



THE BENEFITS OF THE OWNER-DRIVER

For all manufacturing and service industries in the Republic, distribution represents a very significant part of the overall cost of running the business. Against a background of fluctuating fuel costs, rising wage rates and more constricting road legislation, many companies are now looking for an alternative means of controlling the cost of delivery.

A recent innovation, adopted by a number of companies in the Republic, is the use of owner-drivers for goods delivery. These are self employed drivers who contract to undertake deliveries at fixed rates for the Company concerned. The difference between owner-drivers and general hauliers or carriers is that owner drivers are usually ex-employees of the Company, who have vehicle financing arrangements with the Company concerned.

The advantages to the Company include the following:

- lower overall distribution costs
- unit distribution costs remain constant, irrespective of volume changes
- the administrative problems involved with running a fleet are reduced
- capital tied up in equipment is reduced
- industrial relations problems and restrictive practices are all but eliminated.

From the owner-driver viewpoint there are also significant advantages. Being self-employed the opportunities for extra reward, for extra effort, are there.

He can often make economies in his operation which would not always be available to the Company owned fleet.

These range from the simple factors, such as organising his own vehicle servicing, through to deciding when to use a helper, and at what cost, to arranging for 'back-loads' to increase the income from his operation and thus provide for lower costs to his principal client.

The change to owner-driver operation can result from a Company's desire to 'unlock' a particular industrial situation. This could be a history of low productivity in the distribution area. Attempts to increase efficiency levels may have produced union opposition. Alternatively, the 'buying out' of restrictive practices may be too expensive. offering drivers a new deal, with the advantages mentioned above, could turn the key to lower costs.

The first stage in deciding whether an owner-driver operation could benefit you is to list the areas of 'mutual cost advantage'. For a typical fleet operation these would include the following:

Cost Area for Fleet Operation

Economies Available to owner-Driver operation

Helper Wages

50% - 100%

Employers Social Costs
(PRSI, Pensions, Holiday Cover)

80% - 100%

Expenses/Meal Allowances	50% - 100%
Maintenance Costs (labour content)	25% - 50%
Vehicle Rental (servicing replacements)	100%
Personal Usage of Transport	100%
Administration (tacho records, wage calculation, etc.)	100%
Productivity Improvements	20% - 50%

When actual costs are put against the areas for economies, and these are shared between the Company and owner-drivers, it is not uncommon to find that up to a 20% reduction in distribution costs can result. This could mean a saving of up to £15,000 per annum per artic, with a crew of driver and helper.

The next stage is to decide on what basis the owner-drivers are to be paid for deliveries. The most straightforward method is to pay on a cost per case delivered basis. This has the added advantage of not being affected by product price inflation. Different rates could apply to City and country deliveries, to reflect the different delivery costs involved.

The final stage includes the drawing up of contracts, deciding on what assistance is to be given to drivers to purchase vehicles, and what insurance arrangements are needed.

The owner-driver operation has been adopted by a number of companies in recent years for delivery of such diverse products as newspapers, fruit and general groceries. These companies agree that the way to improving delivery efficiency is to put the self-employed driver behind the wheel. In one recent example we were associated with, the unit cost of delivery was virtually halved with no reduction in the level of customer service.

© DMA 1989

DMA are specialist consultants to the distributive trades. Their work is primarily concerned with cost reduction projects in warehouse and transport. Over the years they have assisted in a number of successful change-overs to owner-drivers in the grocery and other trades.

Further details may be obtained from: dma2000.com or phone:-

Patrick Madigan	00 353 (0) 872 41 42 43
Peter Fox	00 44 (0) 7710 630 180
Mike Mulleady	00 44 (0) 7885 408 630
Ralph Drew	00 44 (0) 1452 812 614