income can I expect from being a leased on owner-operator?

The pay range for leased on owner-operators depends on any number of factors but overall according to the 2014 Owner-Operator survey conducted by the Owner-Operator Independent Drivers Association Foundation for 2014 the median pay for a leased-on owner-operator was \$53,000, keeping in mind that these owner-operators have been in business for over 20 years. Your income will largely depend on how well you manage your cost-of-operations and the pay structure of the carrier you drive for and the miles you drive. Realistically, you should make \$35,000+ your first year.

7. What income can I expect from being an owner-operator operating under my own authority?

According to the owner-operator survey of its members the 2014 Owner-Operator Independent Drivers Survey shows a median income of \$56,000+. Keeping in mind that these owner-operators have been in business for 20+ years. If you manage your cost-of-operations and develop a flexible and strategic operation you realistically should expect \$40,000+ your first years of operation.

8. When I invest in a truck is it better to buy new or used?

There are trade-offs with each decision. Buying new usually means initial maintenance cost will be low but the initial investment will be much greater. Usually when a truck gets 500,000miles or more the maintenance cost increases substantially but the initial cost is lower. Starting out most owner-operators invest in a used truck. Like any used equipment purchase there are a number of things to check out, make sure you do just that as there are no "lemon laws" on commercial vehicles.

9. How many miles can I expect to get in a year?

The owner-operator usually operates on what is called the long-haul routes; that is 700 miles or more per trip. The number of miles that most long-haul owner-operators run is approximately 100,000+ per year.

10. How long does it take to get started?

The time can be as quick as 4 weeks, however, that assumes that you have your insurance in place, plates are taken care of, have your pre-employment drug screening completed and are enrolled in a consortium for drug testing. Getting plates and IFTA for certain states may require a waiting period of several weeks. There are those agencies that will advertise that they can get your authority within 2-3 days and you can be on the road, this is a lie as there is a mandatory 10 days comment period that has to pass and you have to have your insurance in place, which can take days. You can get your DOT number in 2 days but you cannot legally operate at that time.

11. How much does it cost to get my authority?

The FMCSA charges \$300 for you to obtain your authority, there are two types of authority, common and contract. You should sign up for both types as the \$300 is for both or you will pay the same for just one. Actually there is no difference between the two anymore except some states allow tax exemption for certain types of authority on some truck equipment.

12. Should I purchase a trailer?

Like just about everything else there are pros and cons to owning your own trailer. If leasing on to a carrier they normally will have the trailers for you to pull. In some cases owning a trailer that a particular carrier uses infrequently may make you a more desirable applicant as you can lease your truck and trailer on to them. As an owner-operator under your own authority you would want to own your own trailer remembering that it often times limits the types of freight you can haul.

13. Should I incorporate?

Generally speaking if you are under your own authority and have a single truck and/or single tractor and trailer it doesn't provide you with the protection you may think as you will be the driver as well as the owner so you are liable both personally and professionally. There are some advantages to being an LLC but again it depends on a number of related factors.

14. How much insurance is required?

At the present time a minimum of \$750,000 of Public Liability is required. If you are going to haul hazardous material then the minimum is \$1M to 5M depending on what you are hauling. There are other types of insurance that you should carry depending on whether you are leased to a carrier or operating under your own authority. If leased to a carrier you are not required to carry the Public Liability insurance the carrier whose DOT number you are leased to must carry the insurance but it is often charged back to you by the carrier.

15. What about cargo insurance?

There are no requirements for a minimum amount of cargo insurance but very few shippers will allow you to haul their products without cargo insurance on file. The amount you carry will largely depend on what products you plan to haul and the amount of deductible you are willing to accept.

16. Can I get my authority online?

You can and the FMCSA has a website that walks you through the process, however, if you fail to cross every T and/or dot every I there is a good chance you will fail to actually register. The FMCSA is not good about telling you about the failure and you may wait for weeks before finding out you did not properly register for your authority.

FASTPORT would like to thank  for providing this valuable content for our military veterans to ensure they are fully prepared to become an Owner-Operator in the trucking industry.