PROGRESSIVE REPORTING AGENCY

How To Start Your Own Trucking Company

The guide was designed to assist any individual ready to take control of their life and run their own trucking company. Follow this straightforward guide to remove any question and frustration when starting your own trucking company. The great things you do in life are usually not easy, but they are well worth it. This guide is meant to give you an idea about most of the steps required to start a trucking company. It may not contain everything you need, but it will get you close. Let us help you get across the finish line, call one of our startup coaches for a free custom tailored game plan today!

We'll go through the most common steps you need to take to start your trucking company, giving you a good idea about what lies ahead.

STEP ONE: ESTABLISH HOW YOUR BUSINESS WILL BE ORGANIZED

The first, and probably most important, step in starting a business is establishing the type of business structure you will operate. The most common are:

- Sole-proprietorship
- Limited Liability Company (Commonly known as an LLC)
- Corporation (Inc)

The type of organization you decide to create will determine on whether you are operating as an individual or a company. You need the right structure to protect your personal assets. The wrong structure could expose your personal assets like your home and the money you have in savings to loss from lawsuits. On the other hand, the right kind of organization will give you a layer of protection, and peace of mind.

STEP TWO: **DETERMINE THE TYPE OF TRUCKING BUSINESS YOU'LL RUN**

There are many different types of trucking companies, the one you choose will usually depend on the type of goods you want to haul. People will typically focus on the area they either have experience with or have shipping or broker contacts who have loads you can haul. Here are some of the most common types.

- Reefer (Refrigerated Trailer)
- Dry Van
- Flatbed/Lowbed
- Tanker
- HAZMAT
- Timber
- Hotshots

STEP THREE: **OBTAIN REQUIRED FEDERAL AND STATE LICENSING**

Most companies that operate a Commercial Vehicle over 10,000 lbs GVWR (Gross Vehicle Weight Rating) will need to obtain a USDOT Number and/or Federal Operating Authority. Typically, if you travel through more than one state and are "For-Hire", meaning you haul the property of others, you will need both a USDOT Number and Operating Authority. If you travel in only one state or you are not "For-Hire", you usually only need a USDOT Number. If you have to get Operating Authority, there is a 21 day vetting period all applicants must go through before the FMCSA (Federal Motor Carrier Administration) will activate your authority.

These are not hard and fast rules, so you will want to talk to us and we'll help you determine what is needed for your type of operation. There are other things to consider that are beyond the scope of this guide. Here are some of them:

- Additional state permits required by states you plan to operate in
- The type of operating authority you need
- If you need a HAZMAT (Hazardous Materials) Permit
- BOC - 3 Filing
- UCR (Unified Carrier Registration)

Each state can very in trucking rules and regulations, make sure to research your state's commercial driver's license requirements, rules and manuals, safety information, licenses and permits, taxes, and all other related items. For more information on the regulations the trucking industry faces, download our Getting in Compliance with the Transportation Safety Regulations guide. These regulations can be confusing and time-consuming, consider hiring a compliance professional to help make sure all of your requirements are met.

STEP FOUR: **DETERMINE HOW YOUR BUSINESS WILL OPERATE**

There are two common ways most trucking companies operate. They either hire employee drivers or use leased owner-operators. There are pro's and con's of both methods, we'll cover some of them here. Keep in mind, some companies use both techniques and have some employee drivers and some owner-operators.

LEASED-OWNER OPERATORS:

You will run your business using sub-contractors as your drivers, these drivers will bring their own equipment. You will run the business and receive contracts like a normal business owner but the drivers will not actually be employed by your company.

PROS

- Cuts down on start-up costs
- May cut down on insurance costs
- Reduces required equipment
- Owner-operators are usually more invested in the company's success

CONS

- Less control over your drivers
- Cuts into your profits

EMPLOYEE DRIVERS:

You will privately run all of your operations, giving you full control of your business. By running your company this way you will have to use all of your own equipment, and hire a fleet of private drivers as employees.

PROS

- Total control over your business
- Total control over your employees
- Typically results in higher return on profits

CONS

- Higher start-up costs
- Higher operating costs
- Usually more headache working with employees vs. owner-operators

STEP FIVE: **BUY/LEASE THE PROPER EQUIPMENT**

If you choose to operate your company using employee drivers, you will need to purchase your own vehicle(s). Your start up costs and budget will determine how many vehicles is reasonable and what type. Many businesses will start with a small fleet and increase in size as they become profitable. Explore your options depending on the type of trucking company you will run. Below are some options to consider based on need:

NEW

Low maintenance, less downtime, newest technology, lower operating costs, environmentally friendly. If you run a lot of miles and can afford to buy a new truck it is highly recommended. If you aren't running many miles a year then used is a solid option.

USED

Lowest price point basically getting two for one. Run the risk of issues due to age. Do your research and check with the people who service and repair them to make sure you're getting a truck that's worth the value. If you go the used route, be cautious, you don't want a truck that is going to blow an engine or transmission or experience high repair costs during the first year. Major repairs during the two years of operation is one of the most common reasons we see companies go out of business.

BUY

Large motor carriers tend to have the expertise to manage all aspects of vehicle ownership. If interest rates are low, trade-in allowances are good, you have financing sources, and enough money to cover the down payment, buying is often a good option.

LEASE

There are many advantages to leasing. Lower down payments, you can typically expense the entire monthly payment, and the lease usually ends before major repairs are needed. Because leasing requires less money, you typically can grow faster and have more operating capital.

STEP FIVE: **INSURANCE**

Insurance is one of the most important and costly pieces of your business. It is essential that you obtain your insurance from an agent who specializes in Trucking Insurance. Failure to do so can cause delays in our authority becoming active and not having adequate coverage in the event of an accident or issue with a load.

We have seen too many companies go out of business because of insurance issues. Don't be one of them, be sure to understand your insurance responsibilities fully by discussing them with a Commercial Vehicle Specialist. Keep in mind, if your drivers don't have at least two years of CDL insurance it can be hard for a new trucking company to obtain commercial vehicle insurance for companies that operate long-haul.

Along with you insurance responsibilities, your employer responsibilities require you to comply with health and safety standards and regulations. If you hire employees, your agent should be able to tell you want you need to do regarding Worker's Compensation Insurance. We have a handful of agents we can refer you to who deal specifically with truck insurance

STEP SIX: **MAKING SURE YOUR VEHICLES ARE COMPLIANT**

REGISTRATION/TAGS Registering your truck and trailer is a much more complicated and expensive process than registering your car. You actually pay registration fees in every state you travel through or plan to travel through. Depending on your state, the Tax Commission, DMV or DOT typically handles vehicle registration.

The two most common types of Commercial Vehicle registrations are Base Plating and IRP (International Registration Plan). If your commercial vehicle is going to stay in one state or rarely travel out of state you will probably Base Plate. Base plates are only good in the state where it was issued. Typically, vehicles with a GVW over 26,000 lbs will also need to get a Special Fuel Use Permit as well.

If your vehicle travels through more than one state, you will typically need to get IRP registration. This type of registration allows you to take your commercial vehicle into every state and Canadian province. If your vehicle(s) have a GVW over 26,000 lbs, you will probably also need an IFTA (International Fuel Tax Agreement) license as well.

SAFETY INSPECTIONS Most commercial vehicles have to have an annual safety inspection.

STATE REQUIREMENTS Some states have additional requirements for vehicles that pass through them. For example, trucks and trailers that go into California must be CARB (California Air Resources Board) compliant.

STEP SEVEN: **THE NEW ENTRANT AUDIT**

Within the first year of being in business, every new motor carrier is required by law to pass what the FMCSA calls a new entrant audit. During the audit, someone from the FMCSA, or one of their state partners, will usually visit with you in person and conduct an audit to make sure you understand and are following the safety regulations. The audits usually last anywhere from 1-4 hours depending on how well prepared you are. They are looking to make sure you have a system in place to follow the regulations. Our Audit Assurance Package helps you develop that system so you pass the audit without any problems.

STEP EIGHT: **KEEP YOUR WHEELS TURNING**

In the trucking industry, if your wheels aren't turning you aren't making money. It is important that you have enough loads to keep you truck moving. Equally important, those loads must be profitable. You need to understand what your expense per mile is and how much profit you should make per mile so you know if loads you are looking at hauling will make you money. The last thing you want to do is take loads that you lose money on.

The trucking industry is a competitive one, making it difficult to receive contracts. Starting out can be a challenge, not every shipper or broker will work with a new trucking company, you will have to build a positive reputation in order to gain good accounts. As time goes on more and more doors will open and being profitable will become easier. There are three main ways most companies get loads:

- Directly from shippers (Most profitable)
- Through brokers
- Using load boards

It is common for successful trucking companies to develop relationships with shippers in their home town so they can get the best rates for loads that take them out of town. Then they will use brokers or load boards that typically pay less for the backhaul that gets them back home. As long as the combined rate of the two loads is good, you'll come out a winner. That is a very simplistic example, but it gives you an idea for what many companies do.

Load boards typically have tools that tell you where the best rates are based on current conditions. Over time you can use them to learn where to go to get the highest paying loads based on the time of year.

Another big stumbling block is a lack of cashflow, especially early on in the life of a trucking company. Most transportation companies don't start collecting payments for the work they do until 30 days or more after they completed the work. Most businesses don't have enough cash on hand to pay for their fuel and all the bills that come due before payments from their clients start coming in. We have financing solutions to help bridge that gap and smooth out your cash flow so you have the money you need to operate when you need it.

CONCLUSION

Owning your own trucking company is a challenge, but also very rewarding. It is a great way to create the kind of income and lifestyle you want. Hopefully this guide has given you a better idea about how to get from where you are today to rolling down the road earning money that goes to no one else but you. If you have additional questions about the process, we are only a phone call away. Good Luck!

PROGRESSIVE REPORTING AGENCY

7304 S 300 W, STE 201
MIDVALE, UT 84047

1-866-736-6507

INFO@PROGRESSIVEREPORTING.COM