

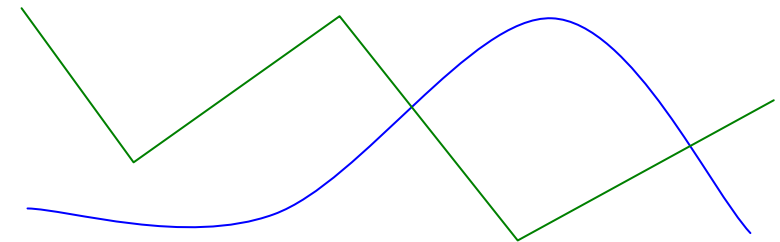


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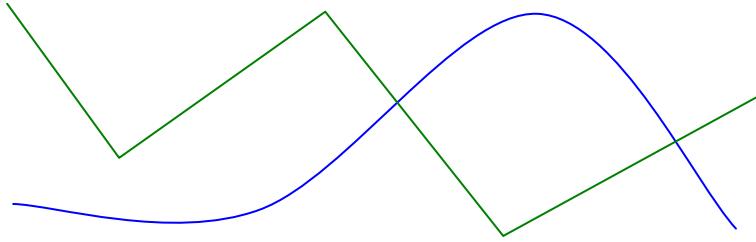


Running a Trucking Business in Western Australia:

A guide for owner-drivers



January 2012



Disclaimer:

This information has been prepared as a guide only.

None of the information in this booklet is intended to constitute advice, whether legal, financial or professional.

Before you act on the information in this booklet, you should first get specific independent advice about your particular circumstances.

You should not act solely on the basis of the information in this booklet.

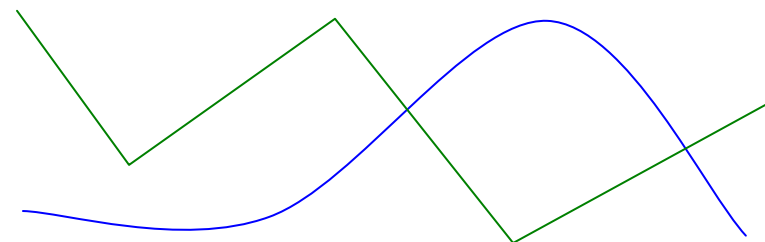


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1. Introduction

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 seek additional professional advice.

The Small Business Development Corporation is one organisation that can provide advice on how to run a business.

An electronic version of this guide is available online at www.transport.wa.gov.au/freight

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

You will need to know who your customers are going to be, because without a guarantee of work, you will find it almost impossible to get finance. Who your customers are will also determine the sort of truck and combination you will need, although you will also have to decide whether you want to buy second-hand or new.

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

This guide will help you with considering the options you will 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.

Remember that by going it alone, you will 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**

The following is some information about the trucking industry as a whole. It will give you an idea of what to look for when you are finding out about the part of the industry that 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 will need to set goals, draw up plans and make decisions that will mean the difference between success and failure. To do these things, you will need detailed information.

While governments are pushing for more freight to be carried by rail, there will always be a place for trucks. Trains might 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? It has been predicted that the amount of freight to be moved will have increased greatly by 2015, especially in perishable and specialised goods. Road transport is expected to maintain its share and continue to grow. Plus 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.

However, the freight industry is changing and this is likely to place more demands on road transport operators. If you are working for one or more prime contractors, 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 might 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 that you are not caught out by any large price increases.

Prime contractors (hirers) often prefer to deal with fewer operators and look for companies that can provide a range of services that includes logistics and warehousing as well as transport. Many companies are introducing electronic systems for stock control, despatch and distribution planning. Transport operators might have to buy equipment that allows them to access the work, or pay for someone 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 several things you can do to increase your likelihood of success. Here are some of them: ¹

- ✚ Increase your efficiency where you can.
- ✚ Ensure that you are running cost-efficient vehicles. Keep a record of 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 will make better decisions about what jobs to take, what you need to be paid for doing each job, and what extras you can afford to buy.

Be prepared to change things quickly if your costs rise or your revenue falls.

- ✚ Use technology to ensure that you are operating efficiently.

Investigate truck management software, internet booking systems, allocations of load drops, approved increased axle loading schemes and global positioning systems (GPS) – any of which might help your business efficiency.

- ✚ 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 and perhaps a little bit extra in an emergency.

- ✚ 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 already have those skills.

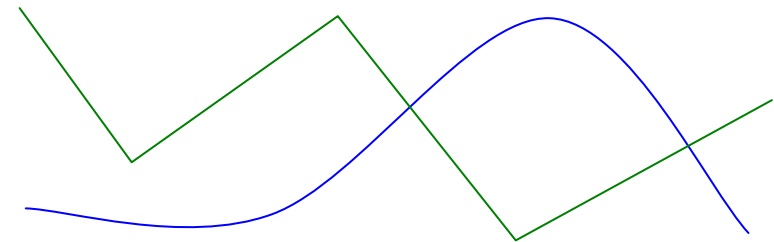
- ✚ Find a niche and specialise. Provide a service that not many other people provide.

An example of a specialist niche is the provision of container transport between railheads 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 geographic 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 that you can offer.



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

2. Being an Owner-Driver






If you decide to be an owner-driver, you will need to make a lot of decisions on how to run your business.

Following are some of the questions you might wish to ask yourself. It is important to note that these are general questions; you will need to assess whether they apply to your situation.



WHAT SORT OF WORK DO YOU WANT TO DO?

Here are some basic questions that you might ask yourself:

-  Do you want to do low-loader work – with oversize loads?
-  Do you want to drive a prime mover?
-  Do you want a B-double or road train combination?
-  Do you want to drive long distances or stay in the metropolitan area?
-  Do you want to take on interstate work?



WHAT DO YOU WANT TO GET OUT OF RUNNING YOUR OWN BUSINESS?

There are some costs that you won't be able to control – such as your truck payments, the cost of licences and permits, the cost of insurance and the cost of fuel. All of these will affect the profit you will make from the work you do.

But there are several ways that you will be able to reduce your costs – if you want to.

How Many Hours Are You Prepared To Work?

You might increase your income if you work more hours, by taking on more work. You will also maintain a better cost-per-kilometre rate as you increase the kilometres that you drive.

However, extra hours should not be at the expense of safety. You should ensure that all operations stay within the fatigue management regulations and that you achieve the necessary rest requirements.

Note that with extra kilometres, your truck will need servicing more often and it will reach the end of its working life sooner.

Are You Going To Do Your Own Servicing?

Do you have the experience and knowledge to carry out your own servicing? Having your vehicle regularly serviced reduces the likelihood of breakdowns and unscheduled downtime, while increasing safety on the road.

If you don't have the necessary experience or qualifications to service the vehicle yourself, it might be best left to a qualified mechanic. Servicing the vehicle yourself will also take up a lot of your leisure time.

What Do You Need To Consider When Deciding What To Pay Yourself?

After you have decided what your business expenses are likely to be, you will need to determine the amount that you will pay yourself (as wages or as drawings – depending on whether you work as a sole trader or for your own proprietary (pty) company).

It is also important to set aside money for major repairs and vehicle replacement.



HAVE YOU GOT WHAT IT TAKES?

The difference between being an employee and being an owner-driver is not just a matter of who pays the bills. To succeed, you must:

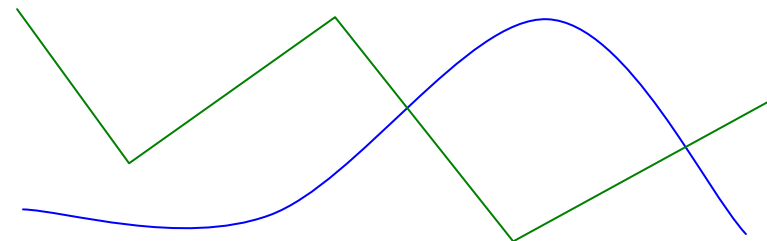
- ✚ Be a self-starter;
- ✚ Be prepared to work hard;
- ✚ Be prepared to set goals;
- ✚ Be comfortable with business negotiations;
- ✚ Be good at dealing with customers and providing them with good service;
- ✚ Be good at promoting yourself and your business;
- ✚ Be a good organiser;
- ✚ Be able to deal with the ups and downs of owning a business;
- ✚ Be willing to learn;
- ✚ Understand the business you are in;
- ✚ Be willing to keep up with what is happening in the industry and with your customers and to change the way you do things when necessary; and
- ✚ Be able to work within the law, staying within fatigue management standards and other regulatory provisions.

Here are some ways of learning about the business you are taking on:

- ✚ Draw on previous experience in a similar business.
- ✚ Visit the Small Business Development Corporation.
- ✚ Speak to a professional accountant or bank manager.
- ✚ Your trade association is a good source of information.
- ✚ You will get the inside story by talking to other successful owner-drivers.
- ✚ Talk with potential customers and suppliers; ask for their opinions and ideas.
- ✚ Subscribe to industry publications.

Plan Ahead

Don't make the decision to become an owner-driver in a hurry. Work towards your plan and build up your cash reserves so that when you go out on your own, you won't have to borrow so much and you will be better prepared to deal with the unexpected.



3. Contractors and Contracts

Here are some questions that you might like to consider when entering into a contract. You might need to ask more questions and it is best to seek legal advice, plus advice from an accountant.

Even if you are operating in a part of the industry where it is hard to get a contract, you might want to ask the same questions about your potential customers.

CONTRACTORS ²


Factors To Consider When Assessing A Contract

These are general tips only. It is advisable to obtain advice from your legal and financial advisers on your particular situation.

It would be useful to find out how long the contractor has been in business. To do this, you can conduct a business or company search. Because you might be working solely for that contractor, you might wish to ask if your superannuation and workers' compensation insurance will be catered for.

It is essential that your contract be in writing and that all conditions be clearly written down after negotiations, so that you incur no losses. It is best to get legal advice before signing any contracts.

When you talk with a contractor, ask these questions:


-  Do I have to pay for goodwill and/or a franchise or contract fee?**

² From *Do I Want to be an Owner-driver?* With the permission of the Owner-drivers Association of South Australia Ltd.

-  Am I paid a waiting time allowance?**

-  Am I guaranteed a minimum number of hours per week?**

The contract is of no value to you if it does not assure you of work.

-  Does the company offer me a flat hourly fee, free of deductions, or does it take out a percentage of the vehicle's gross earnings to cover the company's costs?**

Many companies take out a percentage of the total earnings of the vehicle. This can be up to 45%; a figure that appears to be very excessive.

Remember that it is the company that is quoting in the market place, and if it quotes low just to win the business, then your potential to earn revenue is reduced. It won't affect the company quoting – it will still earn its percentage, no matter what.

-  Are there periods where earnings can be affected?**

There are times during each year when the demand for transport services can be quiet, such as after Christmas.

-  Are there provisions (in writing) for a price increase?**

Remember there are costs that can affect your financial return. What if the price of fuel goes up suddenly? Are there provisions in the contract to allow for rate adjustments for you to cover this increasing operating cost?

-  Why is the company advertising for owner-drivers on a regular basis?**

One possible reason for a high turnover of operators in a company is poor financial returns.

Talk With Other Owner-drivers

Probably the best source of information about a company is other owner-drivers. They will give you more candid answers than recruiters might.

When you talk to other owner-drivers, find out how long they have been working with the company. Pay attention to what he or she says, particularly if they have been with the company for more than two years. Better owner-drivers don't jump ship at the first sign of trouble.

You could ask these questions:

- ✚ Are you happy with the company? If not, why not?
- ✚ Do you get paid on time?
- ✚ Are the charge-backs on your settlement fair?
- ✚ Do your settlements clearly itemise deductions?
- ✚ Does the company penalise you if you refuse a load?
- ✚ Do you get home at reasonable intervals?
- ✚ How are complaints handled?

Running Your Own Business

If you become an owner-driver, no matter what sector of the transport industry you enter, you will be running your own business.

You must be aware of your costs, including fuel, repairs and services, tyres, insurance etc. Unless you know these costs, you cannot determine what rate you need to charge to be profitable.

Do your research

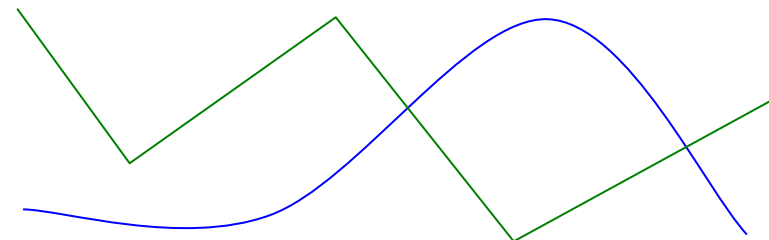
When you research a company, do not act like someone going for a job. You are a business person striking a deal with another business person. You have to look out for your best interests.

Don't shy away from asking tough questions. You might not get the answers you want, but it's better to find out how the company responds to certain issues before you sign a contract.

You can use the checklist on the next page to record information about the contractors or companies that you are investigating. Some of the items apply to courier companies, but you can modify the form to include the questions that you want to ask about each company.

The list is general in nature, so you should check with your accountant and lawyer on other issues to check.

You can copy or print out the checklist separately from the 'Useful Forms' chapter of this guide, or download it from the 'Owner-drivers guide' on the website: www.transport.wa.gov.au/freight.



Owner-Driver Checklist

Owner-Driver Checklist		
Name of company		
Name of representative		
Telephone number		
Date		
Do I have to pay a goodwill, franchise or contract fee?	Yes No	If yes, how much? \$
What is the rate being paid?	\$	
Am I guaranteed a minimum amount and/or hours per week?	Yes No	If yes, how much? \$
Are they prepared to put this in writing?	Yes No	
Am I paid a waiting time allowance?	Yes No	If yes, how much? \$
Does the company take fees out of the gross payment?	Yes No	If yes, for what and how much? \$
Radio	Yes No	\$
Uniform	Yes No	\$
Comprehensive insurance	Yes No	\$
Public liability insurance	Yes No	\$
Load transit insurance	Yes No	\$
Sickness and accident insurance	Yes No	\$
Other	Yes No	\$
To cover company's costs, does the company take a percentage out of the vehicle's gross earnings?	Yes No	If yes, how much? \$
Is the company advertising for owner-drivers on a regular basis?	Yes No	If yes, why?
Are there periods where earnings can be affected?	Yes No	If yes, when?
How soon are accounts settled?		
Does the company provide maintenance facilities?	Yes No	If yes, is there a charge for it? \$
What are the provisions if either party wishes to terminate the contract before the term runs out?		






THE CONTRACT

As an owner-driver you will want to ensure a regular supply of work. Companies you deal with will also want to secure drivers to meet their requirements.

When seeking work as an owner-driver, you might be presented with a contract, agreement or similar document and be asked to sign it before commencing work. This agreement will often appear like a standard form, with details such as your trading name and address inserted (often into schedules at the end).

You will be asked to sign. This is the time to exercise caution.

Do Not Sign Until:

-  You have fully read the document;
-  You have received independent legal advice (if needed);
-  You have received independent financial advice (if needed);
-  You have understood the document and its implications; and
-  All of your questions have been satisfactorily answered.

Questions And Issues To Consider Before Signing A Contract

There are many issues that need to be addressed, including the following.

The term of the agreement

You need to know how long the contract will run. Do not rely on what you are told, but check what is specified in the contract. This is especially important if you are paying for the contract or intend to purchase or upgrade a vehicle.

You will also want to check that there is a clause permitting you to renew the contract for a further term, if you wish to do so.

How may the agreement be terminated?

Having satisfied yourself that the contract term is appropriate, watch out for any clause that states something like the following: “Either party may terminate this contract upon providing 14 days’ notice to the other party.”

Usually the contract may only be terminated early upon the happening of some extraordinary event such as bankruptcy, criminal conduct, extended ill health, breach of a fundamental term of the contract, etc. However, it might be in your interests to have flexibility regarding termination of the contract, so it is best to see your lawyer for advice on this.

Does the agreement guarantee a minimum quantity of work?

The contract is of no value to you if it does not assure you of work.

Are you obliged to perform all work allocated to you?

Too much work can be almost as bad as too little. If you are obligated to personally perform all of the work, your failure to do so might be a breach of contract that results in termination of that contract.

You should check whether the contract gives you the ability to engage a sub-contractor to perform extra work or to do your work if you are unavailable.

How is the rate of pay calculated and paid?

This is often stated vaguely and is such a way that it might not be capable of enforcement – eg. “Payment shall be made in accordance with the company manual as varied from time to time” would be unacceptable. The rate of payment must be clear.

The manner of payment is also important – eg. payment three months in arrears would cause cash flow problems at the outset and be in breach of the WA *Owner-Drivers Act*.

✚ What provision is there for future rate changes?

A five-year contract that fixes the pay rate is unacceptable, because all costs will rise over time – especially fuel costs. You will need to carefully examine any provisions for pay increases, because these can often cause future conflict.

✚ Can you perform work for anyone else?

Are you intending to contract your services exclusively to one company or do you intend to perform additional work, either on your own behalf or for another company? Make sure that your contract matches your intentions.

If the assurance of a specific quantity of work is not stated in the contract, it is even more important to preserve the right to perform work for others.

✚ Are you restricted from operating your vehicle after the contract ends? If so, in what way?

On termination of a contract, some contract provisions can continue in force!

Often a contract will contain a 'restraint of trade' clause, preventing the driver from working within a particular area or for particular customers for a specified period of time. If the restraint is too broad, the courts will strike it out of the contract. But you will not want to go to court to find out. If you do, you will find out that there are many shades of gray, plus the exercise will be stressful and expensive.

A better way is to negotiate acceptable terms before signing the contract. Don't just rely on what is said – if the hirer says that a particular clause will not be enforced, it should be deleted. If they say that they will change an unacceptable clause, make sure that they put the change into the contract before you sign it!

If in any doubt about a restraint of trade clause, seek legal advice.

✚ What if one of the hirer's customers asks you to work for them?

There are likely to be confidentiality clauses, plus the restraint of trade clause, which will all need to be considered.

✚ What happens if you want to sell your truck?

Can the benefit of a contract you are entering into be transferred into the name of the purchaser of the truck? Do you need the consent of the company? If so, in what circumstances can that consent be refused? Do reasons for refusal have to be given?

✚ Is there a buy-in price? If so, can it be recovered at the end of the agreement?

If you are paying a large price to gain the benefit of the contract, it will be important to know that the buy-in price can be recouped later. An ability to make a profit on it will be even better.

If you have read the contract carefully and obtained legal advice, you should know the answers to the above questions. If you don't like the answers that you get, you can attempt to negotiate alternatives and can get assistance from a solicitor or from your industry association.

Having gone to the trouble of understanding your contract, make sure you keep a completed copy for your own future reference.

 **TENDERING**

Tenders are invitations to apply for a contract on the conditions stated in the tender. A selection process then determines the successful tenderer, or group of successful tenderers (a 'panel' of tenderers).

It is important that you read a tender document carefully and understand exactly what the conditions are that you are committing yourself to. All of the questions and issues that you need to consider before signing a contract also apply for a tender.

Like contracts, tender conditions must be fair and equitable to both parties. It is also important to contact your lawyer or accountant, who is experienced in understanding documents and can give you sound advice.

When quoting for work through tendering, it is important that you do not just quote a low rate to win in the process – you should put in a price that shows value for money and takes into account your financial viability.

If it is a state government tender, you can find a range of information on the website of the Department of Finance – www.finance.wa.gov.au then click on **Government Procurement**.

The 'Fine Print'

To avoid pitfalls and traps contained in the 'fine print', you should probably obtain independent legal advice before signing any documents.

By doing so, you will know what you are doing before it is too late, and be better able to negotiate for the removal or amendment of any oppressive term – to the mutual satisfaction of both parties.

4. Choosing a Truck








Investing in the right truck will add value to your business.

 **WHAT FEATURES ARE IMPORTANT?**

Reduce The Life-Cycle Cost

The life-cycle cost of your truck is the total cost incurred during the life of the truck. When you choose your truck, look for features that reduce the life-cycle cost and increase vehicle uptime.

When you are looking at the features of different vehicles, think about how your choice will affect these costs:

-  Fuel usage;
-  Services;
-  Insurance;
-  Financing costs;
-  The cost of acquiring and reselling the truck;
-  Driver re-training;
-  Accommodation away from home (ie. sleeper cab)

Improve Driving Satisfaction

Obviously, different features will suit different drivers, but there are some things that will improve the driving experience for nearly everybody:

- ✚ You will need engine horsepower that meets the task.
- ✚ An automated transmission that gives the driver control in specific situations might be more comfortable and certainly reduces the number of gear shifts that have to be made every day.
- ✚ The driver's seat and driving position are vital for comfort and reducing driver fatigue.
- ✚ The layout of the instrument panel and controls is important so that everything is visible and within easy reach. You should be able to check everything at a glance and, as much as possible, reach controls without taking your hands off the wheel.
- ✚ Noise is another important factor to consider, especially because too much noise for long periods of time contributes to fatigue. The position of things like air brakes and the sound system, plus the amount of insulation provided, are important.

Improve Fuel Economy

There are several ways to improve fuel economy:

- ✚ Choose an aerodynamic model and, where appropriate, a sleeper package appropriate for the trailers being hauled, a roof fairing, chassis fairings, cab extenders and aerodynamic mirrors.

Remove accessory components from the air stream where possible and narrow the gap between the vehicle and the trailer as much as you can.

- ✚ The impact of aerodynamics depends on speed as well as design – eg. the amount of energy needed to move the air around a truck at 100 kph is 40% greater than at 80 kph.
 - ✚ Choose the same tyres for all of the wheels on each vehicle.
 - ✚ Choose the right engine and gearing for what you want your truck to do. Fuel economy can fall by 10-15% if a gear set is selected that has the truck cruising at the wrong rpm.
- Choose a transmission and rear axle to match the engine and load requirements for your specific application. Take into account the terrain over which the vehicle will operate.
- ✚ Choose effective tare weight components that will still do the job. Lighter weight reduces the amount of horsepower needed to overcome the mechanical resistance of the drive train and tyres. You might also be able to increase your payload capacity.

Overcoming Drag

At 90 kph, about two-thirds of the energy consumed by a truck is to overcome the aerodynamic drag. A roof fairing and cab extenders reduce aerodynamic drag and can decrease operating expenses significantly.

Don't Buy More Than You Need

When you are looking at options, think about what you will actually need to do the job. Will a \$200,000 truck do the job as well as a \$300,000 truck would?

If you spend more than you need to, you might find it hard to compete with someone who has spent less.

NEW OR USED?

You will find that some hirers offering long-term and specialised contracts will require you to have a new truck. If you choose to go with such a hirer, you won't have a choice between buying new or second-hand. But if you do have a choice, there are several things to consider.

Capital Outlay Vs Operating Cost

While the price of a second-hand truck will be lower than the price of a new one, that doesn't mean it will actually cost you less. Here are some things to consider:

- ✚ Stamp duty in Western Australia is higher for second-hand vehicles.
- ✚ Interest rates are often higher for second-hand vehicles.
- ✚ Insurance costs might also be higher, depending on the driver's history.
- ✚ You are likely to have to pay a larger deposit on a used truck. Plus, buying second-hand will limit the residual value at the end of your repayment period.
- ✚ Your service and repair costs will accelerate sooner. You won't get as much use out of a second-hand truck before you are faced with the same purchasing decision again.

Resale Value

While the number of kilometres on the clock and the condition of the truck and tyres will have a big impact on the resale value of your vehicle, there are several things you should think about when buying new:

- ✚ Truck brand is one decision that you can make to increase resale value. Premium brands can bring premium resale dollars, although different brands sell better in different areas.

- ✚ Power is another one. The rule of thumb is the higher the horsepower, the higher the resale value.
- ✚ There are other components that might cost you more in the first place but will hold their value better: higher speed transmission; automatic over manual; aluminium wheels; high quality exhaust and air cleaners; a larger sleeper; and options like engine brakes.

Another thing to remember when considering the resale value of your new truck is how you will dispose of it. If you are in a position to resell it yourself, you can command more than on a trade-in or through reselling to an agent, because the reseller has additional costs. However, it can take longer to sell a truck yourself.

Also keep in mind that extended transferable warranties and complete service records will help you sell.

Speak to your accountant about the taxation implications and issues on resale value before you sell, because timing can have an impact.

WHAT ABOUT FINANCE?

Here is some basic information about the different types of finance to help you get started.

You will need more information and advice before you make any decisions. The best person to advise you about finance is your accountant.

Your accountant will not only tell you what effect the type of finance you choose will have on your set-up and operating costs, but will also be able to help with a financial plan that will convince a finance company to go with you.

Loans

Also called 'asset loans' or 'chattel mortgages'.
Individuals, sole traders or partners can take out loans.

Regular payments are structured to meet your requirements. They will vary according to how much deposit you can afford and the amount of the final lump sum payment that is due at the end of the finance term.

Although there are transfer fees to pay, the ownership of the vehicle is transferred to you as soon as the first payment is made. This is in exchange for the security over the vehicle, which is discharged as soon as you pay the final instalment.

Taking out a loan might give you a tax advantage, depending on the GST structure of your business. You should consult your accountant about this. Loans don't usually incur ongoing fees, but you are likely to have to pay a set-up fee when the loan is approved, as well as government charges such as stamp duty.

Loans are available for both new and used vehicles.

Finance Leases

A finance lease basically works by the finance company purchasing the equipment or vehicle you require and then leasing it to you. You then use the vehicle or equipment for an agreed time in return for a series of rental payments.

A finance lease requires little or no down-payment. You have the immediate use of the vehicle without having to pay a large deposit. If you do make a higher first lease payment, it can act like a deposit and reduce your rental payments. Rental payments are then fixed for the entire term of the agreement.

You might also have to pay compulsory government charges, such as stamp duty or GST, as part of the monthly repayment.

As long as the leased vehicle is used to produce assessable income, the lease payments will be tax deductible. It is advisable to consult with your accountant about this.

At the end of the lease, you have a number of choices. You may continue to lease the vehicle at an adjusted monthly rental. You could offer to buy the vehicle at the residual value agreed at the beginning of the lease contract. Or you could return the vehicle, subject to contractual requirements. This would allow you to upgrade, if that is best for you.

Operating Lease

An operating lease is similar to a finance lease except that you have no trade-in or reselling hassles. The risk of reselling is taken by the finance company. When the term of the lease expires, you have the choice of extending the lease or returning the vehicle, subject to the requirements of the contract.

Some operating leases allow you to include maintenance in the lease payment. These are called fully maintained leases.

Hire Purchase

Hire purchase is an option for light vehicles as well as plant and equipment. It is designed for businesses that want to own the asset at the end of the agreement term.

Hire purchase works by the finance company owning the vehicle or equipment and giving you the use of it in return for regular payments. When the final payment is made, you own the asset.

The term of the agreement is decided at the beginning and has an impact on the monthly payment that you will have to make. Monthly payments are set for the term of the agreement, giving you a constant figure to include in your business planning and budgeting.

To reduce the monthly payment commitment, you can either extend the term of the agreement or incorporate a payout at the end of the contract. You might also have to pay compulsory government charges, such as stamp duty or GST, as part of the monthly repayment.

Doing Your Sums

Most finance companies have websites where you can work out how much finance will cost you. How much you have to pay will depend on:

- ✚ Whether the vehicle is new or used
- ✚ Which state or territory you are in
- ✚ The purchase price
- ✚ The type of finance
- ✚ What the term of the agreement will be
- ✚ What the residual value is (between 18.75% and 40%)
- ✚ What fees and charges apply

Equity and Gearing

Funds provided by the business owner are referred to as equity (as opposed to borrowed funds).

The ratio between equity and borrowed funds is referred to as gearing.

High gearing means that the majority of funds come from borrowing and a smaller proportion comes from equity (for example, \$10,000 equity and \$60,000 borrowed).

Low gearing means that the majority of funds come from equity (for example, \$60,000 equity and \$10,000 borrowed).

5. Financing Your Business

When you start up in business, you will need enough working capital to set yourself up, operate for perhaps several months until your first accounts are settled, and have some funds set aside for emergencies.



WHAT FINANCIAL RESOURCES WILL YOU NEED?

Calculating your financial needs will be part of your business plan. When you start up in business, you will need to find enough cash to set yourself up and operate for perhaps several months until your first accounts are settled. An allowance for bad debts is always prudent, as is something set aside for emergencies.

You will need to pay for some professional advice, put down the deposit on your truck, buy equipment and tools, pay for insurance and registration, plus meet other compliance costs. You will also need enough cash to buy supplies to operate your truck for several months. You will also need to cover your living expenses.

The worksheet on the next page will tell you when you will need more cash for bills and when you will be able to keep some aside. You will also be able to work out how much, on average, you will need from your business every fortnight or every month for your personal living expenses. This figure will be used in other calculations.

You can copy or print out the worksheet separately from the 'Useful Forms' chapter of this guide, or download it from the 'Owner-drivers guide' on the website www.transport.wa.gov.au/freight.

Personal Budget Worksheet

ITEM	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
HOUSE													
Rent / mortgage payments													
Rates – council													
Rates – water													
Maintenance													
Insurance													
DOMESTIC													
Food													
Clothing													
Entertainment													
Telephone													
Home mobile													
Electricity, Gas													
Other													
PERSONAL													
Health care													
Education													
Books, sport etc													
Other													

ITEM	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
MOTOR VEHICLE													
Insurance, Licence													
Repairs, services													
Fuel, running costs													
Loan repayments													
GENERAL													
Life assurance													
Superannuation													
Medical / hospital insurance													
Personal loan repayments													
Credit card payments													
Other (1)													
Other (2)													
Other (3)													
Total monthly outgoing \$													

Calculate Your Start-Up Costs

The Start-up Costs Worksheet on the next page will help you calculate how much you will need to get your business going.

You can copy or print out the worksheet separately from the 'Useful Forms' chapter of this guide, or download it from the 'Owner-drivers guide' on the website www.transport.wa.gov.au/freight.

You will probably have to do a bit of research to fill in all of your personal expenses and when those bills fall due. You will need to do a bit more research before you can complete the start-up costs worksheet.

You might have some of the figures you need from your previous experience driving a truck. You might also need to talk with people in the industry or with some dealers and suppliers. You could look through some trade magazines and industry publications for more information.

While you might not need to pay all of your suppliers immediately, it is likely that you will have to pay some of them before you have any money coming in. Generally, you should allow a minimum of 30 days for settlement of accounts.

You will need to estimate how many months it will be before you start getting income from your work. This will depend on what companies you will be dealing with and what type of contracts you can put in place.

Once you have decided on a figure, add a month or two for safety and use that figure when you are calculating how much cash you will need to operate for that period. That aside, keep in mind that the Western Australian owner-drivers legislation [the *Owner-Drivers (Contracts and Disputes) Act 2007*] sets a maximum of 30 days for payment time limits.

Next, you need to know whether you can afford to go into business on your own. The following section, 'What Is Your Personal Worth?' will help you work this out.



WHAT IS YOUR PERSONAL WORTH?

Your personal worth is the difference between the sum of all that you own (your accumulated assets) and the amount that you owe to others (your liabilities).

You need to have sufficient personal worth to start up any business. It has been shown that businesses with a lower gearing ratio (that is, significantly more assets than borrowings) survive better than businesses with a higher gearing ratio.

You need to calculate your personal worth so that you can make a judgement about whether you can afford to go into business on your own. You will need to provide the same information to the financial institution you apply to when you want to borrow money or take out a lease.

Your chances of success will be better if you have enough capital to set up your business and have a reserve fund for times when things might get difficult, without borrowing heavily.

As a general rule of thumb, for every dollar you borrow you should already have a dollar – preferably two. So, if you want to borrow say \$50,000 you should have \$50,000 to \$100,000 in assets.

The Personal Worth Worksheet on page 22 will help you to calculate your personal worth. You can copy or print out the worksheet separately from the 'Useful Forms' chapter of this guide, or download it from the 'Owner-drivers guide' on the website www.transport.wa.gov.au/freight.

You might need to do some research to find out how much your assets are worth today. Ask a real estate agent or a valuer for a figure on your house and land. The 'For Sale' section of the newspaper will give you an idea of how much your motor vehicle is worth after making allowance for the dealer's margin. If you have investments, the daily newspaper has information about shares, as well as current property listings.

Start-up Costs Worksheet

Essential costs	
Deposit &/or initial lease or loan payments on your truck	\$
Equipment and tools	\$
CB radio &/or mobile telephone	\$
Registration fees, permits and licences	\$
Initial insurance premiums	\$
Professional advice and services	\$
Supplies for several months of operation	\$
Fuel for several months	\$
Contingencies (say 10% of your expenses so far)	\$
Living expenses for several months	\$
Emergency fund (say operating and living expenses for two months)	\$
<i>Total essential costs</i>	\$
Non-essential costs	
Truck upgrade or modifications	\$
Laptop computer	\$
CD player	\$
Other (1)	\$
Other (2)	\$
Other (3)	\$
Other (4)	\$
<i>Total non-essential costs</i>	\$
Total start-up costs (= total essential costs + total non-essential costs)	\$

Personal Worth Statement

Assets	
Cash in the bank	\$
Real estate – house and land	\$
Household furniture and electrical items	\$
Motor vehicles	\$
Boat	\$
Insurance policies (surrender value)	\$
Superannuation	\$
Shares / stocks	\$
Other assets	\$
<i>Total assets</i>	\$
Liabilities	
Mortgage – house	\$
Car loan	\$
Personal loan	\$
Credit cards	\$
Other liabilities	\$
<i>Total liabilities</i>	\$
Personal worth (= assets minus liabilities)	\$











WHAT ARE YOUR FINANCING OPTIONS?

The information here will give you a basic outline of your options. You will need to get more information and advice before you make any decisions.

Sources Of External Finance

The major sources of external finance for small businesses are:

-  Trading banks
-  Finance companies
-  Venture capital enterprises
-  Merchant banks
-  Building societies
-  Credit unions
-  Creditors
-  Vendors

Some Tips

Here are some guidelines to help you work out whom you should approach for funding.

Don't use short-term funds for long-term needs and don't use long-term funds for short-term needs. For example, a bank overdraft (short-term) should not be used to buy plant and equipment (long-term investment), because the bank might withdraw the overdraft facility.

On the other hand, arranging a three-year loan (long-term) to even out cash flow fluctuations can result in you paying more for your finance than you need to, because of the higher interest rate.

Consult your accountant before acquiring or disposing of any significant assets. The timing, financing and method of disposal all have income tax, GST and capital gains tax implications.

Don't borrow less than you need, but be sure that you will be able to meet your repayments. If you are unable to borrow more later on, you could risk losing your business.

Your accountant will also be able to advise you on whether to finance the purchase of your truck by loan, hire purchase or leasing. (See 'What About Finance?' in the previous chapter.)

Short-Term Funding

Short-term funding is used to finance working capital and seasonal deficits, also to smooth out cash flow fluctuations.

Some of the sources of short-term funding are overdrafts, bank bills, commercial bills and factoring (where, for a fee, someone else pays you the money that your customers owe you and then collects it from the customers.)

Long-Term Funding

Long-term funding is a loan that is repayable over a number of years. It is mainly used for capital purchases like plant and equipment, land and buildings, and major expansion projects.

Term loans, leasing and hire purchase finance might be appropriate funding for capital purchases.

Applying For A Loan

1. Look objectively at the future of your business. What do you need funding for? Do you need short-term or long-term funding? How are you going to generate the money needed to repay the loan?
2. Be confident when you seek a loan. You are selling a business proposition and the lender should make a profit from lending you the money.

You have to convince the lender that they are not taking a huge risk. Have plans ready to show how you would cope if a risk arises.

3. Approach your bank to see if they would be prepared to consider lending you money against the securities you can offer. You will need to prepare a proper application, including a business plan.
4. Get together the following information for your application:
 - ✚ How much money do you need?
 - ✚ What type of loan do you want?
 - ✚ When will you need the money?
 - ✚ What will you use the money for?
 - ✚ How will you repay the loan? Have copies of any contracts that you have negotiated. Detail your projected income and ALL of your costs.
 - ✚ How long do you want the period of the loan to be?
 - ✚ What security can you offer in return for the loan? You might need to get independent and realistic valuations of the assets offered.

- ✚ Personal information should include your age, education, experience and personal worth, together with a statement of your personal financial needs. Consider what funds you will need to cover your living costs while you are setting up your business.
 - ✚ Information about your business should be included in your business plan. Include a short history of your business, your plans for the future, current and past years' accounts if it is an existing business, and a cash flow projection for both existing and new business ventures.
 - ✚ Also include information about funds that you already have and amounts owing to you. List your assets and liabilities, bank balances and other deposits or investments. (See the following chapter, 'Getting Started', for more tips on putting together your business plan).
 - ✚ What is your previous borrowing history? What other commitments do you already have? List any loans, hire purchase and leasing agreements.
5. Present the information in a bound document if you can – ideally make three copies: two for the bank and one for your files. Include copies of all relevant documents and contracts.

If your accountant prepares the documents for you, make sure that you get an explanation of everything that is included so that you can answer any questions put to you by the bank.

Be absolutely honest with your claims. Do not exaggerate your earnings; do not downplay your expenses or conceal your shortcomings. You must get your loan solely on the basis of merit because your venture is viable. Above all, do not delude yourself by being overly optimistic.

6. Getting Started

“A business plan is a summary and evaluation of your business idea. It is a written result of the planning process.” (Small Business Development Corporation).

In the same way, keeping abreast of changes in the industry and your market will put you in a better position to take advantage of new opportunities. Knowing what warning signs to look for will ensure that you are not caught unprepared.

Focusing on the future can be like a self-fulfilling prophecy – you will meet your targets because you will have something to work towards.



YOUR BUSINESS PLAN

Why A Business Plan?

It is a good idea to start with a business plan. Developing a business plan will help you to think through all aspects of the business and to work out the effect of different choices that you might make.

It will help you to see what are the strengths and weaknesses of your business. Plan to take advantage of your strengths and to overcome your weaknesses.

You will need a business plan when you are applying for finance or asking people to invest in your business.

Your business plan will be a basis for planning in the future. As key elements change, you will be able to work out how this will affect your business and where you need to change your plan.

What To Include

On the following pages is an outline developed by the Small Business Development Corporation (SBDC) of what you will need to include in your business plan. You will need to do some research before you can fill in all of the details. You might also need some help from your accountant to develop your financial plans.



Your Business Plan

Introduction

❖ Purpose of business plan	Write down why you are preparing the business plan and how you intend to use it. The previous section, 'Why A Business Plan?' will give you some ideas.
❖ Business goals	<p>Why are you in business?</p> <p>Where do you hope to be in the market?</p> <p>What sort of business will you be running?</p> <p>What timeframe are you working under?</p> <p>Where do you want to be in 5 years?</p>

The Industry

You can get the information you need from your trade association, your union, trade magazines and government departments.

❖ Overview	Give a general description of the road transport industry. Identify where your business will fit in.
❖ Industry characteristics	Some of these have been given in the first chapter of this guide. You might know of other important issues that should be included.
❖ Important trends	<p>The road transport industry has close links with other industries and will be affected by the same things. Understanding these links will help you to work out where you want to place your business.</p> <p>There are changes in the economy that affect nearly all small businesses, such as oil prices and interest rates. Other changes might affect only some businesses. You will need to work out which changes are important to you.</p> <p>Your business will depend on the health of the businesses that you serve, so you need to look at anything important that will affect them. For instance, if you transport building supplies, demand for your services will be affected by trends in housing.</p>
❖ Social and political issues	Are there any social or political trends that will affect your business? An example might be fewer people wanting to live in country areas, which would result in a lower demand for the transport of consumer goods.
❖ Technological change	<p>Are there technological changes coming that will affect your business? The growth in e-business is an example.</p> <p>Although it improves productivity to use electronic links to send work orders or make bookings, it also increases some costs.</p>
❖ Price sensitivity	<p>Price sensitivity refers to the extent to which customers are influenced by the price of what they buy. For instance, beer is a less price-sensitive commodity than cinema tickets because people are less likely to give up drinking beer when the price goes up.</p> <p>Your customers are likely to be influenced by price, so you will need to acknowledge this and decide how you can work around it.</p>

The Business

Summarise all of the information about how your business will be set up. Include information about yourself as well.

❖ Your profile	Include details about your expertise, your work history and any training you have had.
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❖ Past performance	If you have a successful history as an independent operator or in a previous business, put the details in here.
❖ Business structure	Are you going into business as a sole trader, or will your business be a partnership or company? Include your registered business name if you have one.
❖ Main activities	What type of business are you setting up? What will be its main activities?
❖ Location	Where will your business be based? Which areas of Western Australia and other states or territories will you be covering?
❖ Starting capital	What funds will you use to start up the business?
❖ Unique features	What are the strengths and weaknesses of the business? What makes it unique?
❖ Business advisers	Identify your accountant, solicitor and bank.
❖ People	Identify who your main customers will be, who will help you in the business and if you have any major suppliers.
❖ Management and staff	A short statement will be all that is required here, unless you are thinking of employing a number of staff. Write down who will be responsible for the different parts of your business and give details of their skills and experience.

Products And Services

This section summarises exactly what you will be offering to your customers.

❖ Description	Give a brief description of the services that you will be offering.
❖ Opportunities and threats	Identify any opportunities in the market that you intend to take advantage of. Make a note of anything that might threaten your business and state how you intend to deal with it.
❖ Strengths and weaknesses	List anything that makes the services you offer better than those offered by your competitors. If your competitors offer better services, work out how you intend to compete with them.
❖ Future development	Do you see your business changing? What services will you offer in the future?

Marketing

This is where your knowledge of the industry and the business come in. You might also need to do some market research to find out more.

Some of this will come from industry and government publications, but you should also talk with as many people as you can, including your potential customers.






❖ Target market	What is the market that you are aiming at? How big is it? What share of the market will you be aiming for? What are the most important things about the market? How do customers behave?
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❖ Customers	<p>What sorts of things will affect your customers' businesses?</p> <p>If your customers are affected by seasonal changes or major events, your business will be affected also.</p> <p>The smaller the number of customers you have, the more vulnerable your business will be to changes in their circumstances. Do you have a plan for dealing with this?</p>
❖ Market potential	<p>Is the market changing?</p> <p>What are the key factors that you need to keep an eye on to make sure that you keep up with the market?</p> <p>How will your business take advantage of any opportunities?</p>
❖ Competition	<p>Who are your competitors?</p> <p>What services do they offer?</p> <p>What are their prices?</p> <p>How do they sell their services?</p>
❖ Advertising and promotion	<p>How do you intend to advertise and promote your business?</p> <p>How will you keep your major customers and attract new customers?</p>
<p>Financial Information</p> <p>This section of your plan will include a range of financial information. You might need the help of an accountant to put it together.</p>	
❖ Current position	<p>Include a statement of your total personal expenses and income from other sources, together with details of the funds that you have available to set up your business.</p>
❖ Income and expenditure projections	<p>These figures should be detailed for at least the first year and then in summary or consolidated form for another 3 or 4 years.</p>
❖ Profit budget	
❖ Balance sheet	
❖ Cash flow forecast	
❖ Breakeven analysis	
❖ Capital requirements	
❖ Sources of finance	
❖ Timing and stages of finance	
❖ Fixed asset requirements	
<p>Supporting Documents</p> <p>It is usual to attach copies of key documents at the back of your plan.</p>	
❖ Legal documents, leases or contracts, letters of intent, research documents, patents or trademarks.	





 **BUSINESS STRUCTURES**

The way you set up your business will have an effect on how it is managed as well as on the way you pay tax. Most owner-drivers operate as sole traders, but your accountant or other professional adviser will be able to tell you if there is a better way for you.

The way you structure your business should:

-  comply with legal requirements;
-  protect your assets as much as possible;
-  minimise the amount of tax you will have to pay, including capital gains tax;
-  allow for new partners or investors to join you; and
-  be flexible.

These are your options:

-  Sole trader
-  Partnership
-  Proprietary company (incorporation)
-  Discretionary or trust unit.

For further details on these four options, check with your accountant or the Small Business Development Corporation.

 **OBLIGATIONS**

You are probably aware of the laws that apply to operating trucks on the road. There are also laws and regulations that apply to small businesses.

For information about business laws and regulations, obligations and requirements, go to the Business Information and Licence Centre, which is part of the Small Business Development Corporation.

Small Business Development Corporation
Business Information and Licence Centre
Level 2, 140 William Street
PERTH WA 6000

Telephone: (08) 9220 0222
Website: www.sbdc.com.au

Registration

Many business activities in Western Australia require registration. The following is an outline of business registrations that might apply to you.

Registering a business or company name

If you are going to trade under a business name or set up a company, you will need to register your business or company name at the Department of Commerce.

Department of Commerce
219 St Georges Terrace
PERTH WA 6000

Telephone: (08) 9282 0777
Freecall advice line: 1300 30 40 54
Website: www.commerce.wa.gov.au

Registering a proprietary company

If you want to set up a company, it is usual practice to go to a solicitor or accountant, who might have already set up a number of 'shelf companies' so that you can use one straight away.

Companies are registered with the Australian Securities and Investments Commission.

Australian Securities and Investments Commission (ASIC)
Level 3, 66 St Georges Terrace
PERTH WA 6000

Telephone: (08) 9261 4200
Website: www.asic.gov.au

Taxation

Australian Taxation Office

The Australian Taxation Office (ATO) collects income tax plus goods and services tax (GST). Generally, each individual, partnership, company and trust in business will need a tax file number and an Australian business number (ABN).

Businesses that employ staff must register with the ATO as a PAYG (Pay As You Go) withholding payer.

Businesses with a turnover of more than \$50,000 per year must register for GST. Registration for GST is optional if business turnover is less than \$50,000 per year.

Further information is available from the ATO website at www.ato.gov.au and from www.abr.business.gov.au.

State Taxation

You must register with the Office of State Revenue if you will be liable for payroll tax, land tax or stamp duty. The Office of State Revenue is part of the Department of Finance.

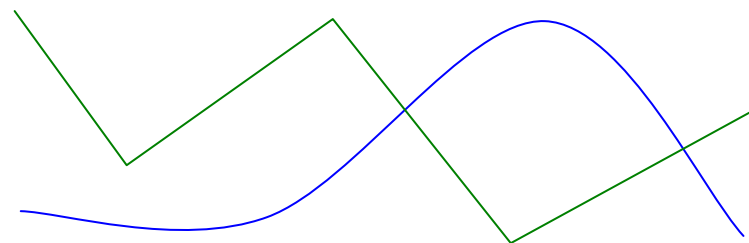
Employers in Western Australia are liable for payroll tax on the total wages that they pay. In general, if you are not a member of a group, you will not be liable for payroll tax if your total wages bill is less than \$750,000 per annum.

You might have to pay land tax if you own land or property other than your family home. Land tax is paid every year on land owned at midnight on 30 June.

Stamp duty is paid when certain types of legal documents are executed. These include, but are not limited to, transfers and agreements for the sale of real estate, documented gifts, policies of insurance, mortgages, and the transfer and issue of motor vehicle licences.

Office of State Revenue
QBE House
200 St Georges Terrace
PERTH WA 6000

Telephone: (08) 9262 1400
Website: www.finance.wa.gov.au



Permits And Licences

The Business Information and Licence Centre has information on more than 5000 federal, state and local authority licences, registrations and permits. (Contact details are on page 29).

Their database provides the following information:

- ✚ Licensing authorities
- ✚ Governing legislation
- ✚ Licensing fees
- ✚ The duration of a licence

It is always worth checking whether you need a permit or not, and whether you must send in a formal application and pay a fee or just notify someone.

Drivers Licences

Make sure that you have the correct driver's licence for the category of vehicle that you will be driving. If you employ another driver, remember to check that they have the correct licence as well, and that it is current.

For further information about heavy vehicle licences, contact the Department of Transport's Licensing Services.

Department of Transport
Licensing Services

Telephone: 1300 720 111
Website: www.transport.wa.gov.au/licensing

Heavy Vehicle Permits

Special permits are needed for vehicles and loads exceeding regulation limits. The maximum dimensions for transport vehicles, together with load and equipment are:

	Maximum dimension for rigid truck or trailer	Maximum dimension for articulated vehicle
Width	2.5 metres	2.5 metres
Height	4.3 metres	4.3 metres
Length	12.5 metres	19.0 metres

Permits for indivisible loads are available for vehicles and loads that exceed the above dimensions. Single-trip permits can also be issued on application for exceptional loads that exceed the regulation dimensions.

For details about permits and the operation of vehicle combinations that exceed the regulation mass &/or dimension limits, contact Main Roads WA.

Main Roads WA
Heavy Vehicle Operations
70 Pilbara Street
WELSHPOOL WA 6106

Telephone: (08) 9311 8450
Fax: (08) 9311 8455
Website: www.mainroads.wa.gov.au

Australian Design Rules detail the design criteria that apply to your vehicle.

Vehicle Standards Regulations cover vehicle dimensions, axle loads and maximum operating speeds.

Heavy Vehicle Permit Conditions are administered by Main Roads WA when issuing permits for vehicles that are outside the limits of the Regulations.

Compliance






Occupational Health and Safety

Everybody at work has responsibilities under the *Occupational Safety and Health Act 1984*. As a self-employed owner-driver, whether you work for yourself or contract to deliver freight on behalf of another company, you are responsible for your own and other people's health and safety in the workplace.



In the road transport industry, the workplace includes trucks, depots, warehousing facilities or any place where drivers go while at work, such as the premises of a customer, which might be in another state.

When you enter other workplaces to collect and deliver freight, you must follow the health and safety directions at that workplace. You must also make sure that you do not put people at that workplace at risk by your actions.

If you employ another driver, you must provide:

-  a safe working environment;
-  safe systems of work;
-  safe equipment and protective clothing;
-  training, supervision and information; and
-  welfare facilities for your employees.

You must also:

-  monitor your employees' working conditions and health; and
-  keep work injury records.

You can get further information from WorkSafe, the Chamber of Commerce and Industry, or UnionsWA. Contact details follow.

Department of Commerce
WorkSafe
5th Floor, 1260 Hay Street
WEST PERTH WA 6005

Telephone: (08) 9327 8777
Freecall: 1300 307 877
Fax: (08) 9321 7989
Website: www.commerce.wa.gov.au/worksafe

Chamber of Commerce and Industry of Western Australia
180 Hay Street
EAST PERTH WA 6004

Telephone: (08) 9365 7555
Fax: (08) 9365 7550
Website: www.cciwa.com

UnionsWA
Telephone: (08) 9328 7877
Fax: (08) 9328 8132
Website: www.tlcwa.org.au

Vehicle Loading

According to the WA Vehicle Regulations, loads must be restrained to prevent unacceptable movement during all expected conditions of operation.

Detailed information is available from the Department of Transport's Vehicle Safety Branch, in a book titled *Guidelines and performance standards for the Safe Carriage of Loads on Road Vehicles – Load Restraint Guide*.

WA Heavy Vehicle Accreditation Scheme

Accreditation does not replace permits. Almost any operator who needs a Main Roads WA permit also needs to be accredited. Some exceptions apply for government bodies, charities, non-business uses, agricultural implements, operators using no more than four single-trip permits in a calendar year and non-freight vehicles such as buses, cranes and other plant vehicles.

Accreditation is required for operations involving:

- ✚ a B-double or road train;
- ✚ a truck and trailer over 42.5 tonnes gross mass;
- ✚ a concessional loading scheme;
- ✚ an annual oversize vehicle permit or notice;
- ✚ more than four single-trip permits in a calendar year; or
- ✚ a trailer that is used in permit combinations.

To be accredited, you must meet standards in both maintenance management and fatigue management.

For information about accreditation, contact Main Roads WA.

Main Roads WA
Heavy Vehicle Operations
70 Pilbara Street
WELSHPOOL WA 6106

Telephone: (08) 9311 8450
Fax: (08) 9311 8455
Website: www.mainroads.wa.gov.au

Fatigue Management

Fatigue management operating standards are in place for commercial vehicle drivers whose work time is:

- ✚ more than 60 hours per week; or
- ✚ more than once per week, is more than 10 hours in any 24 hour period; or
- ✚ more than once per week, is between the hours of midnight and 5am.

The standards apply to drivers of the following commercial vehicles:

- ✚ an omnibus;
- ✚ a school bus;
- ✚ mobile plant with a gross vehicle mass (GVM) of more than 4.5 tonnes;
- ✚ a motor vehicle with a GVM of more than 4.5 tonnes that is designed to carry or is carrying a large integrated piece of equipment; or
- ✚ any other motor vehicle with a GVM of more than 4.5 tonnes that is used, or is intended to be used, to carry goods for hire or reward.

The operating standards set out when drivers must take breaks and how long those breaks should be. They also set limits on the number of hours that can be worked during particular periods. The regulations also specify the obligations of companies that employ commercial vehicle drivers.

Drivers working interstate must work within the fatigue management standards that apply in each state and territory. For information on regulated driving hours and log books in other states, contact the Department of Transport on (08) 6551 6000 or the relevant interstate agency.

For further information on Western Australian requirements, contact the Department of Commerce, WorkSafe Division (contact details overleaf).

Department of Commerce
WorkSafe
5th Floor, 1260 Hay Street
WEST PERTH WA 6005

Telephone: (08) 9327 8777
Freecall: 1300 307 877
Fax: (08) 9321 7989
Website: www.commerce.wa.gov.au/worksafe

Dangerous Goods

Dangerous goods are substances or articles with hazardous properties that might, if handled incorrectly, explode, asphyxiate, burn, poison, corrode, pollute the environment or become unstable if mixed with other products.

The legislation that covers the safe transport of dangerous goods is prescribed in:

- ✚ Dangerous Goods Safety Act 2004;
- ✚ Dangerous Goods (Road and Rail Transport of Non-explosives) Regulations 2007;
- ✚ Dangerous Goods Safety (Explosives) Regulations 2007; and
- ✚ Dangerous Goods Safety (Goods in Ports) Regulations 2007.

The rules apply to the consignor, the prime contractor, the driver, the owner of the transporting vehicle, loaders and packers, and the manufacturers of tanks in which dangerous goods are carried.

All vehicles that convey dangerous goods above a certain quantity must be licensed and operators must follow rules relating to loading, documentation, placarding, safety equipment, transporting, parking and standing the vehicle, unloading, training and action in the event of an accident or emergency.

For further information, contact the Department of Mines and Petroleum – Resources Safety Division.

Department of Mines and Petroleum
Resources Safety Division
303 Sevenoaks Street
CANNINGTON WA 6107

Telephone: (08) 9358 8001
Fax: (08) 9358 8000
Website: www.dmp.wa.gov.au

Owner-Driver Legislation

Owner-driver contracts and dealings between hirers and owner-drivers are regulated in WA by the *Owner-Drivers (Contracts and Disputes) Act 2007* and the *Owner-Drivers (Contracts and Disputes) (Code of Conduct) Regulations 2010*.

For further information, contact the Department of Transport, Transport Policy and Systems Division.

Department of Transport
Transport Policy and Systems Division
140 William Street
PERTH WA 6000

Telephone: (08) 6551 6000
Email: ownerdriver@transport.wa.gov.au
Website: www.transport.wa.gov.au/freight

 **INSURANCE**

If you are running a business, it is important to protect all of the assets of that business. Appropriate and adequate insurance coverage is an important part of this.

Insurance cover can be arranged through an insurance company directly, through an agent of an insurance company, or through an insurance broker. Insurance agents act for the insurance company; insurance brokers act for you.

Brokers have access to policies from a range of insurance companies. They are entitled to charge a fee, which can be offset by the lower premiums they obtain for you.

All insurance brokers in Australia must be licensed with the Australian Securities and Investments Commission (ASIC). You can check to see if a broker is licensed by searching the ASIC registers on its website: www.asic.gov.au .

Insurance is a complex area. Do not sign anything until you understand all of the terms and conditions of the contract. Ask your insurance company, broker, accountant or solicitor if you are unsure of the meaning of a particular phrase or condition.

Disclosure

In insurance proposal forms, it is important to disclose all facts that could influence the insurance company in accepting the risk or in calculating the premium. Failure to do so, even accidentally, could mean losing your entitlement to a payment when a claim is made.

Cover Notes

Always obtain a cover note if there is a risk of trading without a policy being issued in time. The insurance company is entitled to payment for cover note protection. If you change your mind, advise the

insurance company straight away to cancel the cover note. This will keep down the amount that you have to pay.

Risk Management

Your business should have a risk management strategy. This involves developing policies, procedures and practices to identify, analyse, assess, treat and monitor the risks inherent in the operation of the business.

This should not only reduce costly and stressful problems, but also reduce insurance claims and premiums. Insurance should be a backup, not a substitute for risk management and loss prevention.

Insurance Reviews

Insurances should be reviewed at least annually, before renewal and when important changes occur in the business. Cover should be increased or decreased as appropriate, to reflect the value of the assets insured.

Types Of Insurance

Workers' Compensation

It is compulsory to have workers' compensation insurance cover for your workers. The term 'workers' is very broad and includes full-time, part-time, casual and seasonal workers, apprentices and trainees. All workers should be covered, no matter how they are paid.

Subcontractors engaged to do work that is for the purpose of your trade or business and paid mainly for their personal manual labour or services can also be defined as 'workers'.

It is compulsory to cover family-member workers living away from the employer's home, but cover is optional for family-member workers

living in the employer's home. Family members must be mentioned by name on the policy, or else a claim made by them will not be accepted. Sole traders and self-employed persons are not able to cover themselves or their business partners for workers' compensation. Instead, they can take out various other forms of sickness, accident, income protection and life insurance.

Further information, including a schedule of insurance companies approved to underwrite workers' compensation insurance in Western Australia, is available from WorkCover Western Australia.

WorkCover Western Australia
2 Bedbrook Place
SHENTON PARK WA 6008

Telephone: (08) 9388 5555
Website: www.workcover.wa.gov.au

Public Liability

Public liability insurance covers you for liability for any claims of compensation if a member of the public should suffer personal injury or loss of or damage to property while on your premises. Cover is not compulsory, but it is recommended to protect your business and assets in case someone sues you. Premiums are related to the level of risk.

Many insurance companies include public liability as a portion of their 'packs' of insurance. You might find that it is more expensive and more difficult to buy a policy for public liability risk alone.

Personal accident and sickness

Personal accident and sickness (or 'income protection') insurance pays you a percentage of your salary or business income while you cannot work because of illness or disability.

Policies available offer a variety of cover, and it is up to you to choose the protection that you need. For instance, if a large portion of your medical expenses is already covered by a health fund, you might not need extra cover for hospital and doctor's bills.

Other Insurances

Some other insurance you might need include:

- ✚ asset protection
- ✚ burglary
- ✚ comprehensive motor vehicle
- ✚ consequential loss
- ✚ fire
- ✚ fusion (sometimes an extension of a fire policy)
- ✚ glass
- ✚ keyman (aka 'key person' or 'key man' insurance – compensates a business for financial loss arising from the death or extended incapacity of a significant person in the company)
- ✚ marine
- ✚ money
- ✚ partnership protection
- ✚ storm and tempest damage (sometimes an extension of a fire policy)
- ✚ vehicle loan protection.

For more information, consult your insurance broker.

 **COMPUTER USE**

These days, your computer can be an important part of how you communicate with your customers, your suppliers, your bank, and government agencies like the Australian Taxation Office.

Many people are now familiar with electronic banking. Now, companies in all sorts of industries are setting up systems so that they can do more business electronically. Examples are the booking systems used at the wharf and the despatch systems used by warehouses and freight forwarders.

Computers give you a fast way of finding out information on all sorts of things that you need to know about running your business. This guide has a list of organisations that you can contact if you want more help with setting up or running your business. Most of them have web pages that you can access through the internet. The internet is also a way of keeping up with what is happening in your industry.

For help with running your business, computers are best for the tedious and repetitive tasks. For a small business, these are things like invoicing, keeping track of sales, controlling debtors and creditors, preparing Business Activity Statements (BAS), budget forecasting and keeping records.

There are software packages you can buy 'off the shelf' to do nearly everything that you need to do. These packages are available at most computer retail outlets and large office supply shops. Three basic book-keeping packages are *MYOB*, *Quicken* and *Microsoft Money*. The Australian Taxation Office might also be able to help.

There are also software packages specifically designed for road transport operators. They can help you track your expenses, work out your operating costs and manage your vehicle maintenance.

The software you choose will tell you what sort of computer you will need and what other equipment you might need to attach, such as a printer or modem.

 **PROFESSIONAL ASSISTANCE**

The following experts might be useful for you:

-  Bankers / financiers
 - ✘ Finance packages
-  Government agencies
 - ✘ Industry and small business information
-  Insurance brokers
 - ✘ Insurance packages and advice
-  Solicitors
 - ✘ Lease problems
 - ✘ Contracts and agreements
 - ✘ Corporate structures and partnerships
-  Accountants
 - ✘ Income tax and other tax matters, including tax planning
 - ✘ Accounting systems
 - ✘ Funds management
 - ✘ Financial advice
 - ✘ Analysis and advice for leasing vs buying decisions
 - ✘ Advice when you are experiencing financial problems
 - ✘ Business structuring
 - ✘ Superannuation and retirement advice
 - ✘ Computer support and advice
 - ✘ Compliance (audits, tax, statutory returns, balance sheets, etc)
-  Trainers / mentors
 - ✘ General training
 - ✘ Industry specific training
 - ✘ Business planning and mentor assistance
 - ✘ Quality assurance programs.

7. Keep Your Papers (and Your Figures) in Order



WHY KEEP GOOD BUSINESS RECORDS

There are several reasons for keeping good records of your business transactions.³

Legal Requirement

The most important reason for keeping good records is that it is a legal requirement for you to do so. By law, the Australian Taxation Office requires you to keep business records:

- ✚ for five years after they are prepared or obtained, or the transactions are completed (whichever occurs later); and
- ✚ in English, or in a form that tax officers can access and understand in order to determine your tax liability.

You can issue and store records in either paper or electronic form (see below for more details).

There are penalties for not maintaining the required records and for not keeping them for five years. Keeping good records will help you to avoid those penalties.

Other Reasons

Other reasons for keeping good business records are to:

- ✚ make it easier to complete your activity statements and prepare your annual income tax and fringe benefits tax returns;

- ✚ monitor the health of your business and be able to make sound business decisions – for example, check whether you have adequate cash flow;
- ✚ demonstrate your financial position to banks and other lenders, and to prospective buyers of your business; and
- ✚ make the best use of your accountant – rather than paying your accountant to sort through a shoebox of paperwork, give them well-prepared records so that you pay them instead to help you with your business and financial planning.






WHAT RECORDS TO KEEP

Find a suitable place to store the following:

- ✚ your daily job and trip records for invoicing;
- ✚ cheque butts (it is a good idea to have one bank account for your business and another, separate one, for your personal banking);
- ✚ bank statements;
- ✚ your bank deposit book;
- ✚ records of deposits, savings accounts and other liquid assets or securities;
- ✚ a list of your debtors and creditors;
- ✚ copies of invoices that you have drawn up and presented;
- ✚ details of bad or doubtful debts and customers who turn out to be credit risks;
- ✚ copies of invoices that you have received and paid;
- ✚ receipts, including petty cash receipts (if you cannot get a receipt, write all of the details on a piece of paper and store that);
- ✚ details of the equipment you have bought, so your accountant can calculate depreciation;
- ✚ equipment warranties;

³ Source – www.ato.gov.au

-  copies of contracts, lease agreements and periodic payment commitments;
-  insurance papers;
-  business letters, particularly any about your accounts.

Some records are required by law to be kept for a specific number of years. Check with your accountant.

WHAT IS THE BEST FILING SYSTEM?

It is important to have a filing system that is easy to use and will keep your papers sorted and readily accessible.

A lot of records can be kept in your truck, at least until the end of a trip or the end of the week or the month. You could use an expanding file, a series of large envelopes or some coloured document wallets. If you are accumulating lots of records, you could use file boxes - they will stand a bit more wear and tear. It doesn't really matter, so long as what you use is easy to identify, use and store.

There are several ways that you could sort your papers too. It might work best for you to keep together all of the papers relating to one trip. Or you could keep the papers for each month separately. Or you might want to sort them into the categories that you use in your book-keeping – eg. fuel, repairs, personal expenses and so on.

Regardless of how you choose to file your papers, it is important to make sure that none get lost.

BASIC BOOK-KEEPING

Following is a list of things that you will need to do and when you should do them.

There are more things that you could do with your financial records, but these are the basics. They can be used by your accountant to draw up your tax return.

Also, they will give you information that you can use to keep track of how your business is going and help you to make decisions to improve its performance. You will find more information about this in the chapter 'Mind your Financial Business'.

Basic Book-Keeping Tasks	
TIMING	TASK
❖ Before you start	❖ Draw up a cash flow budget
❖ Daily, as necessary	❖ Write cheques to meet due dates ❖ On the cheque butt, write the date, amount, classification of expense (eg. fuel), the person or company that you have made out the cheque to and what is being paid ❖ On the invoice, write "paid", the date and the cheque number ❖ Once an invoice has been paid, file each one in either alphabetical order or cheque number order
❖ Daily	❖ Make a note of all payments either in a small notebook or straight into your cash payments book

<p>❖ As necessary</p> <p>Depending on the number of cheques that you receive, this might be daily, weekly or even fortnightly</p> <p>Early banking is important for cash flow</p>	<p>❖ Deposit cheques</p> <p>❖ Make a note of the date, the source of the cheque and what it is for, as well as the bank details and amount</p> <p>❖ File payment advice slips or returned invoices either in alphabetical order or in the same order as in your bank deposit book</p>
<p>❖ Weekly or fortnightly</p>	<p>❖ Write up all deposits into your cash receipts book</p>
<p>❖ At the end of a job, weekly or fortnightly</p>	<p>❖ Send invoices to your customers</p> <p>The sooner you send out your invoices, the sooner you will have money coming in, especially for smaller customers and one-off jobs</p>
<p>❖ Monthly</p>	<p>❖ Total all the columns in your cash book and make sure that everything balances</p>
<p>❖ Monthly</p>	<p>❖ Balance your cheque book</p>
<p>❖ Monthly</p>	<p>❖ Do a bank reconciliation</p>
<p>❖ Monthly</p>	<p>❖ Compare actual payments and receipts with your cash flow forecast</p> <p>❖ Update your forecast with new information, if necessary, and take action to correct any problems</p>
<p>❖ Every year</p>	<p>❖ Adjust your cash flow budget</p>

Cash Books

At the very least, you should spend time each day writing down all of your receipts and payments. In book-keeping jargon, this is called keeping a cash book – which is really two books: a cash payments book and a cash receipts book. Those are the proper names, although hardly any of your receipts and payments will actually be in cash.

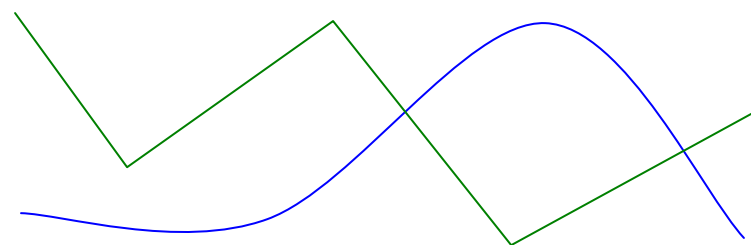
Sometimes you will hear a cash book referred to as a cash journal, in which case you would have a cash payments journal and a cash receipts journal.

You should record all receipts and payments, whether they are by cheque, credit card, direct debit, direct credit, EFTPOS or barter.

It is common to actually use one book to record both cash receipts and cash payments – in separate sections, of course. It is up to you whether you want to use one book or two.

Your accountant can tell you what columns you will need for recording different types of receipts and payments, or you will pick it up with experience.

At the end of each period (usually each month), the column totals will be used to reconcile your bank statement and will be transferred to your accounting system. So it makes sense to use the same categories in both systems.



Where To Find Books And Computer Software

You can buy cash books ruled into columns from newsagents and stationery shops. Some cash books also contain instructions and examples for you to follow. The Small Business Development Corporation (SBDC) stocks a number of books like this.

You can download instructions and sample forms from the Australian Taxation Office (ATO) website. Go to www.ato.gov.au and look for 'Record keeping & invoicing' under 'Your business situation'.

Information is also available from the SBDC website www.sbdc.wa.gov.au; click on 'Biz Topics', then on 'Money, Tax and Legal'.

Standard computer software packages can also be used to keep your cash journal. For a list of packages that comply with ATO requirements, go to <http://softwaredevelopers.ato.gov.au/>

Cash Payments

For cash payments, you will need the following columns:

- ✚ date
- ✚ details (the type of expense – such as materials, capital equipment, fuel, insurance, petty cash reimbursement, personal payment, bank charges, etc)
- ✚ payment type (whether by cash, cheque, EFTPOS, etc)
- ✚ total payment (record the total amount in this column).

The remaining columns will allow you to split the total so that at the end of the month you can easily see where your money has gone. One column should be used to record the amount of GST you have paid.

Record fuel separately – fuel will be a large component of your costs, so it is important to monitor it, keeping an eye on fuel consumption and theft.

You will need a record of both the kilometres that you have travelled and the fuel you have used, so that you can apply for the diesel fuel rebate.

Some other examples of useful columns are:

- ✚ GST amount
- ✚ vehicle expenses
- ✚ fuel
- ✚ capital expenditure
- ✚ other expenses
- ✚ private use.

If one payment covers more than one type of purchase, record the separate amounts in the appropriate columns.

For example, if you buy a vehicle part for your truck using EFTPOS and get some cash out for yourself, you would record the total amount in the 'total payment' column. Then you would record the GST amount in the GST column, the cost of the vehicle part in the 'vehicle expenses' column and the amount of cash that you drew for yourself in the 'private use' column.

At the end of the month, add up the amounts in each of the various columns and check that the sum of all the GST and other expense columns is the same as the sum of your 'total payments'. If the amounts are different, go back and check your figures - you might have missed a partial payment, or added up incorrectly.

Cash Receipts

Deciding what columns you will need for recording your cash receipts will be simpler.

To start with, you will need:

- ✚ date
- ✚ details
Where the payment came from, such as the name of the company paying you for the job
- ✚ invoice or receipt number
If you have sent someone an invoice, record the number here; if there has not been an invoice, you should give the person a receipt and record that number
- ✚ total receipts.

Again, you will need a column for any GST and can divide up the payments – eg. to keep track of different customers.

The other columns might be:

- ✚ GST amount
- ✚ amount banked. This should be the same as total receipts. If it is not – eg. you might have used some cash for another purpose (although it is best not to do this) – you will need to note this in the 'comments' column
- ✚ income from customer X
- ✚ income from customer Y
- ✚ fuel rebate
- ✚ comments. Record information here that your accountant might need. For example, if you have sold a piece of capital equipment or have received a refund from a supplier, these will be treated differently in your tax return. If it is not actual income, it might be subject to capital gains tax

The receipts that you will need a comment on include loans, capital brought into the business, the purchase or sale of assets and any refunds.

At the end of the month, add up the amounts in each of the columns and check that the sum of all the GST and other income columns is the same as the sum of 'total receipts'. If it is not, go back and check your figures. You might have missed something or added up incorrectly.

Petty Cash

If you buy a lot of small things for cash, you might want to record them in a petty cash book, available from newsagents and stationery shops. Then you will only have to make one entry in your cash payments book when you top up your petty cash fund, maybe at the end of the week, or the end of a trip.

You will want to record anything you buy that you can claim as an expense for your business.

Bank Reconciliation

A bank reconciliation for your business is just the same as one that you would do for your private bank account. Use the total of the 'banking' column from your cash receipts book and the total of the 'total payments' column from your cash payments book.



CASH FLOW PLANNING AND CASH FLOW MANAGEMENT

Cash flow planning is usually considered the job of the 'financial manager' rather than the 'book-keeper'. But you do not need to have any particular accounting knowledge to do it.

Even if you ask your accountant to prepare a cash flow budget for you, you will be providing the information because you are the one who knows the business. Also, you are the one who will make the decisions and take any actions.

It is important to be as accurate as you can. But because you are looking to the future, you will not get everything right, especially the first time around. As you get used to how things happen, you will do a better job. Besides, a good guess is better than no figures at all.

In the same way that you put all receipts and payments into your cash books, whether they were cash or cheque, credit card, debit card, direct cash or EFTPOS, you will need to include all receipts and payments in your cash flow forecast.

Why You Need A Cash Flow Budget

Your level of activity will vary from month to month. Your truck will be off the road for servicing some of the time. Your customers might have busy and quiet times and unless you can find other work to do in the quiet times, your 'sales' will vary. Plus, you will need to take holidays.

Your sales forecast will not always be accurate. You will not be able to predict when your truck might be off the road for major repairs or when you might not be able to drive because you are sick.

Even when you do not know what to expect, the amount of money you receive in any month will not be the same as your sales. You will have

to judge when your customers are going to pay you. Some customers might be slower than others, so you will have to take that into account. On the other hand, when you buy goods and services on credit, there will be a gap between when you make the purchase and when the money disappears out of your account.

Sometimes you will be able to choose how to pay what you owe – eg. you might spread your insurance premiums over the year, paying monthly or quarterly rather than once a year.

Your cash flow budget will help you save for large ticket items like your tax bill, a new set of tyres or an engine overhaul. If you know when these payments will be made, you can set aside a regular amount each month so that you will have the money when you need it.

What A Cash Flow Budget Can Tell You

A cash flow budget cannot tell you if your business is profitable or not. But it can tell you which are the months when you will need more money to pay your bills than you have coming into your business. If this is only for a month or two, you might want to come to a temporary arrangement with your bank for overdraft funds. If it is more than a month or two, it would be less expensive for you to take out a long-term loan or to look for an injection of capital from somewhere else.

The cash flow budget will also tell you when you have money to spare. You will be able to see whether than money is going to be needed in the next month or two. If it isn't, you might want to consider investing it, either in the business or outside it.

You can also plan when to take time off or when it is a good time to have extra work done on your truck, if you know when your need for incoming cash is expected to be lower.

Comparing your actual receipts and payments with your cash flow budget will also help. It is unlikely that your forecast will be 100% accurate – there are just too many things to predict. You will not always be able to take action, but it is important to identify where the differences are. Then you will know if there is something you can do.

At the very least, you will know more about your business and be able to improve your forecast next time around.

It might be that one of your customers is slower at paying than you would like and there is something you can do to improve the situation in the future. Or the cost of a particular item might be higher than you forecast. Again, there might be corrective action you can take, like negotiating a good deal with a particular supplier or always putting things on an account rather than 'impulse' buying.

Improving Your Cash Flow ⁴

Some of the things you can do to help increase your cash flow are:

- ✚ Make sure that your customers meet your trading terms
- ✚ Follow up customers that do not pay
- ✚ Send your invoices out as soon as you can
- ✚ On each invoice, put the actual date that the payment is due as well as putting your trading terms (eg. 'net 30 days')
- ✚ Set things up so that your customers can make payments directly into your business bank account

What To Include In Your Cash Flow Budget

Receipts

You will need to separate cash sales and credit sales for each month, because the timing of these receipts will be different.

For each month, enter the sum of any cash payments that you expect to receive for jobs you do in that month. Then enter the sum of the credit payments that you expect. This is easy if all of your customers pay promptly (within 30 days, for example).

⁴ Based on a checklist in the Small Business Development Corporation's *A Guide for Operating a Small Business*, 2nd edition, page 170

If you send out all of your invoices after the end of the month and allow 30 days, move all of your expected receipts to two months after the date of the work you expect to do.

Unfortunately, it is not usually as easy as that. You will find that different customers take different lengths of time to pay you. After you have been in business for six months or a year, you will have a good idea of how many pay after 30 days, after 60 days and after 90 days.

If you do not yet know what the pattern will be, you could make an estimate. This will depend on the terms you allow and how strictly you follow up. For example, you might estimate that 55% of your customers will pay at 30 days, 35% at 60 days and the remaining 10% after 90 days.

You can use these figures to calculate how much to enter each month. Using the above percentages as an example, for every \$1000 of work to be invoiced in February, you would enter \$550 (55% of \$1000) in March, \$350 (35% of \$1000) in April and \$100 (10% of \$1000) in May.

Next, enter any other cash receipts that you expect. If you intend to sell one of your assets, put the expected sale price in the appropriate month. If you receive regular interest from an investment deposit, you would put the expected amount in 'other receipts' for each month.

Finally, calculate total estimated receipts for each month by adding up total cash, credit and other receipts. These will be your cash 'in-flow' figures.

Clearly, if you are just starting your business and you have no cash customers, the totals for the first month or two of trading will be zero. This was reflected in the start-up cost calculations in the chapter 'Getting Started'. It was assumed there that you would need sufficient capital to operate your business for several months without payment.

Payments

Entering fixed payments like insurance premiums, lease fees, loan repayments and rent will be relatively straightforward. You know in advance how much you will have to pay and when you will have to pay it.

Some payments, like printing and postage, electricity and gas, telephone charges and vehicle repairs, will not be known in advance so you will have to make an estimate for each month. Some payments, particularly your vehicle running costs, will vary with the amount of work that you do.

The first step in calculating your total cash 'out-flow' for each month is to list all of your expense payments. To make things easier, list the most predictable expenses first. Then list those that you will have to pay regularly, whether your truck is on the road or not. Finally, list those that will change most depending on how much work you do each month.

List capital expenditure items separately because, to some extent, they can be adjusted depending on the results of your calculations.

The following is a list of categories that you might start with. Ignore any that do not apply to your business and add any new ones that you can think of.

Known expenses include:

- ✚ loan repayments
- ✚ lease payments
- ✚ your various insurance premiums
- ✚ registration and licence fees
- ✚ membership fees and subscriptions
- ✚ rent
- ✚ the property rates and taxes applicable to your business.

Regular or easily estimated expenses include:

- ✚ your telephone, mobile phone and radio
- ✚ taxes
- ✚ bank charges and bank interest
- ✚ printing and postage
- ✚ accounting and legal fees
- ✚ debt collection
- ✚ electricity, gas and other property expenses applicable to the business
- ✚ wages
- ✚ superannuation payments
- ✚ donations.

It is a good idea to include an amount for 'contingencies' each month. You should also include provision for future services, because service and repair costs will increase with the more kilometres that you do in your truck.

Expenses that change according to the amount of work you do include:

- ✚ fuel and oil
- ✚ services and repairs
- ✚ spare parts
- ✚ tyres
- ✚ supplies such as coveralls and gloves.

Capital expenses include:

- ✚ planned purchases of equipment
- ✚ 'proprietor's drawings', that is, the money that you take out regularly as the owner of the business.

The second step in calculating your total cash 'out-flow' for each month is to enter the appropriate payment against each expense. Then work out the total for each month.

Bank balances

Start with your actual opening bank balance. Once you have done all of the calculations, you will end up with a series of estimated 'closing' bank balances. If you have got an overdraft, your starting balance will be negative. Hopefully, your closing balance will be positive.

Calculating how much cash you will have

Once you have entered all of the amounts that you have identified or estimated and calculated your monthly totals, you are ready to work out how much cash you will have at the end of each month.

You will need a worksheet that has 14 columns across. An outline of such a worksheet is shown on the next page.

You can copy or print out the worksheet separately from the 'Useful Forms' chapter of this guide, or download it from the 'Owner-drivers guide' on the website; www.transport.wa.gov.au/freight . The MS Excel version of the worksheet on the website provides for extra rows and automatic calculations.

Use the column on the left-hand side to list all of the different receipts and payments that you have identified. Use the next 12 columns for 12 months. Then you can use the last column on the right-hand side for totals – add the amounts entered against each item and check that this represents your annual spending on that item.

Action to take

You have put in all of that work. Now what actions should you take?

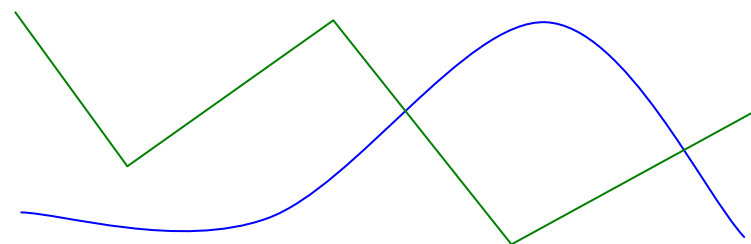
Negative bank balances at the end of any months in your cash flow forecast mean that you will have to find money to cover your bills.

There are several ways that you could do this. You could try to move some receipts forward or some payments back, so that the months are more evenly balanced (see 'Improving Your Cash Flow on page 44). Or you could talk with your bank about a temporary overdraft. If the situation continues, you could arrange longer term finance.

On the other hand, if you continue to have more money in the bank than you need to pay your bills, you could use it elsewhere.

The first thing to do is to create an emergency fund. This should be in a separate bank account, perhaps a savings account. Your emergency fund should have enough money to operate your business for several months and at least three months' worth of living expenses, including your truck payments.

Remember to adjust your budget when your situation changes or when new information comes to hand.



Cash Flow Forecast

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Category Total
Cash in-flow items													
Total cash in-flow													
Cash out-flow items													
Sub-total cash out-flow													
Capital expenditure													
Total cash out-flow													
Net cash flow ¹													
Bank balance at start of month													
Bank balance at end of month ²													

1) Net cash flow = total cash in-flow minus total cash out-flow.

2) Bank balance at end = start balance plus or minus net cash flow.

8. Mind Your 'Financial' Business

The most important calculation you can do is to work out how much it costs you to run your business.



CALCULATING VEHICLE AND ADMINISTRATION EXPENSES

It is important that you know exactly how much it costs to run your business. You should always have a good idea of how much it costs you each day. Then you will know how much it costs you to **not** operate and how much you need to earn so that when you do operate, you still make a profit.

Know Your Costs

- ✚ You need to know what your costs are before you can work out how much you will need to charge your customers.
- ✚ However you are paid – by the load, by the hour, by the kilometre or whatever – knowing your costs and being able to convert them from a per-hour to a per-kilometre figure and vice versa will help you to compare different jobs and different plans.
- ✚ Knowing your costs will help you with making choices such as changing your rig. If you know how your costs will change, you will be able to work out what you will have to do to continue making a profit.
- ✚ Monitoring your costs will help you to manage your finances better, particularly your cash flow, and will give you an easy way of setting goals and working out budgets and forecasts.
- ✚ Information about your costs will be vital when you come to borrow money to update your truck or expand your business.

The best way of calculating your costs is to keep records for a period of six months. You will need to keep track of the kilometres that you have travelled, the hours you have been on the road, or both.

If you are just starting out in business on your own, you will be able to estimate some of your costs from previous records (as an employee driver) such as tax returns, or predict them from your experience and a little research (such as talking with some other drivers).

As soon as possible, start keeping accurate records and do your cost calculations again. You should do the calculations on a regular basis, so that you can monitor what is happening in your business and take action if something starts going off track.

When you have enough figures, use the 'Cost of Operations' worksheet in the next section to record the totals.

Fixed and Variable Costs

There are two types of costs that you need to keep track of: fixed costs and variable costs.

Fixed Costs stay the same whether your truck stays in your driveway, travels 100 kilometres or 100,000. Fixed vehicle costs include your loan repayments, vehicle insurance, registration and depreciation.

Many of your administration expenses fall into the same category, because they have to be paid whether your truck is working or not – eg. your telephone, accounting and bank fees, subscriptions, health and accident insurance, public liability insurance and superannuation have to be paid whether your truck is working or not.

Variable Costs: On the other hand, there are some things that you will only have to pay for when your truck is running. Generally, the farther your truck travels the more you will have to pay. These are variable costs.

Variable costs include fuel, oil, tyres, repairs and services, even loading equipment. If you employ another driver, wages will be another variable cost. The largest of your variable costs will be fuel.

Cost of Operations Worksheet

In the 'Cost of Operations Worksheet' on the next page, fixed vehicle costs have been separated from other fixed costs such as overheads, finance expenses and depreciation.

Finance expenses include lease payments for your vehicle and interest on loans. Depreciation is the difference between what is paid for an item and what it is sold for, and is calculated on an annual basis.

The worksheet includes most of the expenses that you will have in your business. However, your business will not be exactly the same, so you should adapt the worksheet before trying to use it.

The first column of figures will contain annual costs for each category. These are then divided by 12 to give you average monthly costs. The third column of figures is the result of dividing the annual costs either by the number of kilometres you travelled during the year to give costs per kilometre, or by the number of hours on the job with your truck to give costs per hour.

For example, if your annual interest payment on your truck was \$16,000 and you travelled 160,000 kilometres, the interest payments would be costing you \$0.10 per kilometre (16,000 divided by 160,000).

You can copy or print out the worksheet separately from the 'Useful Forms' chapter of this guide, or download it from the 'Owner-drivers guide' on the website; www.transport.wa.gov.au/freight .

The online version of the worksheet on the website is set up to do the calculations automatically. Alternatively, use the 'Owner-Drivers Cost Calculator'. See page 53 for more information about the Cost Calculator.



Cost of Operations Worksheet (Part 1)

TOTAL KILOMETRES (OR HOURS) RUN:	km or hours per year: _____	km or hours per month: _____
---	--------------------------------	---------------------------------

	Annual \$	Monthly \$	\$ per km or \$ per hour
FIXED COSTS			
Overheads			
Accounting fees			
Audit fees			
Bank fees and charges			
Bad debts & debt collection costs			
Rent			
Building repairs / maintenance			
Cleaning			
Electricity			
Printing and stationery			
Postage			
Telephone / fax / internet			
Data processing			
Insurance – general			
Insurance – public liability			
Insurance – sickness and accident			
Employee benefits and amenities			
Uniforms			
Wages			
Superannuation			
Donations			
Other expenses			
<i>Total overhead costs</i>			
Finance Costs			
Loan repayments			
<i>Total finance costs</i>			
Depreciation			
Cost of item	\$		
Minus sale price (estimated)	- \$		
Equals total depreciation	= \$		
Divide by number of years	÷ years		
Equals annual depreciation			

Cost of Operations Worksheet (Part 2)

OTHER FIXED COSTS			
Other vehicle costs			
Insurance			
Vehicle registration			
Licences and permits			
Security			
<i>Total fixed vehicle costs</i>			
TOTAL FIXED COSTS			
(= overheads + finance costs + depreciation + fixed vehicle costs)			
VARIABLE COSTS			
Fuel (less rebate)			
Oil			
Tyres			
Repairs			
Services			
Loading equipment			
Hire / equipment			
Truck wash			
Loading / unloading charges			
Administration fees			
Accommodation and meals			
Other variable costs			
TOTAL VARIABLE COSTS			
TOTAL COSTS			
(Total fixed costs + Total variable costs)			

Using the Cost of Operations Calculations

The 'Cost of Operations' worksheet is useful for both reporting and planning. It will report your business expenses, but it also allows you to try out 'if / then' scenarios.

Personal Income

There are several ways that you can use figures from the worksheet to look at your income. If you know how much you are paid per kilometre, you can figure out how much you will earn in a year.

Rate per km	\$
Less total costs per km	- \$
Equals how much you will clear per km	= \$
Multiplied by total kms run per year	x _____ km
Gives annual personal income	= \$

The same calculation works if you are paid for the hours that your truck is on the job.

Rate per hour	\$
Less total costs per hour	- \$
Equals how much you will clear per hour	= \$
Multiplied by total hours run per year	x _____ hrs
Gives annual personal income	= \$

Another useful calculation is to add the income that you would like to earn to the total cost from the worksheet. This will give you the total cost of operations, which will also be your gross income for the year.

	Annual \$	Monthly \$	\$ per km or per hour
Personal Income			
+ Total cost (from worksheet)			
= Total cost of operations (or gross income required)			

You might like to calculate the personal income that you can expect if you take a percentage of your gross business income. A typical business might expect total costs to be about 70% of total gross revenue, giving 30% as personal income.

The taxes you pay will have an effect on what your net income will be. You will need to talk with your accountant about this, because every business is different and there is no simple formula that applies to everyone.

Doing these calculations and comparing them with what is actually happening with your business will help you to stay afloat financially.

If your actual gross income was more than the amount that you calculated, you made more money than you planned for. If it was less, you might need to take steps to control your expenses or raise your gross income, or both.

Per Kilometre Costs

As the number of kilometres you drive increases, the cost per kilometre figure will decrease. The same will happen if you use hours rather than kilometres in your calculations. Your personal income should also increase with the more kilometres you drive.

OWNER-DRIVERS COST CALCULATOR

As an alternative to using the Cost of Operations worksheet, the Road Freight Transport Industry Council has developed an interactive MS Excel program: the 'Owner-Drivers Cost Calculator'.

The Cost Calculator enables users to change more than one hundred business variables and provides a set of base figures for comparison.

The Cost Calculator is available on compact disc, free of charge, from the Department of Transport. It can also be downloaded from the Department's website: www.transport.wa.gov.au/freight. However, it is a big file (almost 1 MB) so you might prefer to have a copy of the compact disc mailed out to you.

Department of Transport
Transport Policy and Systems Division
140 William Street
PERTH WA 6000

Telephone: (08) 6551 6000
Email: ownerdriver@transport.wa.gov.au
Website: www.transport.wa.gov.au/freight

The compact disc contains a range of other information, including this Owner-Drivers Guide.

UNDERSTANDING FINANCIAL STATEMENTS ⁴

There are two important statements that your accountant will prepare for you – a profit and loss statement and a balance sheet.

⁴ Based on "Financial Statements" section in *Do I Want to be an Owner-driver?*, with permission from the Owner-drivers Association of South Australia Ltd.

Profit and Loss Statement

The profit and loss statement will let you know the underlying profitability of your business. This is not as simple as how much profit you have made.

To understand profitability, it is important to understand that interest on borrowings is not an operating expense of the business. It merely reflects the business' debt structure. The following example illustrates the point.

Take two typical truck owners with the same 'sales'. In this example, owner B has borrowed \$200,000 to buy his truck and has paid \$20,000 interest during the year.

	Owner A	Owner B
Sales	\$100,000	\$100,000
Running costs & overheads	\$ 50,000	\$ 40,000
Net operating profit (earnings before interest & tax)	\$ 50,000	\$ 60,000
Interest	- - - -	\$ 20,000
Net profit	\$ 50,000	\$ 40,000

From the net profit figures, it looks as if Owner A is running a better business, earning \$50,000 net profit compared with Owner B who has earned \$40,000. But Owner B has the more profitable business, earning \$60,000 before interest and taxes compared with Owner A, who has earned \$50,000.

This is because Owner B has lower running costs and overheads that, together with sales figures, affect profitability. The amount of interest paid reflects the debt structure of the business, not its profitability.

Some Useful Definitions

Current assets are assets that, under normal business operations, will be converted into cash within a reasonably short time period, usually a year – eg. deposits in bank accounts, prepaid expenses and money owed by clients to the business.

Non-current assets, also called **fixed assets**, are assets that will not be converted into cash in the short term – eg. vehicles, plant and equipment.

Current liabilities are financial commitments that must be met within 12 months – eg. money owing to creditors, short-term loans or bank overdrafts, GST and PAYG commitments and unpaid entitlements such as accumulated annual leave.

Non-current liabilities, also called **long-term liabilities**, are financial commitments that are not due within 12 months. A good example might be the loan for your prime mover.

Working capital is defined as *current assets minus current liabilities*. It changes from time to time, but not with every transaction. For example, if a creditor was paid \$5000 with cash from the bank, both current assets and current liabilities would fall by \$5000 and the working capital would stay the same. But if the \$5000 from the bank was used to buy plant and equipment, working capital would fall by \$5000.

Working capital is funded by capital investment by the business owners, by long-term loans to the business and by accumulated profits or retained earnings.

Equity is defined as *total assets minus total liabilities*. Also called **owner's equity**, it can be seen as the owner's residual claim on the assets of the business after all of the other liabilities have been settled. It is normally left in the business as long as it is required.

Equity is often shown under two headings:

- ✚ equity or capital that is put into the business and
- ✚ equity or retained earnings (or profits) that are left in the business.

Balance Sheet

The balance sheet is like a snapshot – it shows your financial position *at any given point of time*. It is called a balance sheet because the assets on one side equal the sum of your liabilities and your equity in the business on the other side.

On one side are the assets, which are used to generate earnings for your business. On the other side you can see who has provided the money to finance the assets – your funds (owner's equity) and those provided by banks and finance companies (liabilities).

The balance sheet you will see from your accountant will probably have a bottom line called 'equity', which is represented by 'net assets' – that is, total assets less total liabilities. This does not really tell you much about your business, but the balance sheet contains important information that will.

Here is a balance sheet presented for 'tax' purposes:

'Tax' Balance Sheet	
	\$
Current assets	140,000
Non-current assets	<u>120,000</u>
Total assets	<u>260,000</u>
Current liabilities	120,000
Non-current liabilities	<u>80,000</u>
Total liabilities	<u>200,000</u>
Net assets	<u>60,000</u>
Equity	<u>60,000</u>

Here is the same information presented in a slightly different way:

'Management' Balance Sheet	
	\$
Current assets	140,000
Current operating liabilities	<u>120,000</u>
Working capital	20,000
Non-current assets	120,000
Net operating assets	<u>140,000</u>
Interest bearing debt	80,000
Equity	<u>60,000</u>
Total capital	<u>140,000</u>

This presentation clearly separates the investment and the financing side of the business.

The top half of the balance sheet shows the net operating assets, which are used by the business to generate earnings. They include your vehicle and other plant and equipment (in non-current assets) and your working capital (the difference between how much you currently have and how much you currently owe).

The bottom half of the balance sheet simply shows who has put the money up to finance the net assets used by the business. There are only two sources of capital that a business can use. First, it can obtain interest-bearing debt from banks and finance companies. Second, it can use owners' funds (by way of either capital or retained earnings).

In this style of presentation, non-interest bearing loans – eg. those provided by family members – are included in the equity section of the balance sheet.

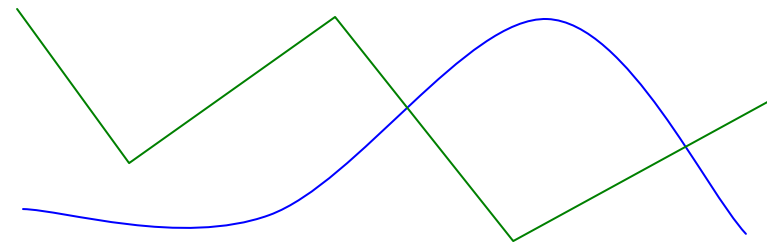
Interpreting Your Performance

The key point in looking at financial statements for your business is to clearly separate the investment and financing aspects of the business.

Comparing profit and loss statements and balance sheets from one period to the next will make it easier to assess your business' performance and financial standing.

One very common issue is where a business increases its debt from one year to the next. The 'management' format makes it clear whether the increased debt is funding an increase in the net assets of the business (ie. an increase in the scale of operations) or an operating loss.

It is also very easy to see whether or not a business is expanding in size or shrinking. This information can be of critical strategic importance in the future management of your business.



9. Staying in Business

Here are some hints to help you stay in business once you get your business going.

CUSTOMER SERVICE

Make sure you keep an eye on the level of service that you give to your customers. As an owner-driver and business person, you are the one who is responsible for keeping your customers happy and making sure that they keep doing business with you.

If you do not know what to do, there is plenty of advice available through the internet or in books. Here are eight tips from just one website:

Tips For Good Customer Service

1. Answer your phone
2. Don't make promises unless you can and will keep them.
3. Listen to your customers.
4. Deal with complaints.
5. Be helpful – even if there is no immediate profit in it.
6. Train your staff (if you have any) to be always helpful, courteous and knowledgeable.
7. Take the extra step.
8. Throw in something extra.

REDUCING RUNNING COSTS

Reduce Downtime And Service Costs

One way to prevent costly breakdowns is to make sure that proper routine services are carried out on your truck. By sticking to a strict preventative maintenance program, you can minimise breakdowns.

An extended warranty can reduce the risk of costly repairs outside the base warranty coverage. It is something to consider if you want more certainty in calculating the likely cost of repairs.


Tyres represent anywhere between 15% and 20% of the overall cost of maintaining a truck, so tyre maintenance is crucial to keeping costs down. Ensuring that tyres are properly inflated will reduce tread wear and increase overall tyre life, and this will help lower your operating costs.

Under-inflation causes excessive tyre flexing and deflection that increase rolling resistance and increase fuel consumption. Remember also that tyre rotation, as part of your regular preventative maintenance, will extend tyre life.

Outsourcing Your Maintenance Program

Preventative maintenance can be costly but you will save time and money in the long run by having fewer breakdowns, which cost you not only in repairs but also in lost work and, possibly, towing expenses.

You will need to decide the best way to run your truck maintenance program – how much you will do yourself and how much you will put in someone else's hands. If you decide to get someone else to do it, there are several options.

 Your daily inspection should be part of your preventative maintenance schedule. Look for problems before they become serious. Common problems include brake adjustments and re-linings, wheel bearing replacements, seal leaks, loose bolts,

chafed wires and hoses, improper adjustments and worn, broken or missing parts.

Even if you are not a mechanic, become familiar with your truck's mechanical operations and how the different systems interact. The manufacturer of your truck can provide you with helpful information, as can oil companies, component manufacturers and industry associations.

- ✚ Keep good records. Whatever maintenance program you have, it pays to keep good records of what work is carried out and how much it costs. With accurate figures, you will be able to keep tabs on the average kilometres per litre you are getting, what it is costing to maintain your truck on a per kilometre basis, how many kilometres you get for a litre of oil and so on.

When you are recording your costs, remember to record out-of-pocket expenses when you lose time because of repairs. Record taxi fares, meals, motel stays and so on.

- ✚ Buy a maintenance contract with your new truck and pay a fixed rate per kilometre. This has the advantage of evening out service costs over, say, a five year period rather than having them continually increase until replacement time.

More Fuel Economies

This guide's Chapter 4 – 'Choosing A Truck' contains some information on the effects of aerodynamics and speed on fuel economy. Here are some additional tips:

- ✚ Look at how you buy – can you consolidate your purchases somehow, form a cooperative to get a discount, and use a fuel card that provides other benefits? Long-range tanks will help you control where you buy fuel.
- ✚ Use the internet to find the least expensive fuel prices along your route.

- ✚ Plan your routes to reduce dead kilometres. An electronic navigation system might help.
- ✚ Decrease stress and strain on your engine by using good driving techniques and habits. Look at excess idling, how you accelerate, how you maintain speed and whether you can eliminate non-essential stops.



REPLACING YOUR TRUCK

To help keep your cash flow and operating costs predictable, it is a good strategy to trade in your truck for a new one on a regular basis – somewhere between every five and seven years, depending on the business you are in. Doing so can reduce your operating costs as well.



EMPLOYING ANOTHER DRIVER

If you want to buy a second vehicle, you will need to do the same sort of sums as you have for the first one – at least for revenue, equipment and operating costs. But there will be extra costs involved. Even if you want to hire a team driver to help you utilise your current vehicle more fully, you will be paying out more than just wages.

Here are some costs that you will need to consider:

- ✚ Recruitment costs
Unless you already have someone in mind, you might have to pay for advertising. Then you will have to interview the applicants and, for short-listed candidates, conduct background checks, driving tests and medical tests.

If you don't do this yourself, you will have to pay an employment agency to do it for you.

Orientation

Once you have hired the driver, he or she will need some orientation time – to become familiar with your policies and procedures, including vehicle services and daily routines, and perhaps team driving.

Training

A new driver might need training – defensive training, in-cab training on the road, on-road courses and WA Heavy Vehicle Accreditation training. If you do the training yourself, your time off the road will need to be costed. Or you could pay someone else to give the training.

Administration

There is a cost involved in the time it will take you to file all of the appropriate paperwork for a new driver – insurance, tax forms, workers' compensation, etc.

Lost time

You will need to calculate the revenue lost while your vehicle is idle.

Ongoing Costs

Your ongoing expenses will also increase. As well as wages, superannuation contributions, workers' compensation insurance and provision for long service leave, you will have extra administration costs in keeping up with your legal obligations as an employer.

Again, if you don't want to keep all of the records required and file all the paperwork with the Australian Taxation Office and others, you will have to pay someone else to do it for you.

Legal Obligations

Make sure that you know what your legal obligations are as an employer, especially the minimum conditions that you need to provide for your employee. Information is available from industry organisations like the Transport Workers Union as well as from government agencies.

Obligations that you need to assess include workers' compensation, superannuation and various types of insurance.

You need to be aware that if you use a sub-contractor to drive for you, you might find yourself in the position of an employer if that person is not set up as a proprietary limited ('Pty Ltd') company. That means that the person who employs them will have to pay workers' compensation insurance and superannuation. You should get advice on this and be aware of the legal ramifications.



SOME OTHER STRATEGIES

Backup Resources

You might want to think about access to a backup truck for when your vehicle is off the road for a major service or repairs.

Knowing someone who is willing to work as a backup driver will also mean that you do not forego revenue when you are unable to work.

Emergency Plan

It is a good idea to have emergency plans ready so that you are ready to act quickly if something goes wrong.

1. Make a list of the major things that could happen – eg. a major breakdown or accident; you get too sick to drive your truck yourself; or your major customer goes into bankruptcy.

2. For each of the emergencies in list 1, list the things that you will need to do straight away if that emergency happens – eg. in the case of a major breakdown, you will need to contact your customers, a tow truck and maybe your contractor.

Keep a list of useful contact numbers in your truck.

3. List the things that you need to do next, once the immediate situation is under control – eg. in the case of a major breakdown, you will need to negotiate with repairers, contact your insurance company, make sure that any loads you are carrying get to their destination, make alternative arrangements for your other bookings, etc.

Get together all of the information that you will need, so that it is ready when you need it.

4. Include actions that you will need to take to keep your business going while you sort things out. Even if you have insurance for most of the emergencies you can think of, you should also build up an emergency fund that you can use to keep you, your family and your business going.

As well as money, you might need to have an arrangement with someone who can drive your truck for you, or an agreement with someone who will be able to look after your customers on a temporary basis.

Don't be caught short. Being able to react quickly in an emergency might keep you and your business from going under.

TruckSafe Accreditation

Once you have decided to become an owner-driver (or you are an existing operator) there are various programs available to help you excel in your business. One such program is TruckSafe; an industry-sponsored scheme that is available and recognised nationwide.

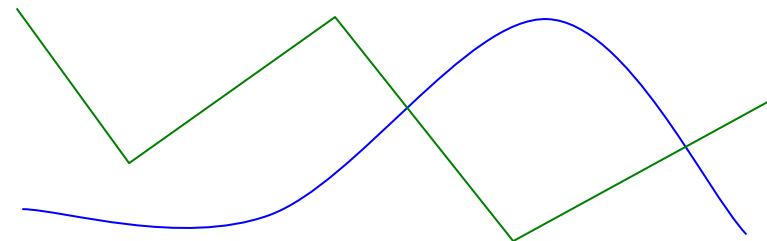
TruckSafe is a business and risk management system aimed at improving the safety and professionalism of trucking operators. It is an industry initiative aimed at delivering a competitive advantage to accredited operators.

TruckSafe can assist an operator or owner-driver in establishing procedures for business management, vehicle maintenance, driver health and training.

For more information, contact:

WA Road Transport Association
239 Star Street
WELSHPOOL WA 6106

Telephone: (08) 9355 3022
Email: reception@warta.com.au
Website: www.warta.com.au



10. More Help

The following organisations might be able to provide you with more information and assistance. They are set out in alphabetical order.



Australian Road Transport Suppliers Association (ARTSA)

The Australian Road Transport Suppliers Association was formed with the vision of becoming the technical resource for the road transport industry in Australia.

ARTSA's activities address heavy vehicles used in all aspects of the road freight transport and road passenger transport industries. ARTSA provides advice and support to members, regulatory agencies and other transport industry bodies on matters such as:

- ✚ productivity and safety of heavy vehicle operations
- ✚ compliance with regulatory requirements
- ✚ environmental effects of vehicle operation
- ✚ size and weight limits
- ✚ new technology.

For more information, contact:

Executive Officer
Australian Road Transport Suppliers Association Inc.
PO Box 2230
HAWTHORN LPO VIC 3122

Telephone: (03) 9818 7899
Mobile: 0411 402 832
Email: exec@artsa.com.au
Website: www.artsa.com.au



Australian Trucking Association (ATA)

The Australian Trucking Association is the national body representing the Australian trucking industry. First established in 1989 as the Road Transport Forum (RTF), the ATA provides public policy advocacy for trucking operations within Australia through research, lobbying and communication. The ATA's policy coverage embraces safety, taxes and charges, infrastructure, environmental and technical issues.

Membership of the ATA comprises a wide range of organisations, including state-based and sector-based trucking associations, small and medium sized operations, and many of the largest transport enterprises in Australia.

ATA members come from all sectors of the trucking industry. Hire and reward carriers, private carriers, and the Transport Workers Union (TWU) are all members of the ATA. The Association's membership also includes a number of allied trades – that is, companies providing goods and services to the trucking industry.

The most important part of the ATA is the network created by its membership. With major national companies, state and sector associations, the ATA brings together the whole industry to focus on issues of national significance.

For more information, contact:

ATA Secretariat
Minter Ellison Building
25 National Circuit
FORREST ACT 2603

Telephone: (02) 6253 6900
Website: www.atatruck.net.au



Commercial Vehicle Industry Association of Australia (CVIAA)

The CVIAA membership comprises individual state bodies and organisations: CVIAQ (Queensland), the CVIA division within the Victorian Automotive Chamber of Commerce and CVIA divisions within the Motor Trade Associations of WA, NSW and SA.

The CVIAA maintains representation with a number of agencies and is represented on a number of groups including the Technical Liaison Group that advises the Australian Motor Vehicle Certification Board, Single Issue Working Groups established to review the Australian Design Rules, the Industry Advisory Group, Bus Industry Advisory Group and numerous Standards Australia committees.

Those groups are the primary source of consultation that the Government relies on for information and feedback on any current issues and on changes to be implemented. They also provide a forum for industry to voice any concerns and to introduce reforms.

For more information, contact the Motor Trade Association of WA:

Motor Trade Association of WA
Level 1, 35 Great Eastern Highway
RIVERVALE WA 6103

Telephone: (08) 9453 7900
1800 652 300









Website: www.mtawa.com.au



Department of Commerce

The Department of Commerce works with the community to ensure high standards of safety and protection for workers and consumers, and promotes and fosters innovative industries, science and enterprise. The department comprises eight divisions.

The Department comprises eight divisions:

-  Building Commission;
-  Consumer Protection;
-  Energy Safety;
-  Labour Relations;
-  Science and Innovation;
-  WorkSafe,
-  Corporate Services; and
-  Office of the Director General.

Consumer Protection

Consumer Protection promotes fair trading and protecting the rights of consumers and businesses in Western Australia. Consumer Protection WA is also responsible for some occupational licences, buying, selling and renting homes, cooperatives and not for profit legislation.

For more information, contact:

Department of Commerce
Consumer Protection
219 St Georges Terrace
PERTH WA 6000

Telephone: 1300 304 054 (cost of a local call)
Email: consumer@commerce.wa.gov.au

Labour Relations

Labour Relations promotes flexible and productive employment practices in Western Australia.

For more information, contact:

Department of Commerce
Labour Relations
219 St Georges Terrace
PERTH WA 6000

Telephone: 1300 655 266
Email: labourrelations@commerce.wa.gov.au

WorkSafe

WorkSafe is the state government agency responsible for the administration of work safety and health laws. WorkSafe undertakes a wide range of regulatory activities as well as industry and community awareness programs.

For more information, contact:

Department of Commerce
WorkSafe
5th Floor, 1260 Hay Street
WEST PERTH WA 6005

Telephone: (08) 9327 8777
Freecall: 1300 307 877
Website: www.commerce.wa.gov.au/worksafe

DEPT OF COMMERCE REGIONAL OFFICES

Goldfields-Esperance Region

Suite 4, 37 Brookman Street
KALGOORLIE WA 6430
Telephone: (08) 9026 3250

Great Southern Region

Unit 2 /129 Aberdeen Street
ALBANY WA 6330
Telephone: (08) 9842 8366

Kimberley Region

Woody's Arcade
7/15 Dampier Terrace
BROOME WA 6725
Telephone: (08) 9191 8400

Mid West Region

Post Office Plaza
50-52 Durlacher Street
GERALDTON WA 6530
Telephone: (08) 9920 9800

North West Region

Unit 9, Karratha Village Shopping Centre
KARRATHA WA 6714
Telephone: (08) 9185 0900

South West Region

8th Floor, 61 Victoria Street
BUNBURY WA 6230
Telephone: (08) 9722 2888

 **Department of Infrastructure and Transport (DoIT)**

The national Department of Infrastructure and Transport promotes transport systems that are safe, efficient, internationally competitive, sustainable and accessible.

Transport information provided by DoIT includes:

- ✚ the impacts of transport on economic, environmental and/or social modes of transport and their uses;
- ✚ regulation, vehicle standards, rules and licensing;
- ✚ transport research and statistics;
- ✚ transport accident investigations, security and education programs;
- ✚ the services provided by DoIT to the transport sector – from planning to permits and allocation to aviation slots;
- ✚ innovations and intelligence for Australia's transport future;
- ✚ transport in Australia – its objectives, general trends, facts, policy, international obligations and government responsibility;
- ✚ transport infrastructure.

For more information, contact:

Department of Infrastructure and Transport
111 Alinga Street
CANBERRA ACT 2600

Telephone: (02) 6274 7111
Website: www.infrastructure.gov.au

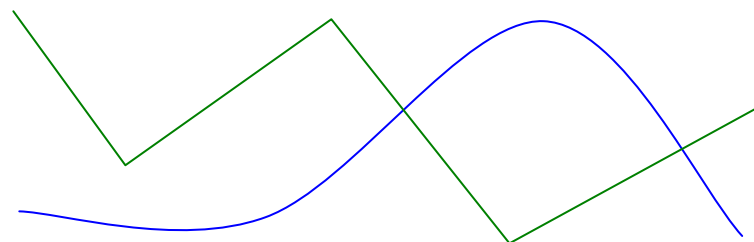
 **Department of Mines and Petroleum
– Resources Safety Division**

The Resources Safety Division of the Department of Mines and Petroleum is responsible for administering the *Dangerous Goods Safety Act 2004* and associated regulations.

For more information, contact:

Department of Mines and Petroleum
Resources Safety Division
303 Sevenoaks Street
CANNINGTON WA 6107

Telephone: (08) 9358 8001
Website: www.dmp.wa.gov.au



Livestock and Rural Transport Association of WA (LRTAWA)

The LRTAWA was incorporated in 1980 with the main objective of promoting the development, safety and efficiency of rural livestock transporting, as well as promoting animal welfare. In 2005 the Association extended its membership to include rural bulk carriers.

Today, members include livestock transporters, grain and fertiliser carriers and companies involved in transporting timber products. Rural and agricultural transport is the prime focus of activities.

The Association lobbies the government on issues concerning animal transport and road transport in general, provides a newsletter, looks at road transport issues such as driver licensing, heavy vehicle license fees, heavy vehicle access, road conditions, rest areas, fatigue management, accreditation and any issues with the permit system.

The Association is open to owner-drivers, companies and employee drivers to join and enjoy the benefits of membership.

For more information, contact:

Livestock and Rural Transport Association of WA
Pastoral House
277-279 Great Eastern Highway
BELMONT WA 6104

Telephone: (08) 9478 3655
Email: admin@lrtawa.org.au
Website: www.lrtawa.org.au

Logistics Training Council (LTC)

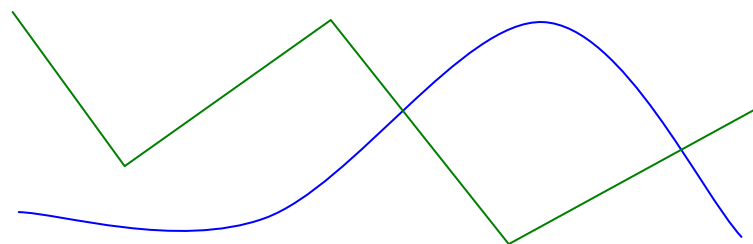
The Logistics Training Council provides independent information to industry, training providers and Government on training and skills recognition arrangements. The LTC actively promotes training initiatives.

Information is disseminated to industry, government departments and training providers through the LTC's newsletter and website, workshops and information sessions. The LTC also responds to individual requests for information and offers a consultancy service.

For more information, contact:

Logistics Training Council
17 Lemnos Street
SHENTON PARK WA 6008

Telephone: (08) 9388 8784
Email: logisticstc@logisticstc.asn.au
Website: www.logisticstc.asn.au





Main Roads Western Australia (MRWA)

Main Roads is responsible for Western Australia's highways and main roads, representing almost 30% of the State's total road network. It is one of the largest geographically spread road agencies in the world, covering 2.5 million square kilometres.

Services are primarily managed and delivered through the head office located in East Perth and via regional offices located throughout the State.

Main Roads WA:

- ✚ engages with customers to identify their needs;
- ✚ ensures that the road network safely links goods, people and places;
- ✚ facilitates industrial, commercial and business development;
- ✚ enables efficient access to other modes of transport; and
- ✚ contributes to the economic advancement of the State and the Nation.

For more information, contact:

Main Roads WA
Don Aitken Centre
Waterloo Crescent
EAST PERTH WA 6004

Telephone: (08) 9323 4111
Email: enquiries@mainroads.wa.gov.au
Website: www.mainroads.wa.gov.au

General enquiries

Telephone: (08) 9323 4111
Email: enquiries@mainroads.wa.gov.au

Heavy Vehicle Operations

70 Pilbara Street
WELSHPOOL WA 6106
Telephone: (08) 9311 8450
After Hours: 138 138
Email: hvo@mainroads.wa.gov.au

Traffic Issues

Telephone: (08) 9323 4111
Email: roadtraff@mainroads.wa.gov.au

Oversize and Extra Mass Permits

For information and enquiries on obtaining oversize or extra mass permits, contact Heavy Vehicle Operations:
Telephone: (08) 9311 8450
Email: hvo@mainroads.wa.gov.au

Road Condition Report

Telephone: 1800 013 314
Website: www.mainroads.wa.gov.au

Emergencies and Traffic Faults

Report any faults such as signal failure, street light problems, missing or damaged signs, potholes or traffic accidents on:
Telephone: 1800 800 009

Traffic Operations Centre

Telephone: (08) 9323 4848

MAIN ROADS REGIONAL OFFICES

Gascoyne Region

470 Robinson Street
CARNARVON WA 6701
Telephone: (08) 9941 0777
Email: gasreg@mainroads.wa.gov.au

Goldfields-Esperance Region

83 Piesse Street
BOULDER WA 6432
Telephone: (08) 9080 1400
Email: gereg@mainroads.wa.gov.au

Great Southern Region

2-6 Kelly Street
ALBANY WA 6331
Telephone: (08) 9892 0555

Kimberley Region

Messmate Way
KUNUNURRA WA 6743
Telephone: (08) 9168 4777
Email: kimreg@mainroads.wa.gov.au

Wodehouse Street
DERBY WA 6728
Telephone: (08) 9158 4333
Email: kimreg@mainroads.wa.gov.au

Mid West Region

Eastward Road
GERALDTON WA 6531
Telephone: (08) 9956 1200
Email: mwreg@mainroads.wa.gov.au

Pilbara Region

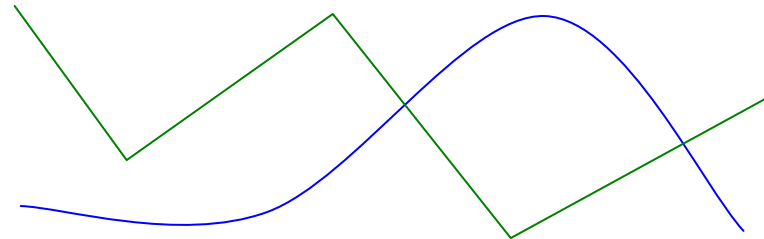
Maxine McGillvray Centre
Brand Street
SOUTH HEDLAND WA 6722
Telephone: (08) 9172 8877
Email: pilreg@mainroads.wa.gov.au

Wheatbelt North Region

Peel Terrace
NORTHAM WA 6401
Telephone: (08) 9622 4777
Email: wbnthreg@mainroads.wa.gov.au

Wheatbelt South Region








Mokine Road
NARROGIN WA 6312
Telephone: (08) 9881 0566
Email: wbsthreg@mainroads.wa.gov.au



 **Motor Trade Association of Western Australia (MTAWA)**

The Motor Trade Association of Western Australia (Inc.) provides a large range of services to help members build their business. The MTAWA has several staff members who are qualified to advise members on safety audits using the WorkSafe Plan as a standard and to provide interpretation and advice on the Occupational Safety and Health Act.

The MTA's in-house industrial relations division is available to assist and protect members' interests by providing:

-  award information and interpretation
-  advice on rates of pay
-  advice on conditions of service
-  employment guidance – hiring and dismissal procedures and advice
-  advice on Workers' Compensation
-  assistance in the WA Industrial Relations Commission on employment-related matters, up to pre-court hearings at no charge
-  referrals on court appearances referred to MTA solicitors and barristers at discounted rates.

For more information, contact:

Motor Trade Association of WA
Level 1, 35 Great Eastern Highway
RIVERVALE WA 6103

Telephone: (08) 9453 7900
Country callers: 1800 652 300
Email: mtawa@mtawa.com.au
Website: www.mtawa.com.au

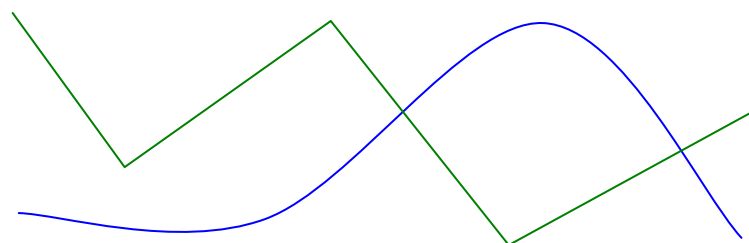
 **Small Business Development Corporation (SBDC)**

The SBDC is a Western Australian state government agency that is focused on development of the small business sector. It provides advisory and information services to the public and has a range of useful publications.

For more information, contact:

Small Business Development Corporation
Level 2, 140 William Street
PERTH WA 6000

Telephone: 131 249
(08) 6552 3300
Email: info@smallbusiness.wa.gov.au
Website: www.smallbusiness.wa.gov.au



 **Transport Women Australia**

Transport Women Australia Ltd was formed by an enthusiastic group of women involved in various capacities in the road transport industry. Those women shared a common view that women in all modes of the transport industry can benefit from a national independent organisation that focuses on support of women and the concept of dealing with industry issues from the perspective of women.

The key objectives of the organisation are to:

- ✚ support women's contribution to the transport industry and present views from their perspective;
- ✚ promote professional development, leadership and training opportunities for women in the transport industry;
- ✚ promote effective networking within the transport industry;
- ✚ provide recognition and a forum for women who work or have an interest in the transport industry;
- ✚ pursue women's rights to input on policy issues;
- ✚ promote professional, sustainable and respectful practices as essential elements within the transport industry; and
- ✚ promote clear career paths and encourage graduates and young people to work in the transport industry.

For more information, contact:

Transport Women Australia Ltd
PO Box 627
WODONGA VIC 3689

Telephone: (02) 6041 6244
Email: admin@transportwomen.com.au
Website: www.transportwomen.com.au

 **Transport Workers Union (TWU)**

The first priority of the TWU is to protect and improve the livelihood of transport workers and their families.

To achieve those objectives, the TWU puts resources into the following main areas:

- ✚ organising transport workers;
- ✚ representing members at their workplace;
- ✚ providing services to members and their families;
- ✚ maintaining industrial awards;
- ✚ pursuing industry-wide improvements for wages and conditions of employment;
- ✚ achieving fair rates for owner-drivers;
- ✚ representing transport workers on industry bodies;
- ✚ delivering union training;
- ✚ occupational health and safety;
- ✚ TWU Superannuation Fund;
- ✚ providing legal advice on WorkCover;
- ✚ lobbying federal, state and local governments.

For more information, contact:

Transport Workers Union (WA Branch)
Suite 302, 3rd Floor
82 Beaufort Street
PERTH WA 6000

Telephone: (08) 9328 7477
Freecall: 1800 657 477
Email: contact@twuwa.org.au
Website: www.twuwa.org.au



WA Road Transport Association (WARTA)

WARTA (formerly known as Transport Forum) is the peak industry body for road transport in Western Australia. It represents freight forwarders; furniture removers; long distance, heavy and bulk haulage operators; accredited pilots; recovery operators; school bus contractors and waste managers.

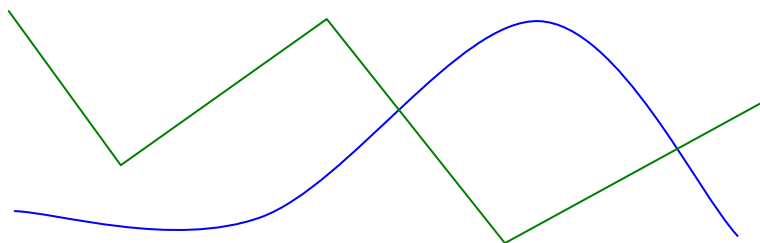
Member organisations can take advantage of a wide range of transport industry information and support. WARTA also provides transport and logistics training, with members receiving discounts on various training courses (short courses and traineeships).

WARTA is affiliated with the Australian Trucking Association (ATA) and is the WA branch of the Australian Road Transport Industrial Organisation (ARTIO).

For more information, contact:

WA Road Transport Association
239 Star Street
WELSHPOOL WA 6106

Telephone: (08) 9355 3022
Email: reception@warta.com.au
Website: www.warta.com.au



11. Useful Forms

The forms that have been described in this Guide are placed together in this chapter for handy reference and easy copying.

You will also find them in the Owner-Driver section of the Department of Transport website: www.transport.wa.gov.au/freight

- ✚ **Owner-Driver Checklist**
From Chapter 3 – *Contractors and Contracts*
- ✚ **Personal Budget Worksheet**
From Chapter 5 – *Financing Your Business*
- ✚ **Start-up Costs Worksheet**
From Chapter 5 – *Financing Your Business*
- ✚ **Personal Worth Statement**
From Chapter 5 – *Financing Your Business*
- ✚ **Cash Flow Forecast**
From Chapter 7 – *Keep Your Papers (and Your Figures) In Order*
 - Note that the Dept of Transport website has a version that is set up to do the calculations automatically
- ✚ **Cost of Operations Worksheet**
From Chapter 8 – *Mind Your Financial Business*
 - Note that the Dept of Transport website has a version that is set up to do the calculations automatically
 - Alternatively, use the Owner-Driver's Cost Calculator (see page 53)

Owner-Driver Checklist

Name of company			
Name of representative			
Telephone number			
Date			
Do I have to pay a goodwill, franchise or contract fee?	Yes No	If yes, how much? \$	
What is the rate being paid?	\$		
Am I guaranteed a minimum amount and/or hours per week?	Yes No	If yes, how much? \$	
Are they prepared to put this in writing?	Yes No		
Am I paid a waiting time allowance?	Yes No	If yes, how much? \$	
Does the company take fees out of the gross payment?	Yes No	If yes, for what and how much? \$	
Radio	Yes No	\$	
Uniform	Yes No	\$	
Comprehensive insurance	Yes No	\$	
Public liability insurance	Yes No	\$	
Load transit insurance	Yes No	\$	
Sickness and accident insurance	Yes No	\$	
Other	Yes No	\$	
To cover company's costs, does the company take a percentage out of the vehicle's gross earnings?	Yes No	If yes, how much? \$	
Is the company advertising for owner-drivers on a regular basis?	Yes No	If yes, why?	
Are there periods where earnings can be affected?	Yes No	If yes, when?	
How soon are accounts settled?			
Does the company provide maintenance facilities?	Yes No	If yes, is there a charge for it? \$	
What are the provisions if either party wishes to terminate the contract before the term runs out?			

Personal Budget Worksheet

ITEM	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
HOUSE													
Rent / mortgage payments													
Rates – council													
Rates – water													
Maintenance													
Insurance													
DOMESTIC													
Food													
Clothing													
Entertainment													
Telephone													
Home mobile													
Electricity, Gas													
Other													
PERSONAL													
Health care													
Education													
Books, sport etc													
Other													

ITEM	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
MOTOR VEHICLE													
Insurance, Licence													
Repairs, services													
Fuel, running costs													
Loan repayments													
GENERAL													
Life assurance													
Superannuation													
Medical / hospital insurance													
Personal loan repayments													
Credit card payments													
Other (1)													
Other (2)													
Other (3)													
Total monthly outgoing \$													

Start-up Costs Worksheet

Essential costs	
Deposit &/or initial lease or loan payments on your truck	\$
Equipment and tools	\$
CB radio and / or mobile telephone	\$
Registration fees, permits and licences	\$
Initial insurance premiums	\$
Professional advice and services	\$
Supplies for several months of operation	\$
Fuel for several months	\$
Contingencies (say 10% of your expenses so far)	\$
Living expenses for several months	\$
Emergency fund (say operating and living expenses for two months)	\$
<i>Total essential costs</i>	\$
Non-essential costs	
Truck upgrade or modifications	\$
Laptop computer	\$
CD player	\$
Other (1)	\$
Other (2)	\$
Other (3)	\$
Other (4)	\$
<i>Total non-essential costs</i>	\$
Total start-up costs (= total essential costs + total non-essential costs)	\$

Personal Worth Statement

Assets	
Cash in the bank	\$
Real estate – house and land	\$
Household furniture and electrical items	\$
Motor vehicles	\$
Boat	\$
Insurance policies (surrender value)	\$
Superannuation	\$
Shares / stocks	\$
Other assets	\$
<i>Total assets</i>	\$
Liabilities	
Mortgage – house	\$
Car loan	\$
Personal loan	\$
Credit cards	\$
Other liabilities	\$
<i>Total liabilities</i>	\$
Personal worth (= assets minus liabilities)	\$

Cash Flow Forecast

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Category Total
Cash in-flow items													
Total cash in-flow													
Cash out-flow items													
Sub-total cash out-flow													
Capital expenditure													
Total cash out-flow													
Net cash flow ¹													
Bank balance at start of month													
Bank balance at end of month ²													

1) Net cash flow = total cash in-flow minus total cash out-flow.

2) Bank balance at end = start balance plus or minus net cash flow.

Cost of Operations Worksheet (Part 1)

TOTAL KILOMETRES (OR HOURS) RUN:	km or hours per year: _____	km or hours per month: _____
---	--------------------------------	---------------------------------

	Annual \$	Monthly \$	\$ per km or \$ per hour
FIXED COSTS			
Overheads			
Accounting fees			
Audit fees			
Bank fees and charges			
Bad debts & debt collection costs			
Rent			
Building repairs / maintenance			
Cleaning			
Electricity			
Printing and stationery			
Postage			
Telephone / fax / internet			
Data processing			
Insurance – general			
Insurance – public liability			
Insurance – sickness and accident			
Employee benefits and amenities			
Uniforms			
Wages			
Superannuation			
Donations			
Other expenses			
<i>Total overhead costs</i>			
Finance Costs			
Loan repayments			
<i>Total finance costs</i>			
Depreciation			
Cost of item	\$		
Minus sale price (estimated)	- \$		
Equals total depreciation	= \$		
Divide by number of years	÷ years		
Equals annual depreciation			

Cost of Operations Worksheet (Part 2)

OTHER FIXED COSTS			
Other vehicle costs			
Insurance			
Vehicle registration			
Licences and permits			
Security			
<i>Total fixed vehicle costs</i>			
TOTAL FIXED COSTS (= overheads + finance costs + depreciation + fixed vehicle costs)			
VARIABLE COSTS			
Fuel (less rebate)			
Oil			
Tyres			
Repairs			
Services			
Loading equipment			
Hire / equipment			
Truck wash			
Loading / unloading charges			
Administration fees			
Accommodation and meals			
Other variable costs			
TOTAL VARIABLE COSTS			
TOTAL COSTS (Total fixed costs + Total variable costs)			