TRANSPORT INDUSTRY COUNCIL

Rates and costs schedule 2022-23

Prime Mover (Bogie Drive)

Road Transport and Distribution Award 2020

Category 6

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Wage Inspectorate Victoria

Wage Inspectorate Victoria is responsible for monitoring compliance with the *Owner Drivers and Forestry Contractors Act 2005*. If you have any questions, the Inspectorate is available to provide information and answer queries. Please call the Information Line on **1800 287 287** or lodge an online enquiry at www.wageinspectorate.vic.gov.au.

Introduction

This vehicle operating Rates and Costs Schedule is based on the Transport Industry Council's evaluation of the cost recovery recommended for an owner driver to take into consideration based on being able to operate a business on a sustainable basis.

This Schedule is a general guide only. Owner drivers[1] are strongly advised to seek independent professional accounting advice for their own situation and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.

This Rates and Costs Schedule is published under section 14 of the *Owner Drivers and Forestry Contractors Act 2005 (Vic)* (the Act). Under the Act, this Schedule must be given at least three business days before the owner driver is engaged, if the owner driver will be engaged for a period of at least 30 days; or on the thirtieth day, if the owner driver is engaged for a total period of at least 30 days in any three-month period.

These requirements also apply to freight brokers and to tender situations.

This Schedule will be revised at least annually, and under section 18 of the Act, hirers are required to give owner drivers a copy of any such revised Schedule as soon as practicable after it is published.

The Schedule is intended to assist owner drivers and their hirers to better understand the typical operating costs of an owner driver business and to inform their negotiations.

THE SCHEDULE DOES NOT SET MINIMUM RATES THAT MUST BE PAID.

The Schedule sets out a worked example of typical overhead costs for an owner driver supplying a Prime Mover (Bogie Drive). The worked example is based on certain assumptions about the business, for example, that the vehicle is 10 years old, is in operation for 7.6 hours a day and uses a certain number of tyres.

The aim of the Schedule is to assist owner drivers to:

- better understand their business cost structures and how increases and decreases in different cost items affect overall profitability; and
- calculate their own unique cost model.

This Schedule applies to owner drivers who supply a Prime Mover (Bogie Drive) or similar vehicle[2].

The Schedule is structured as follows:

[1] Owner Driver is defined in the Owner Drivers and Forestry Contractors Act 2005. The definition is also affected by the Owner Drivers and Forestry Contractors Regulations 2006 made under the Act.

[2] Rates and Costs Schedules have been published for 1 tonne Van Courier Messenger, 1 tonne GVM – General Freight, 4.5 tonne GVM, 8 tonne GVM, 12 tonne GVM (2-axle), Prime Mover (Bogie Drive), Semi-Trailer (Bogie Drive, 6-axle), Truck and Quad Axle Dog Trailer GCM up to 50 tonnes, , Tip Truck Tri axle Super Dog – GCM 42.5 tonnes and Tandem Tip Truck – GVM 22.5 tonnes Hirers are required to provide owner drivers with the Schedule that most closely relates to the owner driver's vehicle.

Part 1: Fixed costs

Describes typical fixed (or annual) business costs. These are the costs that the business must pay each year regardless of how many kilometres the vehicle travels.

Part 2: Variable costs

Describes typical variable business costs. These are the costs (such as fuel and tyres) that vary with how many kilometres are travelled. These are calculated on an hourly basis.

Part 3: Payment for labour

Describes the range of rates that are typically paid to employee drivers for performing similar kinds of work, to assist the owner driver to determine what may be a reasonable payment for their own labour.

Part 4: Totals

This section allows the owner driver to prepare total hourly rates for ordinary hours (up to 1,672 a year) and excess hours.

THE SCHEDULE DOES NOT DEAL WITH THE ISSUE OF RETURN ON INVESTMENT, AND THIS WOULD NEED TO BE FACTORED IN WHERE APPROPRIATE. THE ISSUE OF RETURN ON INVESTMENT IS DEALT WITH IN SECTION 11 OF THE *OWNER DRIVERS AND FORESTRY CONTRACTORS CODE OF PRACTICE*.

Key assumptions

The model set out in this Schedule is based on certain assumptions about the vehicle used, hours of work and the type of business. The assumptions used that have the greatest impact on the figures given are:

Subject	Costing assumptions
Vehicle and finance	The fixed costs are based on: • a vehicle with a current capital value of $88,017 (being the current average retail value of a 10-year-old vehicle). • a vehicle subject to a lease arrangement, over a 4-year term with a 25% residual, a 10% deposit of $8,802 with interest at a comparison rate of 7.5% per annum. Note that if the business owns the vehicle outright, or has a loan, the cost structure will be different with depreciation as the relevant cost rather than lease payments. All costs exclude GST.
Driving hours per year (kilometres travelled)	The calculation of the fixed costs assumes the vehicle is in operation for 7.6 driving hours per day for 220 working days a year. This equals 1,672 hours of operation a year. The model spreads fixed operating costs over those 1,672 hours. In Part 4, a separate hourly rate for hours over and above the base hours of 1,672 a year is provided. To avoid double counting of fixed costs, this rate only includes variable costs and a return for labour, based on an overtime labour rate.

The cost structure of the individual business will be significantly different if, for example:

- the age, current capital value (or both) of the vehicle is less or more than the above figures
- other finance arrangements apply (for example, the vehicle is fully owned or is subject to a loan)
- more or fewer hours are worked each year

BECAUSE OF THESE POTENTIAL VARIATIONS, GREAT CARE SHOULD BE TAKEN IN USING THE INDICATIVE FIGURES SET OUT IN THE COST MODEL, AS THE COSTS OF THE INDIVIDUAL BUSINESS MAY VARY SIGNIFICANTLY.

To assist owner drivers to calculate their own unique cost model, a blank column is included to calculate the business's own unique costs.

Rate structures

This model calculates the cost of running a typical owner driver business, described as an hourly rate, made up of fixed and variable costs and a payment for the owner driver's labour. The Schedule does not calculate or suggest any particular rate calculation or payment method.

Arrangements for payment for owner drivers in the transport industry vary enormously. They can be paid an hourly rate, a load rate, parcel rate, on the basis of tasks performed, or even kilometres travelled. If an owner driver is paid on such an arrangement, the Schedule set out below can be used as a base to calculate the cost to the business of travelling per kilometre, or delivering a particular load. Unions, industry associations or accountants and other professional advisers can assist in this task.

Part 1
Fixed annual costs – per year and per hour

Note: All costs exclude GST

Cost items assumptions used in the example	Example: Typical cost per year	Your costs:	Variations in this cost item
Vehicle lease costs This model is based on a vehicle with a current capital value of $88,017 (based on typical retail value of a 10 year old vehicle), and is based on a lease arrangement over a 4 year term with a 25% residual, a 10% deposit of $8,802 at 7.5% interest per annum.	$15,780		Finance arrangements will vary widely depending on: ▪ if the arrangement is a lease or hire purchase, or purchase of the vehicle through a loan; or ▪ if the arrangement is a loan, then the purchase price, the amount borrowed and the loan terms will affect cash-flow, and depreciation needs to be allowed for.
Registration, permits and TAC fees Based on vehicle registration fee of $4,730 and TAC charge of $2,237 which is net of GST. Assumes payment is made on an annual basis. TAC charge assumes vehicle is garaged in a high-risk area (e.g. metropolitan Melbourne).	$6,967		These fees are current as at 1 July 2022 but may change. Additional licences may be payable for certain types of operations (e.g. interstate registration, oversize, port security permit, dangerous goods). Additional administration charges may apply to registration fees if they are paid in instalments. TAC charges may be lower if the vehicle is garaged in a medium or low risk area.
Superannuation Self-funded, based on 10.5% of own labour assumed at $50,954.	$5,350		
Insurance comprehensive vehicle Based on rate of 4.5% per annum. Based on operator who is over the age of 25, has at least 5 years' experience and no claims history. Assumes vehicle is not carrying dangerous goods. Assumes vehicle is travelling intrastate only.	$2,773		Rates may be higher for interstate trucks. Additional insurance charges may apply to certain kinds of goods carried (e.g. refrigerated goods or livestock). Comprehensive vehicle insurance costs may vary depending upon the age and value of the equipment insured, the insurance provider, the amount of any excess payable, the individual's claims history, the age and experience level of the driver and whether the vehicle is carrying dangerous goods.

Cost items assumptions used in the example	Example: Typical cost per year	Your costs:	Variations in this cost item
Insurance goods in transit Based on an insured sum of $50,000 at an insurance rate of 0.8%. Assumes vehicle is not carrying dangerous goods.	$400		The cost of goods in transit insurance may vary depending on the type of goods being transported.
Insurance personal sickness and accident/income Basic policy, based on 80% of income for 52 weeks, 30 day waiting period. Assumes driver is travelling intrastate only. Assumes driver has no pre-existing conditions. Maximum age limit of 60 years.	$1,860		The cost of personal income and accident insurance (also called income protection insurance) will vary depending on the individual's health history, the amount of income insured, the period of time after an accident before benefits are payable and the maximum period over which benefits are paid.
Insurance public liability Assumes policy for public liability claims up to $10 million.	$600		
Insurance workers' compensation Assumed at the rate of 4.57% for the assumed labour rate of the business owner of $50,954. Assumes vehicle is primarily travelling intrastate.	$2,328		The rate is current as at 2022-2023 and is subject to change. The rate charged for workers' compensation insurance may vary depending on whether the vehicle is travelling short or long distances and whether the vehicle is travelling interstate. The rate may also vary depending on the driver's claims history.
Business administration costs Includes maintenance of records, preparation of tax returns, mobile phone charges, consumer price index and sundry business expenses.	$2,885		Accounting/bookkeeping fees may be lower if the business prepares its own BAS and accounts. Mobile phone charges will vary depending on level of use. Other costs: Professional association fees, accommodation costs, parking fees, bank charges, and other costs should be allowed for where relevant. This example is based on a business that is already up and running, and does not take into account the costs of starting a business (e.g. registering a company). This figure may also vary depending on contractual conditions.
Total annual fixed costs	$38,944		
Total hourly fixed costs	$23.29		Assumes that the annual fixed costs of the business are spread over

Cost items assumptions used in the example	Example: Typical cost per year	Your costs:	Variations in this cost item
Assuming 1,672 vehicle operation hours.			1,672 vehicle operation hours per year.

Part 2
Variable costs – per kilometre and per hour

Note: All costs exclude GST (unless otherwise specified)

Cost items assumptions assumes 28,600 km travelled per year	Typical cost per km	Your cost per km	Variations in this cost item
Fuel Based on a fuel price of 224.3 cents per litre being the national average retail diesel pump price for the 4 weeks to 3 July 2022 Assuming 47 litres consumed per 100 km.	105 cents		Fuel is the single biggest variable cost and will significantly affect your business. Fuel costs will also vary depending on the age, features and condition of the vehicle. The price of fuel at the time of negotiating with the hirer should be used to assess the base rate fuel cost to be applied. In addition to the base rate, a fuel surcharge needs to be applied to account for weekly, fortnightly or monthly fluctuation in fuel costs over the term of the contract.
Tyres Assumes cost of $633 per tyre (10 tyres) based on vehicle specific average performance and replaced after 80,000 km.	8 cents		Consumption of tyres will vary with the age of vehicle, off-road use, geographic and road conditions, braking frequency and driving techniques and the quality of the tyres used. Cost of tyres will also vary depending on the manufacturer, type of tyres and any discount arrangements.
Servicing, repairs and maintenance Based on rate of 44 cents per km.	44 cents		Repair and maintenance costs will vary significantly with the age and condition of the vehicle. Major repairs may be a one-off major cost in any given year. Significant savings can be made if the business does its own servicing and repairs.
Total variable costs per km	157 cents		

Total variable costs per driving hour	Typical cost per hour	Your cost per hour	Variations in this cost item
Assumes 18km travelled per hour.	$28.26		These rates are typical for city driving only. The number of kilometres travelled per hour will vary significantly depending on the routes travelled, whether the work is metropolitan or regional, how often the vehicle stops to load or unload and the nature of the work. Drivers who travel long distance or in the country will need to take this into account for their own calculations.

Citylink and Eastlink Tolls

Your hirer is responsible for reimbursing you for toll costs incurred if they direct you to take a toll road, or if you need to take a toll road to complete your trip.

If the hirer does not reimburse the toll costs you will need to include these costs as part of your cost calculation. The price of your trip will depend on the following factors: how far you travel, the type of vehicle you use, whether you travel in peak or off-peak times and the account or pass you choose. There are trip toll caps on both Citylink and Eastlink for heavy commercial vehicles. To check the current costs, use the following toll calculators:

- linkt.com.au/melbourne/using-toll-roads/toll-calculator
- eastlink.com.au/toll-calculator

Part 3
Payment for the owner driver's own labour

The next factor to include in a business cost model is an amount for the business owner's own work (labour) in driving the vehicle and in work such as loading and unloading and tasks necessary in running the business. This Part will provide information to assist owner drivers to determine the amount they can aim to receive as a payment for that labour.

Because an owner driver is a small business (not an employee) the hirer is not legally obliged to pay a minimum wage or rate of pay. However, the wages that are paid to employee drivers are a useful guide to the market for the labour services of driving a vehicle.

Set out below are rates that would typically be paid for driving a vehicle if this work was performed by an employee rather than an owner driver.

These rates will vary over time, and should be used as a general guide only. Unions, industry associations, newspaper job advertisements and other drivers are sources of advice about the going rates in your industry sector.

Casual base hourly rate[1]	Casual overtime rate 150%[2] For the first two hours, over 7.6 per day or 38 per week	Casual overtime rate 200%[2] For work extending beyond the first two hours of overtime and until the completion of work
$30.48	$37.15	$49.54
Range of rates typically paid in Victoria[3]		
$30.48 to $36.58	$37.15 to $44.58	$49.54 to $59.45

Notes:

1. **Casual base hourly rate:** The base rate is calculated on the Road Transport and Distribution Award 2020[3] (the award) for a casual employee driver of a semi-trailer ("the Award rate") and assumes 38 ordinary hours of work completed in five shifts of 7.6 hours between 5.30am and 6.30pm, Monday through Friday. The base hourly rate for casual employees includes an additional 25% loading. This is compensation for not receiving the paid annual leave, personal/carer's leave and public holidays that ongoing employees receive.
2. **Casual overtime rates:** Casual employee drivers in Victoria receive payment at the rate of time and a half for the first two hours of overtime and double time thereafter for work continuing after the completion of an employee's ordinary hours of work. For each hour of

[3] The Award rate was accurate as at 1 July 2022, but is varied from time to time by the Fair Work Commission. You can find information about the most recently published minimum employee rates by visiting fwc.gov.au or contacting your association or union.

overtime worked a casual must also be paid 10% of 1/38th of the minimum wage specified in the Award for their classification.

3. **The range of rates in Victoria:** This part of the table sets out a range of rates typically paid in Victoria to employee drivers in the transport industry. A range is supplied because the rate paid will vary depending on whether a company is party to an enterprise agreement, the particular industry sector, the skill and efficiency of the particular driver and market factors such as whether there is a shortage of drivers in the area. The top rate in each range is calculated by adding 20% to the bottom rate.

The Award also provides for the following payments, which may need to be factored into your cost calculation, where they apply:

- **Shift allowances:** Shift allowances will apply for casual employee drivers at the rate of 117.5% for a shift where ordinary hours of work are completed after 6.30pm but before 12.30am (afternoon shift) and at the rate of 130% where ordinary hours of work are completed after 12.30am but before 8.30am (night shift).
- **Work on a Saturday:** For all ordinary hours worked on a Saturday a casual employee driver would receive payment at the rate of 150% for hours worked. Work undertaken on a Saturday as Overtime would receive payment at the rate of 150% for the first two hours and 200% for all hours thereafter.
- **Work on a Sunday:** For all ordinary hours and overtime hours worked on a Sunday a casual employee driver would receive payment at the rate of 200% for hours worked.

Part 4 – Hourly totals

Hourly total for hours up to 7.6 hours a day, 1,672 hours a year.

Totals

Totals per driving hour	Fixed costs	Your figures	Notes
Fixed costs	$23.29		Assuming fixed costs spread over 1,672 hours.
Variable costs	$28.26		Assuming 18 km travelled per hour.
Labour	$30.48		This worked example is based on a labour rate of $30.48 per hour. See discussion on rates for labour in Part 3.
Total per hour (up to 1,672 hours)	$82.02		Note that this is not a prescribed or recommended rate. Owner drivers are strongly recommended to consider their own circumstances and obtain advice.

Total per hour – for hours in excess of 7.6 hours per day / 1,672 hours a year

This model assumes that the owner driver will recover fixed annual costs over 1,672 driving hours a year. Many owner drivers work longer than these hours, either extra days each week or longer hours each day. This table calculates an hourly rate for those extra hours, using variable and labour costs only, and using an overtime rate of pay.

Totals per driving hour	Typical costs	Your figures	Notes
Variable costs	$28.26		Assuming 18 km travelled per hour.
Labour (overtime rates)	$37.15		This worked example is based on a nominal penalty labour rate of $37.15 per hour. See discussion on rates for labour in Part 3.
Total per hour	$65.41		Note that this is not a prescribed or recommended rate. Owner drivers are strongly recommended to consider their own circumstances and obtain advice.

In addition to the figures above, owner drivers should, where relevant, include any amount that they seek as a return on their capital investment. This issue is dealt with in section 11 of the *Owner Drivers and Forestry Contractors Code of Practice*, available from business.vic.gov.au/odfc

Note that this is not a prescribed or recommended rate. It is strongly recommended that owner drivers obtain advice on their own individual circumstances and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.