

Haulage, prime mover and jinker trailer Medium speed 55 km/h 2021-22

A. Introduction

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

This Schedule applies to haulage contractors transporting forest products¹ at an average speed of 55km/h sourced from either native or plantation forests using a prime mover and jinker trailer in a single-shift (up to 12 hours per day) operation.²

This Schedule is a general guide only. Contractors are strongly advised to seek professional accounting advice relevant to their own situation and discuss all issues with their hirer to ensure there is no misunderstanding concerning payment structures.

Schedules are usually revised annually, and hirers must provide haulage contractors with any revised Schedule as soon as practicable after it is published.

The Schedule does not set minimum rates that must be paid. Rather, it sets out a costing model and example based on typical overhead costs to help contractors and their hirers better understand the typical operating costs of a haulage business operating in the forestry sector. Haulage contractors should use the Schedule as a guide to map out their own unique cost structures.

How to use this Schedule

The Schedule is based on the average speed per hour estimated or achieved undertaking haulage of forest products with a prime mover and jinker trailer. This Schedule contains calculations based on a medium average travel speed of 55km/h. Additional schedules are available and should be used where the average speed of travel is, or is anticipated to be, at:

- **Slow speed** – average travel speed of 45 km/h, or

- **Fast speed** – average travel speed of 65 km/h

An average travel speed impacts upon an operator's cost per km and cost per hour. Slower travel speeds reduce the amount of kilometres over which fixed costs can be recovered and result in a higher per km cost for haulage. Inversely, a higher average travel speed results in more kilometres being covered in the same time period with the result of lower per kilometre costs as well as lower per hour costs.

Assuming an average speed of 55 km/h, **Parts C and D** of the Schedule provide an analysis of the labour and equipment costs of providing the haulage service using the vehicle specified. Labour costs are based on industry averages and a comparison rate for undertaking the task as an employee is provided by the minimum rate payable under the award. **Part D** provides an analysis of the vehicle costs of providing the service using the vehicle specified, expressed on a per hour and per kilometre basis. In addition, **Part D** provides an estimate of the cash flow cost per hour of vehicle operation to account for the asset creation process resulting from principal reduction payments.

Part E of the Schedule applies the rates identified in **Parts C and D** to an example job summary based on an average speed of operation of 55 km/h and within the stated operating parameters. The example job summary demonstrates a methodology often used in the transport sector to estimate a per km and per hour costs to a per load payment structure.

B. Key assumptions

The key assumptions made within this Schedule are detailed in the table below.

The tables detailing costs in **Part C** contain sufficient detail with regard to the treatment of various inputs. However, this section provides further detail on the treatment of key input factors around operating costs. In addition, this section highlights factors that may create variances within key assumptions and therefore variances within outcomes.

Because of potential variations, great care should be taken in using the indicative figures set out in the Schedule, as the operating costs of individual business may vary significantly.

The Schedule is based on the assumptions detailed below:

Hours and kilometres	Haulage occurs 48 weeks, 10 days per fortnight, 240 days per year, over one 12-hour shift per day (including loading and unloading times). Total hours worked per year: 2,880 Total km's per year: 147,305
Vehicle	Based on a bogie drive prime mover and a jinker trailer. 1,000,000 km vehicle ownership period.
Finance	Comparison rate of 6.25% per year. No residual payments. 100% financed amount.
Terrain and road conditions	The costs in this Schedule have been based on typical vehicle life, maintenance costs, wear and tear, and tyre consumption of a vehicle travelling on both sealed and unsealed roads.
Labour	The Schedule utilises an industry average comparison as well as a comparison with rates under the <i>Road Transport and Distribution Award 2020</i> . The industry average is higher than the Award base rate, however overtime may be lower.
Fuel	Based on Melbourne terminal gate diesel price. Assumes fuel consumption of 1.6 km per litre.
Repairs and Maintenance	Based on an annual kilometre rate of: <ul style="list-style-type: none"> - 147,305km for slow speed travel - 128,868km for medium speed travel - 109,137km for fast speed travel Accounting for 75% of the cost of depreciation, which includes scheduled servicing, repairs and maintenance.
Oil	Based on 3% of fuel cost.
Registration, Permits and TAC fees	Fees for annual registration are based on VicRoads website 2021/22 fees.

Insurance – Comprehensive, Public Liability, Third Party	Based on 2% of average capital value over the life of the truck and trailer.
Administration	Based on \$20,000 per trucking unit per annum.

C. Operating costs – Labour

Labour cost

Workdays per year		
Total paid days		260
Less annual holidays		20
		240
Less	Training days	0
	Statutory holidays	11
	Wet / fire days	0
	Sick leave	5
Total work days		224

Average annual cost of driver				
	Days / Year	Hours / Day	\$ / Hour	Total
Normal Time	224	7.6	\$32.46	\$55,259
Overtime	224	4.4	\$32.46	\$31,992
Travel Time			\$32.46	\$0
Training / Wet	0	7.6	\$32.46	\$0
Leave	36	7.6	\$32.46	\$8,881
Annual Leave Loading (17.5%)				\$863
			Total	\$96,995
+ Superannuation			9.50%	\$6,093
+ Payroll Tax			4.00%	\$3,880
+ Workers Compensation			6.00%	\$5,817
Total Employment Cost				\$112,785
Non-Productive Labour Factor			5.00%	\$5,639
				\$118,427
No. of Shifts / Year / Employee				224
Employment Cost per Workshop				\$528.68
Employment Cost per Work Hour				44.06

The wage costs are based on 2021 industry averages for drivers undertaking haulage work using a prime mover and jinker trailer.

These rates will vary with overtime 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.

Overtime

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
\$29.14	\$34.97	\$46.62
Range of rates typically paid in Victoria ³		
\$29.14 to \$34.97	\$34.97 to \$41.97	\$46.62 to \$55.94

Notes:

1. Casual base hourly rate: The base rate is calculated on the *Road Transport and Distribution Award 2020*¹ (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 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.

¹ The Award rate is accurate as at 1 July 2020, 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.

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.

D. Vehicle operating costs – Jinker configuration – Medium speed 55 km/h

Standard information				
1	Tyre Cost			
	New	\$500		
	Recap	\$300		
2	Useful Life (kms)			
	Truck	1,000,000		
	Trailer	1,000,000		
3	Insurance Percentages			
	Truck	2.00%		
	Trailer	2.00%		
4	Interest Rates			
	Loan Interest Rate	6.25%		
	Owners Interest Rate	6.25%		
5	Fuel Price			
			On-Road	Off-Road
	Melbourne Average Terminal Gate Price (September 25 to October 25 2021)		\$1.463	\$1.463
	Less:	GST	\$0.10	\$0.10
		On-Road Grant	\$0.17	
		Off-Road Rebate		\$0.43
	Net Cost:		\$1.19	\$0.93
	Average Fuel Price per litre:		\$1.19	

Configuration	Jinker	
	Truck	Trailer
Current New Price	\$260,000	\$100,000
Expected Used Value	\$50,000	\$40,000
% Borrowed	100%	100%
% Owned	0.00%	0.00%
New Tyres	2	-
Recaps	8	12
Total Tyres	10	12
Tyre Life (km)	65,000	100,000
Annual Registration	\$4,512	\$1,713
Repairs and Maintenance as a % of Depreciation	75%	75%
Fuel Consumption	1.60km's / litre	

Running Costs	(\$ / km)
Fuel	\$0.74
Oil	\$0.02
Repairs and Maintenance	\$0.20
Tyres	\$0.09
Interest Charge	\$0.13
Depreciation	\$0.27
Insurance	\$0.04
Registration	\$0.05
Total	\$1.54
Cash Flow	
Fuel	\$0.74
Oil	\$0.02
Repairs and Maintenance	\$0.20
Tyres	\$0.09
Finance Repayments	\$0.65
Insurance	\$0.05
Registration	\$0.05
Total	\$1.80

Cash Flow Inputs		
Leased Amount	\$260,000	\$100,000
Lease Terms (years)	5	5
Lease Residual	\$0	\$0
Monthly Payment (12 / Year)	\$5,057	\$1,945

E. Example job description – Medium speed jinker 55 km/h

Per load calculation			
Job Description		Operating Variables	
Origin	A	Hours per Shift	12
Destination	B	Shifts per Day	1
Distance – Source to Destination (Km's)	120	Truck Workdays Per Annum	240
Private Road Km's (one way)	10	Kilometres per Shift	537
Travel time hours	4.36	Average Vehicle Km's / Annum	128,868
Loading / Unloading	1.00	Average Travel Speed	55
Total Travel Time (Round Trip)	5.36		

	Cost per Shift	Per Year Profit / Loss	Per Year Cash Flow
Labour	\$528.68	\$126,886	\$126,888
Vehicle (Jinker Configuration)	\$826.98	\$198,475	\$231,984
Overhead Charge	\$83.33	\$20,000	\$20,000
Total Cost per Shift	\$1,438.99	\$345,341	\$378,872
Cost per Work Hour	\$119.92	-	\$131.55
Cost per Km	\$2.68	-	-

F. Factors influencing total operating costs

Fuel

Fuel is one of the most volatile inputs for heavy vehicle transport services. Variations in fuel costs can be managed with the application of a fuel surcharge or 'levy'. Where the fuel component of the base vehicle operating cost is agreed between parties and a 'base' fuel price is agreed between the parties, a fuel surcharge can then be used to account for the difference between the agreed base fuel price and the actual fuel price paid by the service provider.

Depending upon the needs and desires of parties a fuel levy may be calculated on a weekly, fortnightly or monthly fluctuation in fuel costs over the base rate specified in the contract.

A typical formula widely used in the road transport industry to calculate the fuel surcharge is:

$$(\text{Current Fuel Price} - \text{Base Fuel Price}) / \text{Base Fuel Price} = \%$$

The percentage figure above is then multiplied by the fuel component of the agreed per hour rate. For example:

$$\text{Current Fuel Price} = \$133.60$$

$$\text{Base Fuel Price} = \$121.90$$

$$(\$133.60 - \$121.90) / \$121.90 = 0.095 \text{ or } 9.5\%$$

Where the fuel component of the running costs of a vehicle is 17%, that figure is multiplied by the percentage variation between the base fuel price and the current fuel price, in this case 9.5%. With both percentage figures expressed as a decimal the calculation is:

$$0.095 \times 0.17 = 0.016 \text{ or } 1.6\%$$

1.6% is then added as a fuel levy to the agreed per hour rate for the relevant period.

Nb fuel is 23% of the per hour running cost of the vehicle combination and average travel speed to which this schedule is applicable

Environment days per year

The number of days and total kilometres travelled per year in which haulage occurs will affect the contractor's operating costs. Fewer work days means that the business' fixed costs are spread over a shorter period, increasing the total cost per hour/kilometre of running the business. More work days per year allows the business' fixed costs to be spread over a longer period, decreasing the total cost per hour.

Terrain and road conditions

A higher proportion of low-standard forest roads increases tyre costs and repairs to suspension systems, while a better standard of road will reduce these costs.

Shorter contract term

If the contract term is secure, the contractor's fixed (annual) costs, including finance costs/depreciation, can be secured over the period of the contract and a better finance arrangement obtained. A shorter contract term (less than the useful life of the vehicle) may involve a higher cost, as the fixed/annualised costs cannot be spread over the longer contract period/number of kilometres. In addition, higher finance costs may be incurred if the contract is less secure.

G. Payment for the business owner's labour

The Schedule assumes that the business uses a company structure and employs the owner of the business as an employee driver. However, the owner may take payment for their labour in the form of a wage, profits, trust distributions, dividends or a combination of these, depending on their accountant's advice.

The Schedule assumes the owner-manager drives the vehicle for one 12-hour shift per day (including loading and unloading time) at a base wage of \$97,520 year (plus superannuation and WorkCover).

The Award wages as well as the range of wages typically paid to employee drivers are set out in **Part C** and are a useful guide to the market for the labour services of driving a vehicle. Other useful sources include job advertisements, unions and employer associations.

H. Return on the contractor's investment

Haulage contractors can reasonably expect to receive an amount over and above their efficient operating costs and their own labour as a reward for their risk and investment. The amount that is a reasonable return on investment will vary widely in all the circumstances, and may vary over time as market conditions change. Factors that influence what is a reasonable return on investment include:

- the amount of the capital investment in the vehicle or equipment
- the level of commercial risk assumed by the contractor
- the security and certainty of the arrangements; whether the vehicle or equipment provided by the contractor can readily be used to provide services to other persons
- whether the vehicle or equipment is also used for personal use
- the efficiency and productivity of the contractor
- the market for the services

Forestry haulage businesses (in native forests) typically set a target for return on investment of between 10 and 15 per cent of their total capital investment in the business (being the amount of the contractor's own funds invested, net of any debt to a lender).

The profit margin of a haulage business has a significant impact upon the capacity of the contractor to obtain finance, to invest in vehicles and equipment, and to cope with unexpected losses of production, for example, losses due to protests or weather events.

Footnotes:

1 Haulage contractor and forest products are defined in the *Owner Drivers and Forestry Contractors Act 2005*.

2 Hirers are required to provide haulage contractors with the Schedule that most closely relates to the vehicle and type of operation.