RHA

Cost Tables

2014

Prepared for the Road Haulage Association by:

DFF INTERNATIONAL LTD

Sponsored by:

The Fuelcard Company

Contents

NOTE: * Because of the very wide variations in drawbars, these are indicative costs of a 32.5 tonne combination.

Introduction to the Cost Tables

The **2014 RHA Goods Vehicle Operating Cost Tables** are the twenty second in this series and have been compiled for the Road Haulage Association by DFF International.

These Cost Tables are designed to assist in the task of relating rates to costs. They have two special features:

- **They result from a survey of real costs from a large range and sample of road transport companies. These have been used either directly or as the basis for discussions with manufacturers and suppliers to establish real costs.**

- **They make no claim to be your own costs. Space is provided to build up a parallel picture of your own vehicles and guidance is given as to how to complete it.**

Attention is also drawn to the Data Sheets which follow actual vehicle costs on pages 25 onwards.

Annual cost changes are based on the results of the Annual Survey on Movement of Costs, based on the periods 1st October to 30th September for each succeeding year.

Results for 2013 are shown on page 27. These relate to a 44 tonne artic.

The cost impacts for other vehicles are provided on pages 27a/b.

During the year the Association also carried out a member survey of Actual Costs Validation.

THE 2013 SURVEY – RHA COMMENTARY

The survey brings together the various sectors of the road transport industry in one large overview. 50% of those responding advised that they have a fuel surcharge method in place whilst a further 25% said they use them on some of their work streams, with the remaining 25% telling us they were not used at all.

The total annual inflationary rise came to 2.3% for all categories excluding fuel (-0.8%). However, because of the drop in fuel pricing the overall effect meant a change of just +1.5% for the operating cost of a 44-tonne artic. With diesel on the rise again it pays to use a fuel surcharge method to monitor and effect change.

The Survey Report is on page 27. Cost impact figures for all vehicle types are given on pages 27a /b.

Tyres: +5.2%

Whilst the cost of tyres may continue to increase, the rate at which that is occurring is slowing down. Approximately 50% of members said they considered brand to be of key importance.
The 5.2% increase added 0.2% to the annual cost of operating at 44 tonnes.

Fuel: minus 2.5%

The RHA weekly bulk diesel survey is used as the barometer to monitor fuel pricing. Members submit their prices on a weekly basis which is then averaged by region and includes both a weekly high and a weekly low figure for comparison.
Using the end-of-survey figure of 110.83ppl ex vat, the average 44-tonne truck travelling 73,000 miles per annum (8mpg), typically spends £45,976 on fuel. That works out at a fuel alone mileage charge of 63 pence per mile and is typically in the region of one third of the total operating cost. Ultimately, it depends how the vehicle is used as to the total percentage spent on fuel.

Vehicle & depreciation: + 4.1%

The current truck market is buoyant on sales of Euro V vehicles before stock is gone and the more expensive Euro VI variant takes hold.
This vehicle and depreciation figure is based on the purchased truck as few figures were given regarding leased vehicles in comparison and figures for vehicles varied wildly. A 4.1% uplift in costs here equates to a 0.5% change in the typical costs of a 44-tonne vehicle combination.

Road tax: 0%

The HGV Road User Levy Act 2013 was passed on 28th February 2013 and as a result, from April 2014, UK transport companies will pay a levy alongside the VED rate while the foreign operator must pay a daily, weekly, monthly or annual charge. Finally we have a method by which to charge foreign operators whilst not imposing on UK operators whose costs generally should be neutral to what is currently paid. Meanwhile, the government has recently announced that payments under this scheme to be paid by the foreign operator will be undertaken by Northgate Public Services. A foreign haulier operating a truck of 12 tonnes or more who fails to pay the levy will face a £300 fixed penalty.

THE 2013 SURVEY/ contd.

Insurance: + 5.4%

Claims experience is the key as to whether or not a company insurance policy is increased or decreased, although there is a general trend - not surprisingly upwards. Escalating third party-claim costs and spurious claims, with higher claim costs, ultimately result in more expensive premiums. Despite recent government efforts and various Ministry of Justice reforms to injury claims, we are yet to see this have a noticeable effect on these claims costs although, understandably, we expect this to take some time.

In more recent news, 'flashing' has become a concern (and made the headlines) where fraudulent claims are made by drivers of vehicles who 'let' a driver out of a side turn into their path and then crash straight into them claiming that the other motorist simply pulled out on them. This is termed 'flash for cash' – beware!

Repairs & Maintenance: + 4.8%

Members are split on the use of maintenance contracts, using a garage service as and when needed along with completely work in-house. Whichever method is used, it is essential to have well- maintained vehicles and equally essential that operators have systems in place to monitor and evaluate compliance in this area. A failed MOT or inspection, be it in the workshop or at the roadside, shows a lack of maintenance and it will cost both time and money to resolve. An operator's good repute is essential. Operators who are less compliant will be likely stopped and checked on a more frequent basis often resulting in further lost time and money.

Overhead Costs: + 3%

Overheads will vary vastly between differing types of operation. However, one thing that was certain is that 100% of responding companies said their joint employee and site overheads had increased overall. Some had managed to keep areas related to employee overheads to a zero, but only one managed the same trick for site-related matters. Most of these cited overheads reported were steady increases of 1 - 5% with just a couple of major variations outside these parameters. The 3% change means our example 44-tonner has a gain of 0.6% for overheads.

Driver Employment Costs: + 2%

Rates of increases in driver-related pay have been very low over the past five years – in that time the total increase is less than 8% and results in an average movement throughout that time period of 1.5%. This year was little different with a recorded average being 2%. Yes, this is an increase of half a percent on the 2012 report but, having said that, nearly 42% of companies advised no increase at all – we are still in tight times. As a high percentage cost of operating a truck the 2% gain means a 0.5% increase to the truck actual costs.

Somebody obviously uses agency drivers but – because very few operators tell us this – of the ones who do, the average increase for their use was just above the employed driver increases at 2.25%.

Introduction to the Cost Tables/ contd.

A summary of costs and their percentages at typical annual mileages is provided on pages 28 -29.

It is important to note how these cost percentages will vary significantly between different sizes of vehicle. They will also vary within a vehicle size between different types of operation e.g. long / short distance, tipping / general haulage and location.

You should establish your own ratios in the following way:

- Select the costs of the vehicle which is most similar to the one you are costing;
- Substitute any of your own figures which you can identify as being different from those in the Tables;
- Determine the total time-related cost per year;
- Apply the distance-related costs to your own estimated annual mileage to determine the total of those costs;
- Determine total costs;
- Calculate each item of cost as a percentage of the total.

Using these percentages will enable you to convince your customers how much your own costs have increased (for each type of vehicle or operation) and help in obtaining the sorely needed increases in rates.

These Cost Tables are now available in fully interactive form on the RHA website at http://costs.dffintl.co.uk
Both the RHA and DFF International are always interested in comments on the Tables, in suggestions for improvements and in queries on how to use the Tables. We will always endeavour to help.

USERS OF THESE TABLES ARE WELCOME TO RAISE ANY QUERIES WITH BRIAN FISH OF DFF ON TEL. 0117 9681148 OR BY EMAIL brianfish@dffintl.co.uk

The Fuelcard Company is a proud supporter of the RHA and is pleased to continue to support the 22nd annual Goods Vehicle Operating Cost Tables. As provider of the RHA Fuel Card, **The Fuelcard Company** is the UK's leading provider of commercial fuel cards and fuel management solutions, serving more than 30,000 business fleets across the country. As fuel prices continue to spiral and the financial burden on industry grows more critical, **The Fuelcard Company** works with transport managers and transport businesses to help them control their fuel costs and mitigate the financial impact of rising diesel prices.

Over the past three years we have partnered with the RHA to provide an exclusive fuel card with RHA members benefitting from an extensive network of almost 1,600 multi-branded sites nationwide, including 550 HGV friendly sites, Moto Motorway Services and conveniently located A road stations – with over 160 new sites to be added early 2013. Sites can be located via our handy site locator at www.rhafuel.co.uk.

FUEL REPORTING

The RHA Fuel Card holders have free access to the most comprehensive reporting suite in the industry, with dozens of reports which can be set up as standard to be automatically sent, daily, weekly or monthly on transactions, mpg reporting, vehicle bench marking and exceptional transactions, giving you full control over the account management of your on the road fuel.

In addition, the cards can be integrated with bulk and own yard tanks by fitting a card reader, so drivers can have one card, one pin number, whether filling up at home or away. M6 Toll may also be paid for via your RHA Fuelcard.

REDUCED FUEL COSTS

Our pricing is based on the bulk fuel market – we buy discounted fuel and so do you – as a result, our RHA Card consistently boasts a competitive fixed weekly price. With no need to sign a contract and no cancellation fee, payment terms give up to 2 weeks interest free credit. The RHA Fuel Card is free (in the first year, then £6 per year thereafter) so you only pay for the fuel you use.

For firms running one or more vehicles, using fuel cards can lead to significant savings on fuel, with exclusive discounts of up to 4 pence per litre on the national average diesel price.

REDUCED ADMINISTRATION

What customers will benefit from depends on their business' needs, as fuel cards are tailored to the requirements of the user. For example a fleet manager will value the savings on the cost of fuel as well as the security of knowing that drivers can only refuel their own vehicles. Our small business owners love the convenience and ease of managing their fuel spend- because customers receive a consolidated VAT invoice they don't need to keep receipts in order to claim the VAT back.

Operators don't have the time to sift through hundreds of transactions and monitor their fuel usage, nor the patience! It is crucial, however, that fuel is managed closely to ensure that the maximum savings are made. This is why we send across a high level report about the fuel usage, with a detailed breakdown too if they so wish. All invoices are HMRC approved.

EXTENSIVE SECURITY FEATURES

By using Chip and Pin technology, cards tied to registrations or drivers and having the cards set to restrict purchases eg. Diesel only, the RHA Fuel Card is a secure cashless payment system for fuel.

You also have the ability to set individual velocity limits on each card, frequency of fill ups and set out of hours exclusions, including alerts on out of hours usage, making the RHA Fuel card, one of the most flexible and secure cards in the UK.

Through a fuel card, businesses are able to monitor the fuel usage of individual drivers as well as the entire fleet, providing a wealth of information. Not only can this help to identify areas where savings can be made, such as routing, or training drivers to adopt a more fuel efficient driving style.

For further details of the RHA fuel card, please visit www.rhafuel.co.uk or call 0844 415 7666

Explanatory Notes

Know Your Costs!

- **The following brief notes are provided**
- **A Supplementary Paper is included at the end of this Booklet (page 36 onwards), fully describing the process of determining costs**

The costs assembled in the accompanying pages result from a combination of the annual survey undertaken by the Road Haulage Association and DFF International research on vehicle costs. The figures are averages based on the numbers of vehicles for which relevant information was provided.

They are **averages;** they are **not your costs!**

Accordingly, it would be dangerous and misleading for you to assume that the costs shown in the accompanying tables relate exactly to your fleet. As part of our research we have compared our results with several of the published cost tables. The variations across those tables, for every cost except VED, lend weight to our contention that depending on averages is simply untenable.

It is for this reason that, alongside the average costs for each type of vehicle as determined in the survey, there is a column in which you must insert the relevant comparable figures for the vehicles in your own fleet. **In order to assist you with this, we adhere to the contention that it is wrong to use costs and rates per mile or per day. There is no such thing as a "fits-all" figure per mile or per day. See page 41.**

Time-Related and Distance-Related Costs

Separation of these costs is encouraged by these tables which bring costs together but no figure per mile. There is no such thing and it is dangerous to measure costs in such a way. Costs are an infinitely variable mixture of time-related and distance-related. Time-related costs are accruing even when the vehicle is not being used while the distances we may cover in any given period of time can vary enormously according to the type of work we are doing.

These tables are accordingly designed to arrive at a cost per average day (see below), which can be reduced to a cost per hour depending on the number of hours worked in a day, and then, quite separately, an average cost per mile actually run. This is dealt with in greater detail in the section **Calculating Charges and Rates** on page 25 and in the Supplementary Paper on pages 36 onwards.

Vehicle Prices

These are given on a representative basis because of the enormous variations encountered. These arise from:

- Euro-specifications
- Specification required in your particular operation
- Discounts available
- List price differences

The advent of Euro 6 on 1st January 2014 will involve higher initial cost and some changes in running costs. These have not been incorporated in these Tables.

See also below under Average Depreciation/Residuals

Average Days per Annum

One of the most vital keys to profitability is the number of days per annum you effectively use your vehicles. This governs the rate at which you can recover time-related costs, since these will mostly be accruing against you, whether you use the vehicle or not. You must accordingly determine, either from available records or from an informed view of your work, the number of days likely to be worked by each type of vehicle. In these tables, to be consistent, we have continued to assume 240 'Earning Days' throughout, but it is essential that you determine your own utilisation and hence your competitive edge. There is evidence to suggest that many hauliers are in fact achieving higher utilisation factors, particularly where multi-shifting is possible.

Typical Miles per Annum

These average figures are used to calculate typical cost percentages per annum on pages 28 - 29.

Average Depreciation/Residuals

This is calculated on a straight-line basis over periods appropriate to the type of vehicle. There is no allowance for residual values, to compensate for the escalating price of replacing with new vehicles.

Driver Employment Costs

Employment costs must cover actual weekly wages, bonuses, holiday entitlements, relief drivers, sick leave, NIC and pension costs together with training. In other words, the total cost of ensuring that you have a driver in the cab for every available working hour.

Insurances

These are average premiums for vehicle only. There are in practice wide variations in premiums paid, related to fleet size and claims record.

VED Licences

Rates shown are for typical vehicles. There are however some variations based on age, engine size and carbon emissions.

2014 sees the introduction of the Lorry Road User Charge. As the cost impact of this is to be neutral, we continue to refer to VED.

Interest on Capital

This has been estimated at a notional 6.0% on mid-life value, i.e. effectively half the original cost.

Overheads per Vehicle

This again is the average obtained from the survey. You must assess the total overheads in your business and allocate them to vehicles. The simplest way of doing this is in proportion to gross weights. Remember also that if you run a business with other activities besides vehicle operations, only overheads attributable to the vehicles should be allocated to them.

Overheads are all business costs not specifically identified in the cost sheets. Typically they will include:

a) Management (including working directors), Supervisory and Clerical Salaries and Wages, including NHI and pension costs;

b) Administration Overheads: Include total property costs (i.e. rents and rates paid, gas, water and electricity, property repairs and maintenance, general insurance, general office expenses, postage, telephone charges, legal fees, bank charges (not interest), hire of furniture and equipment, IT systems, depreciation of staff cars, audit fees, management consultancy fees and sales promotion, bad debts and security services, welfare and ancillary wages;

c) Operational Overheads: Include carrier's licence, goods in transit insurance, price of sheets, ropes, dunnage, running of breakdown vehicles, service vans and staff cars, maintenance and cleaning of tanker/refrigerated/garage equipment, tachograph, tools and consumable materials.

Other Costs

Additional costs such as bonuses, excess hours and subsistence, tolls and ferry costs, do not accrue on any consistent time or distance-related basis. They are specifically individual both to companies and to individual jobs within those companies. They must, therefore, be charged direct to jobs as incurred and have not been included in these Tables.

Distance-Related Costs

These are based on a best view of industry averages, adjusted annually by reference to the survey results shown on pages 4 and 5. Figures for these costs have been calculated as follows:

Fuel: Latest bulk diesel price as recorded weekly by the RHA. Consumption figures were the subject of a question in the 2013 Survey and have been updated as appropriate.
However, you will need to keep a close watch on fuel prices and incorporate changes in your costs as they occur.
(Average price at 15.11.13 = 108.9 pence per litre = 495 pence per gallon).
See the Fuel Adjustment Specimen Agreement and Calculations on page 33.

Lubricants & additives: Included in maintenance (see below).

Tyres: Average costs per mile from survey.

Repairs and Maintenance: All such costs have been included under this heading: however, routine servicing costs and contract repairs (which are often charged on a monthly basis) are frequently recovered as a time-related item.

NOTE All of the costs we have outlined above will vary from operation to operation.
This is why you must incorporate your own fleet figures when using these Tables.

Carbon Footprint

Supply chain managers are becoming increasingly concerned to minimise the carbon footprint of their operation. This includes all transport: vehicle operators are therefore being required to measure their own footprint profile.

The calculation is as follows:

- To convert mpg to kms per litre multiply by 0.352
- To obtain litres per km divide 1 by the km/litre figure above
- To obtain CO2 in kg per km multiply by 2.63
- To obtain CO2 in g per km (the accepted measure) multiply by 1000

Example: Carbon Footprint Calculation

Assume a 44-tonne returning 8mpg:
8.0 multiplied by 0.352 gives 2.816 km/litre;
1 divided by 2.816 gives 0.355 litre/km;
0.355 multiplied by 2.63 gives 0.934 kg of CO2 / km;
Finally that figure multiplied by 1,000 gives 933.65g of CO2 / km.

Costs for a 3.5 Tonne Gross Vehicle (Diesel)

Data	Average Figures	Your Figures
Vehicle Price (representative)	£23,000	
Average depreciation period (years)	4	
Typical miles per annum	45,000	
Average days worked per annum	240	
Average miles per gallon	27.0	

Costs

Time-Related Per Annum

	£
Driver Employment Costs	25,500
Depreciation	5,750
Licences (with minor variations)	220
Vehicle Insurance	1,350
Interest on Capital (6.0%)	680
Overhead per vehicle	5,000
Total Time Costs	38,500
Time Cost per Day	161

Note Bonuses, excess hours, subsistence and similar are not included. These should be added to costings for rates as incurred, by job.

Mileage-Related	ppm	ppm
Fuel at 108.9 ppl	18.3	
Tyres	1.4	
Repairs and Maintenance	5.2	
Total Mileage Costs	24.9	

Note These are not **your** costs - see pages 9 - 11

N.B. Rate = time cost + mileage cost + job cost + profit – see note (d) page 26

Costs for a 7.5 Tonne Gross Vehicle

Data	Average Figures	Your Figures
Vehicle Price (representative)	£38,000	
Average depreciation period (years)	5	
Typical miles per annum	45,000	
Average days worked per annum	240	
Average miles per gallon	16	

Costs

Time-Related Per Annum

	£
Driver Employment Costs	27,500
Depreciation	7,600
Licences	165
Vehicle Insurance	1,600
Interest on Capital (6.0%)	1,140
Overhead per vehicle	6,000
Total Time Costs	44,005
Time Cost per Day	183

Note Bonuses, excess hours, subsistence and similar are not included. These should be added to costings for rates as incurred, by job.

Mileage-Related	ppm	ppm
Fuel at 108.9 ppl	30.9	
Tyres	1.7	
Repairs and Maintenance	7.1	
Total Mileage Costs	39.7	

Note These are not **your** costs - see pages 9 - 11

N.B. Rate = time cost + mileage cost + job cost + profit – see note (d) page 26

Costs for a 13 Tonne Gross Vehicle

Data	Average Figures	Your Figures
Vehicle Price (representative)	£47,000	
Average depreciation period (years)	5	
Typical miles per annum	45,000	
Average days worked per annum	240	
Average miles per gallon	14	

Costs

Time-Related Per Annum

	£
Driver Employment Costs	28,000
Depreciation	9,400
Licences	200
Vehicle Insurance	1,800
Interest on Capital (6.0%)	1,380
Overhead per vehicle	9,000
Total Time Costs	49,780
Time Cost per Day	206

Note Bonuses, excess hours, subsistence and similar are not included. These should be added to costings for rates as incurred, by job.

Mileage-Related	ppm	ppm
Fuel at 108.9 ppl	35.4	
Tyres	2.3	
Repairs and Maintenance	8.5	
Total Mileage Costs	46.2	

Note These are not **your** costs - see pages 9 - 11

N.B. Rate = time cost + mileage cost + job cost + profit – see note (d) page 26

Costs for an 18 Tonne Gross Vehicle (2 axles)

Data	Average Figures	Your Figures
Vehicle Price (representative)	£58,000	
Average depreciation period (years)	6	
Typical miles per annum	50,000	
Average days worked per annum	240	
Average miles per gallon	12.5	

Costs

Time-Related Per Annum

	£
Driver Employment Costs	29,000
Depreciation	9,650
Licences	650
Vehicle Insurance	2,100
Interest on Capital (6.0%)	1,730
Overhead per vehicle	11,000
Total Time Costs	54,130
Time Cost per Day	225

Note Bonuses, excess hours, subsistence and similar are not included. These should be added to costings for rates as incurred, by job.

Mileage-Related	ppm	ppm
Fuel at 108.9 ppl	39.6	
Tyres	2.7	
Repairs and Maintenance	9.0	
Total Mileage Costs	51.3	

Note These are not **your** costs - see pages 9 - 11

N.B. Rate = time cost + mileage cost + job cost + profit – see note (d) page 26

Costs for a 26 Tonne Gross Rigid Vehicle

Data	Average Figures	Your Figures
Vehicle Price (representative)	£79,000	
Average depreciation period (years)	6	
Typical miles per annum	50,000	
Average days worked per annum	240	
Average miles per gallon	9.5	

Costs

Time-Related Per Annum

	£
Driver Employment Costs	31,000
Depreciation	13,150
Licences	650
Vehicle Insurance	2,500
Interest on Capital (6.0%)	2,370
Overhead per vehicle	14,000
Total Time Costs	63,670
Time Cost per Day	265

Note Bonuses, excess hours, subsistence and similar are not included. These should be added to costings for rates as incurred, by job.

Mileage-Related	ppm	ppm
Fuel at 108.9 ppl	52.1	
Tyres	4.5	
Repairs and Maintenance	11.0	
Total Mileage Costs	67.6	

Note These are not **your** costs - see pages 9 - 11

N.B. Rate = time cost + mileage cost + job cost + profit – see note (d) page 26

Costs for a 32 Tonne Gross Rigid Vehicle (Tipper)

Data	Average Figures	Your Figures
Vehicle Price (representative)	£94,000	
Average depreciation period (years)	6	
Typical miles per annum	50,000	
Average days worked per annum	240	
Average miles per gallon	8.0	

Costs

Time-Related Per Annum

	£
Driver Employment Costs	31,000
Depreciation	15,650
Licences	1,200
Vehicle Insurance	2,800
Interest on Capital (6.0%)	2,820
Overhead per vehicle	15,000
Total Time Costs	68,470
Time Cost per Day	285

Note Bonuses, excess hours, subsistence and similar are not included. These should be added to costings for rates as incurred, by job.

Mileage-Related	ppm	ppm
Fuel at 108.9 ppl	61.9	
Tyres	6.5	
Repairs and Maintenance	16.0	
Total Mileage Costs	84.4	

Note These are not **your** costs - see pages 9 - 11

N.B. Rate = time cost + mileage cost + job cost + profit – see note (d) page 26

Costs for a 32/33 Tonne Gross (4x2 + tandem) Combination

Data	Average Figures	Your Figures
Vehicle Price (representative) TRACTOR	£60,000	
Average depreciation period (years)	7	
Typical miles per annum	65,000	
Average days worked per annum	240	
Average miles per gallon	9	

Costs

Time-Related Per Annum

	£
Driver Employment Costs	32,000
Depreciation	8,600
Licences	1,200
Vehicle Insurance	3,000
Interest on Capital (6.0%)	1,800
Overhead per vehicle	16,500
Ownership of 1 trailer (page 23)	2,470
Total Time Costs	65,570
Time Cost per Day	£273

Note Bonuses, excess hours, subsistence and similar are not included. These should be added to costings for rates as incurred, by job.

Mileage-Related	ppm	+	TRAILER ppm
Fuel at 108.9 ppl	55.0		
Tyres	1.7		2.3
Repairs and Maintenance	8.1		3.3
Total Mileage Costs	64.8	+	5.6

Note These are not **your** costs - see pages 9 - 11

N.B. Rate = time cost + mileage cost + job cost + profit – see note (d) page 26

Costs for a 38 Tonne Gross (4x2 + tri-axle) Combination

Data	Average Figures	Your Figures
Vehicle Price (representative) TRACTOR	£63,000	
Average depreciation period (years)	6	
Typical miles per annum	73,000	
Average days worked per annum	240	
Average miles per gallon	8.5	

Costs

Time-Related Per Annum

	£
Driver Employment Costs	33,000
Depreciation	10,500
Licences	1,200
Vehicle Insurance	3,400
Interest on Capital (6.0%)	1,900
Overhead per vehicle	20,000
Ownership of 1 trailer (page 24)	2,730
Total Time Costs	72,730
Time Cost per Day	£303

Note Bonuses, excess hours, subsistence and similar are not included. These should be added to costings for rates as incurred, by job.

Mileage-Related	ppm	+	TRAILER ppm
Fuel at 108.9 ppl	58.2		
Tyres	2.0		2.5
Repairs and Maintenance	8.0		3.5
Total Mileage Costs	68.2	+	6.0

Note These are not **your** costs - see pages 9 - 11

N.B. Rate = time cost + mileage cost + job cost + profit – see note (d) page 26

Costs for a 44 Tonne Gross (6x2 + tri-axle) Combination

Data	Average Figures	Your Figures
Vehicle Price (representative) TRACTOR	£77,500	
Average depreciation period (years)	6	
Typical miles per annum	73,000	
Average days worked per annum	240	
Average miles per gallon	8.0	

Costs

Time-Related Per Annum

	£
Driver Employment Costs	33,350
Depreciation	12,900
Licences (£650, combined transport)	1,200
Vehicle Insurance	3,600
Interest on Capital (6.0%)	2,330
Overhead per vehicle	22,000
Ownership of 1 trailer (page 24)	2,730
Total Time Costs	78,110
Time Cost per Day	£325

Note Bonuses, excess hours, subsistence and similar are not included. These should be added to costings for rates as incurred, by job.

Mileage-Related	ppm	+	TRAILER ppm
Fuel at 108.9 ppl	61.9		
Tyres	2.0		2.5
Repairs and Maintenance	8.5		3.5
Total Mileage Costs	72.4	+	6.0

Note These are not **your** costs – see pages 9 - 11

N.B. Rate = time cost + mileage cost + job cost + profit – see note (d) page 26

Costs for a 32.5 Tonne Gross Drawbar Combination (2 axle tractor, 2 axle trailer)

Data	Average Figures	Your Figures
Vehicle Price (representative) TRACTOR	£64,000	
Average depreciation period (years)	7	
Typical miles per annum	71,000	
Average days worked per annum	240	
Average miles per gallon	9	

Costs

Time-Related Per Annum	£
Driver Employment Costs	32,000
Depreciation	9,150
Licences (£640, combined transport)	880
Vehicle Insurance	3,000
Interest on Capital (6.0%)	1,920
Overhead per vehicle	16,500
Ownership of 1 trailer	2,730
Total Time Costs	66,180
Time Cost per Day	£276

Note Bonuses, excess hours, subsistence and similar are not included. These should be added to costings for rates as incurred, by job.

+ TRAILER

Mileage-Related	ppm		ppm
Fuel at 108.9 ppl	55.0		
Tyres	3.2		2.5
Repairs and Maintenance	9.0		3.5
Total Mileage Costs	67.2	+	6.0

Note These are not **your** costs – see pages 9 - 11

N.B. Rate = time cost + mileage cost + job cost + profit – see note (d) page 26

Costs for a Tandem Trailer (Curtainsider)

Data	Average Figures	Your Figures
Vehicle Price (representative)	£19,000	
Average depreciation period (years)	10	
Average tyre life (miles)	65,000	

Costs

Time-Related Per Annum

	£
Driver Employment Costs	
Depreciation	1,900
Licences	
Vehicle Insurance	
Goods in Transit Insurance	
Interest on Capital (6.0%)	570
Overhead per vehicle	
Total Time Costs	2,470

Note Operators using more than one trailer per tractor should adjust this cost as appropriate.

Mileage-Related	ppm	ppm
Fuel		
Tyres	2.3	
Repairs and Maintenance	3.3	
Total Mileage Costs	5.6	

Note These are not **your** costs – see pages 9 - 11

Costs for a Tri-Axle Trailer (Curtainsider)

Data	Average Figures	Your Figures
Vehicle Price (representative)	£21,000	
Average depreciation period (years)	10	

Costs

Time-Related Per Annum

Driver Employment Costs	
Depreciation	2,100
Licences	
Vehicle Insurance	
Goods in Transit Insurance	
Interest on Capital (6.0%)	630
Overhead per vehicle	
Total Time Costs	2,730

Note Operators using more than one trailer per tractor should adjust this cost as appropriate.

Mileage-Related	ppm	ppm
Fuel		
Tyres	2.5	
Repairs and Maintenance	3.5	
Total Mileage Costs	6.0	

Note These are not **your** costs – see pages 9 - 11

Calculating Charges and Rates

It is a frequent mistake to approach the calculation of charges and costs on the basis of an imagined requirement of revenue per day or revenue per mile. As we have asserted on page 9, there is no such thing. This is fully illustrated at paragraph 10 on page 41.

You must approach this task by assessing both the time likely to be required to complete a job and the number of miles that will be covered.

You must then apply to the time element, the cost per day as determined; add any specific bonuses, extra hours, subsistence and sundries and miles at the appropriate cost.

This will give you a fair cost of the job for which you are quoting. To this you must add a percentage for profit. In today's market this is extremely difficult because, on many occasions, you will find the costs as properly determined from these notes are greater than the revenue likely to be derived from the rates being charged by your competitors.

Notwithstanding this you must aim for a profit margin and a practical exercise is to add (say) 5% (but get more if you can!) to your total costs, when comparing yourself with what you know about competitive market rates. In the case of fuel you should always attempt to negotiate a clause into all rate schedules and contracts allowing fuel price increases to be passed on to the customer as they occur.

You must then decide whether you can accept a job at less than the rate thus calculated and, even more crucially, whether you can accept it at less than the true cost of undertaking it. In anything but the shortest run you cannot afford to do the latter; except perhaps for casual or special jobs which fit into the pattern of your overall work.

You should never embark upon work at rates which, overall, you know will not cover the costs you have identified from following the rules suggested in these notes.

On page 26 we present a Template, showing the ground you should cover when calculating a rate.
Further guidance on rates is given in the Supplementary Paper on pages 36 onwards.

If you have any queries or require advice concerning these Tables please contact Brian Fish at:

DFF International Ltd
14 Stoke Hill
Stoke Bishop
Bristol
BS9 1JH

Telephone: (0117) 968 1148

email: brianfish@dffintl.co.uk

TEMPLATE FOR RATE QUOTATION

1. **NAME OF CUSTOMER** ……..

2. **DETAILS OF JOB** ……..

3.	Size of Truck Required		15.	Return Load Time Cost
4.	Estimated Days/Hours for Job		16.	Return Load Distance Cost
5.	Estimated Trip Miles		17.	Return Load Specific Costs
6.	Details of Market Competitor Rates if Known		18.	Total Return Load Costs
7.	Anticipated Time Costs of Job		19.	Total Round Trip Cost (10 + 18)
8.	Anticipated Distance Cost of Job		20.	Return Load Revenue
9.	Job Specific Costs: Subsistence Bonus Tolls Ferry Other		21.	Minimum Required Outward Revenue (19 – 20) PROFITABILITY
10.	Total Cost of Job		22.	Actual Revenue
11.	Target Margin		23.	Actual Time Costs
12.	Target Revenue		24.	Actual Mileage Costs
13.	Target Rate		25.	Actual Specific Costs
14.	Agreed Rate		26.	Actual Profit/Loss

Notes: **(a)** You will often find that a job will be completed with some hours in the day "left over". These hours will be costing you.
You will need to decide whether you can use them for something else.
If not, can those hours be charged to the job without making you uncompetitive?

(b) Where a return load is involved, it is important that you cost the whole round trip, allowing for the revenue you are likely to earn for the return and deciding how much to allow against the outward job for which you are quoting.

(c) When you are allocating costs in lines 7, 8, 15, 16, don't forget when using the appropriate figures from the tables, if possible to substitute **YOUR** costs where they are different.

(d) Rate = time cost + mileage cost + job cost + profit

RHA SURVEY ON MOVEMENT OF COSTS

PERIOD: 1 OCTOBER 2012 – 30 SEPTEMBER 2013

(a) % Total Cost 30.9.12	*(b)* Cost Category	*(c)* %Price Movement in period	*(d)* % Change in Cost Impact (a x c)
11.0	**Vehicle & Depreciation**	**4.1**	0.5
0.8	**Road Tax**	**0.0**	0.0
3.2	**Insurance**	**5.4**	0.2
22.7	**Driver Employment Costs**	**2.0**	0.5
7.1	**Repairs & Maintenance**	**4.8**	0.3
2.9	**Tyres:** Replacement tyres, tubes etc.	**5.2**	0.2
20.4	**Overhead Costs**	**3.0**	0.6
68.1	**TOTAL**	xxxxxxxxxx	2.3
31.9	**FUEL**	- 2.5	- 0.8
100.0	**TOTAL = FUEL+ Other Costs**		+ 1.5

2009 Fuel ppl (30/09/09)	88.51
2010 Fuel ppl (30/09/10)	97.90
2011 Fuel ppl (30/09/11)	112.32
2012 Fuel ppl (28/09/12)	113.63
2013 Fuel ppl (30/09/13)	110.83

The above figures relate to a 44 tonne artic.
Impact figures at 15th November for all vehicle types are given on page 27 a/b.
A summary of costs and percentages for all vehicles is provided on pages 28 and 29.

COST MOVEMENT SURVEY NOTES

See RHA Commentary on pages 4 and 5

COST MOVEMENT REPORT

November 2013

		3.5T		7.5T		13T		18T	
	% Inc. 2012 /13								
AV.MILES/YEAR		45,000		45,000		45,000		50,000	
		Nov.12 %	% Inc.	Nov.12 %	% Inc.	Nov.12 %	% Inc	Nov.12 %	% Inc
COSTS									
TIME-RELATED									
Driver	2.0	49.8	1.00	42.3	0.85	38.3	0.77	33.9	0.68
Depreciation	4.1	12.1	0.50	12.5	0.51	13.3	0.55	11.9	0.49
Licence VED	0.0	(18.9) 0.4	0.08	0.3	0.00	0.3	0.00	0.8	0.00
Insurance Vehicle	5.4	2.7	0.15	3.1	0.17	2.7	0.15	3.2	0.17
Overheads	3.0	11.3	0.34	11.7	0.35	15.3	0.46	17.8	0.53
TOTAL TIME-RELATED		**76.3**	**2.07**	**69.9**	**1.88**	**69.9**	**1.93**	**67.6**	**1.87**
DISTANCE-RELATED									
Fuel	(1.5)	17.4	(0.26)	22.4	(0.34)	22.7	(0.34)	24.1	(0.36)
Tyres	5.2	1.4	0.07	1.4	0.07	1.5	0.08	2.1	0.11
Repairs/Maintenance	4.8	4.9	0.24	6.3	0.30	5.9	0.28	6.2	0.30
TOTAL DISTANCE-RELATED		**23.7**	**0.05**	**30.1**	**0.03**	**30.1**	**0.02**	**32.4**	**0.05**
TOTAL COST / YEAR		100.0	**2.12**	100.0	**1.91**	100.0	**1.95**	100.0	**1.92**

NOTES

1. Average miles/year are as RHA Cost Tables 2014, pages 28 – 29. Figures only valid at these mileages.
2. Costs are set out to coincide with Cost Tables.
3. Increases are as reported on page 27.

4i. Cost percentages at November 2012 are as pages 27 – 28 of Cost Tables 2013.

4ii. For artics, trailer ownership percentages are added pro rata to depreciation and interest (= Overheads)

5i. Impact is % increase at November 2013 multiplied by % at November 2012.

5ii. Impact to 2 decimal places as values are all low.

COST MOVEMENT REPORT

November 2013

26T			32T		32/33T		38T		44T	
50,000			**50,000**		**60,000**		**73,000**		**73,000**	
Nov.12 %	**% Inc.**		**Nov.12 %**	**% Inc.**	**Nov.12 %**	**% Inc.**	**Nov.12 %**	**% Inc**	**Nov.12 %**	**% Inc**
29.9	**0.60**		26.8	**0.54**	27.6	**0.55**	24.3	**0.49**	22.7	**0.45**
13.6	**0.56**		14.3	**0.59**	9.7	**0.46**	9.9	**0.41**	11.0	**0.45**
0.6	**0.00**		1.1	**0.00**	1.1	**0.00**	0.9	**0.00**	0.8	**0.00**
3.1	**0.17**		3.0	**0.17**	3.3	**0.18**	3.3	**0.18**	3.2	**0.17**
17.5	**0.53**		17.3	**0.53**	18.4	**0.55**	19.2	**0.57**	20.4	**0.61**
64.7	**1.86**		**62.5**	**1.83**	**60.1**	**1.74**	**57.6**	**1.65**	**58.1**	**1.65**
26.7	**(0.40)**		26.8	**(0.40)**	30.4	**(0.46)**	32.4	**(0.49)**	31.9	**(0.48)**
2.4	**0.12**		2.9	**0.12**	2.4	**0.12**	2.7	**0.14**	2.9	**0.15**
6.2	**0.30**		7.8	**0.30**	7.1	**0.34**	7.3	**0.35**	7.1	**0.34**
35.3	**0.02**		**37.5**	**0.02**	**39.9**	**0.00**	**42.4**	**0.00**	**41.9**	**0.01**
100.0	**1.88**		100.0	**1.85**	100.0	**1.74**	100.0	**1.65**	100.0	**1.69**

NOTES

1. Average miles/year are as RHA Cost Tables 2014, pages 28 – 29. Figures only valid at these mileages.
2. Costs are set out to coincide with Cost Tables.
3. Increases are as reported on page 27.

4i. Cost percentages at November 2012 are as pages 27 – 28 of Cost Tables 2013.

4ii. For artics, trailer ownership percentages are added pro rata to depreciation and interest (= Overheads)

5i. Impact is % increase at November 2013 multiplied by % at November 2012.

5ii. Impact to 2 decimal places as values are all low.

COST PERCENTAGES AT TYPICAL MILEAGES

November 2013

	3.5T		7.5T		13T		18T		26T		32T	
MILES	45,000		45,000		45,000		50,000		50,000		50,000	
	£	%	£	%	£	%	£	%	£	%	£	%
TIME-RELATED COSTS												
Wages	25,500	51.3	27,500	44.5	28,000	39.7	29,000	36.3	31,000	31.8	31,000	28.1
Dep'n	5,750	11.6	7,600	12.3	9,400	13.3	9,650	12.1	13,150	13.5	15,650	14.1
Licence	220	0.4	165	0.3	200	0.3	650	0.8	650	0.7	1,200	1.1
Insurance	1,350	2.7	1,600	2.6	1,800	2.6	2,100	2.6	2,500	2.6	2,800	2.5
Interest	680	1.4	1,140	1.8	1,380	2.0	1,730	2.2	2,370	2.4	2,820	2.5
Overheads	5,000	10.0	6,000	9.6	9,000	12.7	11,000	13.8	14,000	14.4	15,000	13.5
TOTAL TIME	38,500	77.4	44,005	71.1	49,780	70.6	54,130	67.8	63,670	65.4	68,470	61.8
DISTANCE-RELATED COSTS												
FUEL*	8,235	16.6	13,900	22.5	15,930	22.5	19,800	24.9	26,000	26.7	31,000	28.1
Tyres	630	1.3	760	1.2	1,040	1.5	1,350	1.7	2,250	2.3	3,250	2.9
R & M	2,340	4.7	3,200	5.2	3,830	5.4	4,500	5.6	5,500	5.6	8,000	7.2
TOTAL DISTANCE	11,205	22.6	17,860	28.9	20,800	29.4	25,650	32.2	33,750	34.6	42,250	38.2
TOTAL/ YEAR	**49,705**	**100.0**	**61,865**	**100.0**	**70,580**	**100.0**	**79,780**	**100.0**	**97,420**	**100.0**	**110,720**	**100.0**

*** Diesel at 108.9 pence per litre = 495 pence per gallon**

NB These percentages are only valid at the stated annual mileage.
At higher mileages, time costs percentages will be lower and distance costs higher.
As with all other figures, actual costs and mpgs will vary between operators and vehicles in all categories.

COST PERCENTAGES AT TYPICAL MILEAGES

November 2013

	32/3T A		38T A		44T A		D/B	
MILES	65,000		73,000		73,000		73,000	
	£	%	£	%	£	%	£	%
TIME-RELATED COSTS								
Wages	32,000	28.7	33,000	26.0	33,350	24.7	32,000	26.8
Dep'n	8,600	7.7	10,500	8.3	12,900	9.5	9,150	7.7
Licence	1,200	1.1	1,200	0.9	1,200	0.9	880	0.7
Insurance	3,000	2.7	3,400	2.7	3,600	2.7	3,000	2.5
Interest	1,800	1.6	1,900	1.5	2,330	1.7	1,920	1.6
Overheads	16,500	14.8	20,000	15.7	22,600	16.3	16,500	13.8
Trailer	2,470	2.3	2,730	2.2	2,730	2.0	2,730	2.3
TOTAL TIME	65,570	58.8	72,730	57.3	78,110	57.8	66,180	55.4
DISTANCE-RELATED COSTS								
FUEL*	35,750	32.0	42,600	33.6	45,260	33.4	40,150	33.6
Tyres incl Trailer	2,800	2.5	3,150	2.5	3,150	2.3	3,900	3.4
R&M incl Trailer	7,500	6.7	8,400	6.6	8,750	6.5	8,900	7.6
TOTAL DISTANCE	46,050	41.2	54,150	42.7	57,160	42.2	52,050	44.6
TOTAL/ YEAR	**111,620**	**100.0**	**126,880**	**100.0**	**135,270**	**100.0**	**118,230**	**100.0**

TRACTOR PLUS 1 TRAILER *** Diesel at 108.9 pence per litre = 495 pence per gallon**

NB These percentages are only valid at the stated annual mileage.
At higher mileages, time costs percentages will be lower and distance costs higher.
As with all other figures, actual costs and mpgs will vary between operators and vehicles in all categories.

Index of Operating Costs

30th September 2000 = 100

	09.04	09.05	09.06	09.07	09.08	09.09	09.10	09.11	09.12	09.13
COST CATEGORY										
Vehicle Depreciation	105	108	110	121	126	132	136	147	156	162
Road Tax	42	42	42	42	42	42	42	42	42	42
Vehicle Insurance	90	92	95	97	99	109	112	119	127	134
Drivers: Employment Costs	127	134	138	146	152	156	158	161	169	172
Repairs and Maintenance	117	122	125	136	142	149	155	164	171	179
Replacement Tyres	111	114	116	120	127	134	138	159	174	183
Overheads	118	121	124	136	141	152	155	161	167	172
Fuel (Diesel)	103	117	114	127	153	140	154	177	179	175
INDEX OF TOTAL OPERATING COSTS	**117**	**125**	**125**	**136**	**148**	**148**	**155**	**168**	**173**	**175**

Index Comparisons

30th September 2000 = 100	Costs as RHA Survey	Rates paid reported by FTA	RPI
2000	100.0	100.0	100.0
2001	103.4	100.7	101.6
2002	105.3	101.0	103.4
2003	109.8	102.8	106.1
2004	117.4	103.9	109.0
2005	125.5	107.5	112.4
2006	125.5	109.5	116.7
2007	135.9	115.6	121.1
2008	148.0	115.1	126.8
2009	148.0	115.2	125.8
2010	155.6	119.3	131.4
2011	167.7	122.7	138.8
2012	172.6	July 123.6	142.4
2013	175.2	July 123.4	146.9

DFF Estimate of Working Capital Requirements

Start-up Position – 44 Tonne Artic

Wages	:	8 weeks		5,130
Licence	:	6 months in advance		660
Insurance	:	6 months in advance		1,800
Acquisition	:	3 months lease in advance		5,400
Overheads	:	50% for 8 weeks		2,100
Fuel	:	73,000 miles per annum, 1,400 miles per week for 8 weeks at 61.9 ppm		6,930
Services	:			700
		TOTAL	***(say)***	**£22,700**

This calculation provides an indication of the money you may have to pay out before you start to receive money from your customers.

This figure should be viewed against the new requirements for financial standing, stipulating as from 1st January 2014 £7,400 for the first truck and £4,100 for each additional truck.

FUEL ADJUSTMENT
SPECIMEN AGREEMENT AND CALCULATIONS

This Agreement dated [Enter date] is between [Enter name of haulier] and [Enter name of company].

It is agreed that:

(a) the base price of diesel for the purpose of this Agreement is [Enter amount] pence per litre, exclusive of VAT

(b) the haulier may adjust the price(s) for work undertaken for the customer by reference to the following formula:

(i) a change in the average price of fuel in the period shall be determined as a percentage of the base price as in (a) above

(ii) the cost of fuel to the haulier shall be determined as a percentage of the haulier's total revenue, as recorded

(iii) the adjustment to be applied (by way of either increase or decrease in price) shall be the product of (i) x (ii)

(iv) an adjustment will be triggered when the change in cost is + / - % (to be agreed)

(c) such adjustments shall be calculated at [Enter frequency, eg weekly, monthly] intervals.

	EXAMPLE	NOTES		
1	**Vehicle type**		44 tonne artic	
2	**kms in period**		9,800	
3	**Mpg / kms per litre**		8.0 mpg / 2.83 kms per litre	
4	**Litres in period**		3,460	
			£	**%**
5	**Fuel at base price 111.27 ppl**	Date 1/1/13	3,794	-
6	**Fuel at av. price for period 110.81 ppl**	Date 31/10/13	3,834	-
7	**Increase/ (decrease)**		**40**	
8	**Revenue in period**	a	12,500	-
9	**Fuel as % of revenue at av.**	b		30.67
10	**Fuel % at base price**	c		30.35
11	**INCREASE/DECREASE %**			**0.32**

THIS ADJUSTMENT **.... 31/10/13** **APPROPRIATE ADJUSTMENT = NIL %**
LAST ADJUSTMENT **… 30/09/13** NEXT ADJUSTMENT **… 30/11/13**

NOTES: a) Period revenue as recorded
b) line 6 ÷ line 8 x 100
c) line 5 ÷ line 9 x 100

Members must use their own actual figures throughout.
The appropriate adjustment is shown in line 11.

DFF International Ltd

Transport and Distribution Consultancy

DFF INTERNATIONAL provide distribution-related consultancy services to manufacturers, service companies and transport operators to help them to solve specific problems or to improve operations and reduce costs.

Management Consultants are usually used for one of three reasons:

- Because the company's own management cannot spare time from the business to find the solution.
- Because the Consultants have specific experience and knowledge which is relevant to the problem.
- Because an experienced outsider can often identify solutions more clearly than someone immersed in the business.

DFF INTERNATIONAL is staffed by experienced line managers from a variety of transport and logistics backgrounds. This means that, for any problem in this area, we can provide a consultant who can quickly understand the task using relevant experience.

As we specialise only in this area of business, we can hold up to date, detailed information on both the supply and operations markets. We also have a large number of specialist national and international associates on whom we can call for detailed input.

The areas of our experience which are regularly used by UK Own Account and Hire or Reward operators, can be summarised as:

- **Transport and Distribution Operations**
- **Vehicle Acquisition and Maintenance**
- **Warehouse Design and Operations**
- **Transport Costs and Accounting**
- **Workshop Operations and Costs**
- **Marketing and Tender Preparations**

The starting point in any project is for one of our consultants to visit you to hear about your area of concern and to understand the type of project that you might have in mind. Assuming that there is some complexity in the project, we might then suggest a free survey without commitment. We would, then, spend several hours with you gathering information and further understanding. Based on this we will prepare a detailed proposal, fully costed, explaining exactly what your company would get from the project.

During the project we work closely with your management to ensure that they fully support our developing conclusions and that, when our final report is prepared, the findings are fully workable and provide a valuable contribution to your business.

Should any of the suggested areas be a source of concern, now or in the future, please contact Brian Fish at our Bristol Office to arrange a meeting.

DFF INTERNATIONAL Ltd
14 Stoke Hill
Stoke Bishop
Bristol BS9 1JH

Telephone: (0117) 968 1148
email: brianfish@dffintl.co.uk

RHA Regional Offices

Scotland & Northern Ireland
Roadway House
The Rural Centre
Ingliston
Newbridge
Edinburgh
EH28 8NZ
Tel: 0131 333 4900
e-mail: scotland-northernireland@rha.uk.net
Regional Director:
Phil Flanders

Northern Region
Roadway House
Littlewood Drive
West 26 Industrial Estate
Cleckheaton
BD19 4TQ
Tel: 01274 863100
e-mail: northern@rha.uk.net
Regional Director:
Steve Biddle

Midlands & Western Region
Shore House
Westbury Hill
Westbury on Trym
Bristol BS9 3AA
Tel: 0117 9625616
e-mail: midlands-western@rha.uk.net
Regional Director:
Nick Payne

Southern & Eastern Region
Roadway House
Bretton Way
Bretton
Peterborough
PE3 8DD
Tel: 01733 261131
e-mail: southern-eastern@rha.uk.net
Regional Director:
John Howells

HOW TO DETERMINE YOUR COSTS TO COMPARE WITH THESE TABLES

THE DFF/RHA COST TABLES

1. The OBJECTIVE of this paper is to visit the Cost Tables and to view them in the context of how RHA members should use them to identify **and manage** their own actual costs.

2. These Tables are unique in several respects:

i) They constantly warn users that they are NOT THEIR costs.

ii) They emphatically reject the idea of the cost (and hence the rate) per mile or per day. They separate time-related and distance-related costs and keep them so. This is because both cost per mile and cost per day vary infinitely according to the number of miles travelled in the day. We shall look at this in detail later.

iii) In addition to the costs for 10 types of vehicle, they contain numerous indices and guides to costing and rate calculation. These are all yardsticks against which you should measure your own figures.

iv) They are the only tables available on the internet in interactive form.

In addition, in a comparison with other published Cost Tables, they score very highly as being on or closest to the average of all costs at similar annual mileages.

They are therefore an extremely valuable tool for helping members.

As we have noted, the Tables are fully interactive. This is fine but it does of course mean that members must be able to determine their own specific costs before they can take advantage of this facility. The rest of this paper is devoted to seeing how they can do this and make use of the Explanatory Notes on pages 9 – 11.

3. I am often asked "what is the point of costing when customers tell me the rate"?

All too often, in this highly competitive industry, the method of rate setting consists merely of finding out what is currently being paid and undercutting it! This suicidal approach has always been prevalent in our industry, accounting for a generally unacceptably low level of rates. So why are accurate costings essential, even when they apparently do not by themselves gain profitable traffic?

Every haulier MUST be able:

a) To know the rate at which he can earn a profit.
b) Quickly to reflect increased costs in his charges and demonstrate to customers the validity of increases.
c) To analyse costs, update budgets and monitor current performance regularly and frequently.
d) To forecast operating results and cash flow.
e) To know just how much rates can be "shaved" under market pressure and still yield a contribution, and to judge how long a business can survive on that basis.
f) To compare profit forecasts with achieved results, overall or by individual contract/job.

First, let's remind ourselves how a cost page in the Tables actually looks, for a 44-tonner: please see page 21.

4. The aim of this paper is to see how this cost sheet relates to the actual financial performance of the operator.

The foundation of satisfactory costing in road haulage businesses is the financial accounting system.

The accounts must be kept in sufficient detail to show us:

i) Vehicle revenue and running costs
ii) Business overheads
iii) Assets and liabilities

The question of whether we can account for the running costs by individual vehicles is extremely difficult, because it calls for much detail and analysis. Of course computers make this much easier, and there are many systems in use. If we find we are unable to manage this it is still possible to achieve good costing figures.

In all transport business it is good practice to maintain a "register" of our vehicles and trailers. These records are useful also as a starting point for some of our costing requirements.

5. We start by looking at a haulier's accounts as they have been produced for him by his accountants and auditors: **FIGURE 1.**

Typically, these accounts fail to tell us how the member is really performing.

We therefore re-arrange the figures so that they are similar in format to the Cost Tables, showing:

- Time-related costs, i.e. those incurred whether the wheels are turning or not;
- Job specific costs i.e. subsistence, tolls etc, costs which are recovered in jobs as incurred;
- Distance-related costs, comprising fuel, tyres, repairs and maintenance including lubricants: **FIGURE 2.**

NOTE THAT:

- Revenues and costs of non-transport activities must be separately accounted.
  For example, if the member undertakes warehousing work, as many do, that activity must be separately accounted. This often involves a detailed allocation of overheads between the different activities.

- Own vehicle and sub-contract work must be separated – note the extraordinary differences between respective profitability!

- Overheads must include EVERY item of cost incurred by the transport operation which is not directly recovered within the other cost headings. These must be allocated across the active fleet in proportion to:

  - Number of vehicles OR
  - Carrying capacity OR
  - A combination of the two

- **DEPRECIATION** is the only cost in these accounts which is not represented by a specific, identifiable cash payment. It is unsafe to assume that the figures in the accounts are right for costing purposes: often they are applied arbitrarily (using straight-line or reducing balance methods) by accountants. In practical terms it should be the net amount (after residuals realised) needed to be committed each year in order to maintain the fleet at its required profile of age, size and specification. This requires careful assessment and regular review.

6. In addition, in the amended figures we have identified each item of cost as a percentage of own-vehicle sales revenue.
In the Cost Tables, these percentages are of total cost.
However, at today's minimal rates of profit the two figures are comparable.

7. In addition to the financial data so far outlined, at this stage we also need statistical records covering vehicle mileages, fuel usage and tyre wear.
Even more importantly, we must maintain records of both vehicle and driver utilisation, for reasons explained later.

8. It is vital to realise that current rates are NOT a function of historical costs. They must be related to the actual current operating costs of the fleet concerned. Thus, the next stage is to replace the costs produced in the **FIGURE 2** Accounts with budgets of the costs currently being incurred and likely to be incurred in the period to which the rates must apply. This must be done for every item of expenditure and we shall end up with another operating account, this time a budget or forecast of future events.

9. It is sometimes said that "all vehicles of a given type have the same or similar costs". Whilst this is true of licences, depreciation and wage rates, together with basic movement costs, it is patently not true of the remaining costs. Beyond this, and far more significantly, the impact of time related costs will depend to a great, and seldom recognised, extent, on the achieved utilisation factor of a fleet. Thus in our costings we speak of a time cost per year; this is a gross year consisting of around 250 days. In the final analysis, we must in fact arrive at a time cost per **effective working day** and this is the key to differences in fleet performance, hence profitability. Thus, from the gross year must be deducted:

i) Down time for routine maintenance, repairs and annual test;
ii) Idle time due to lack of work or non-availability of a driver.

Each of these must be allowed for by reference to observed performance and attainable improvements in the Company concerned.

Clearly then, the lower the utilisation efficiency, the higher we must pitch the deduction from gross working year and the greater will be that Company's cost per effective day. This must be recognised as one of the keys to profitable operation and to **competitive advantage**.

In the DFF/RHA Tables, as a result of surveys, an average utilisation factor of 240 days has been assumed for each type of vehicle. Not only are there considerable variations around this average, there are also other factors to be measured and taken into account e.g:

- The number of hours used in each day, for the purposes of reducing cost per day to cost per hour;
- The extent to which vehicles are multi-shifted, in which case additional costs will be incurred in sustaining the additional shifts.
- The extent to which weight and volume capacities are filled.

10. At the outset we noted that we reject the concept of cost, and hence rate, per mile or per day.

We noted that there are two elements of cost, viz. time and distance. Total cost is an always varying function of these two; thus it is totally wrong to reduce total costs to a figure per mile, or per day, a mistake made by nearly all operators. There is only ONE period/distance at which the supposed average cost per mile is correct; below that figure it will be too low and above too high. Herein lies the problem of so many operators who still rely on this fictitious non-existent figure!

Among the fleet of RHA Member Ltd, today one 44-footer is doing local trailer shunting and will cover 100 miles. Another one is doing a trailer exchange and will cover 350 miles. Here are the costs compared with those of the fleet average of 71,000 miles per year:

	1	**2**	**Average year (240 days)**
Cost per day	325	325	78,110
100 miles at 78.4 pence per mile	78		
350 miles at 78.4 pence per mile		274	
73,000 miles at 78.4 pence per mile			57,232
TOTAL COST	403	599	135,342
NOTIONAL COST PER MILE	**£ 4.03**	**£ 1.71**	**£ 1.85**
TOTAL COST PER DAY / YEAR	**£403**	**£599**	**£564**

So what is our going rate per mile?!?!

11. It has now been assumed that a haulier has established accurate costs to compare with those shown in our Cost Tables. When invited to quote for work their first task will be to assess the time likely to be required, the distance to be covered, any additional costs not included in the standard costs, and the difficult problem of return load possibilities and revenues. It is a dangerous myth that return loads only incur the cost of diesel. The process is illustrated in **FIGURES 3 and 4.**

Of course it is not always as simple as a round trip with a container. If for example we are "tramping" and have to organise the return load as well as the outward load, we must then add all the extra time and distance associated with the return load to our costs; we must then assess total required revenue on the normal basis. This will then be related to the known or anticipated revenue from the return load to help us decide how much we should or can obtain for the outward load.

This means that we are using actual figures for the whole operation instead of rules of thumb (e.g. two thirds of outward rate for return loads). These rules have never been satisfactory.

A FULL TEMPLATE FOR CALCULATING RATES IS PROVIDED ON PAGE 26 OF THE TABLES.

12. Another use to which these costing figures should be put is in forecasting and monitoring our operating results.

i) The actual revenue and costs of a journey can be compared with the quotation, to check performance

ii) Revenues of every vehicle can be determined for a week, against which standard daily costs, extra costs and distance costs are set to forecast profit for that week. That figure, built up week by week to a monthly total, will then be compared with the actual result produced in the Monthly Management Accounts.

Note here that:

a) We must charge ourselves for every available working day, to match the Management Accounts;

b) In using a budgeted standard distance-related cost per mile we are smoothing the impact of fluctuating costs; thus if in one month we have two sets of tyres to replace and a blown engine, actuals in the Accounts will be greater than standard. These variations must be investigated and if actuals begin to run consistently ahead of standard, the latter must be suitably recalculated.

A form of Report for this is shown in **FIGURE 5.** The monitoring process described here should be extended to provide us with data on vehicle and driver utilisation; these factors, it has been stressed, are vital to profitable operations.

CONCLUSION

Many will say that this is all too academic for the haulage industry.

Not so!

There is a disturbing lack of professionalism in the industry, which is one reason why, even in the top 100 companies by turnover, the average rate of pre-tax profit to sales is a totally inadequate 2.1%, with many operations incurring losses.

Knowing costs and using them is one of the surest ways to secure decent returns.

Figure 1

RHA MEMBER LTD

PROFIT AND LOSS ACCOUNT – YEAR ENDED 30th JUNE 2013

(As prepared by Auditors)

		£	
Sales		1,652,000	
Cost of Sales:			
Fuel	473,700		
Wages and Salaries	352,500		
Subsistence and tolls	21,000		
Licences and Insurances	54,800		
Subcontract	275,000		
Repairs and Tyres	119,700		
Rent and rates	49,000		
HP Interest	20,800		
Telephone	14,000		
Computer Costs	7,000		
Printing and Stationery	2,000		
Audit, accounting	8,000		
Insurances	15,000		
Legal and professional	4,000		
Motor expenses	13,000		
Bank charges	2,700		
Pensions	7,000		
Office sundries	3,000		
Directors' Fees	41,800		
Depreciation	115,400	1,599,400	
NET PROFIT BEFORE TAX		**52,600**	(3.2%)

RHA Member Ltd operates 10 x 44 tonne artics

NB These figures are illustrative only

Figure 2

RHA MEMBER LTD

PROFIT AND LOSS ACCOUNT – YEAR ENDED 30th JUNE 2013

REARRANGED

			£	%
Sales			1,652,000	
Less subcontract			310,000	
Sales own vehicles			1,342,000	100.0
Time-related costs:				
Driver employment costs	301,500			22.5
Depreciation	115,400			8.6
Licences (VED)	12,000			0.9
Vehicle Insurance	38,600			2.9
GIT	4,200			0.3
Hire Purchase interest	20,800			1.6
Overheads	217,500	710,000		16.2
Subsistence and tolls		21,000		1.6
Distance-related costs:				
Fuel	473,700			35.3
Tyres	31,500			2.3
Repairs &Maintenance	88,200	593,400	1,324,400	6.6
Net profit own vehicles			17,600	1.3
				100.0
Subcontract		310,000		
Less charges		275,000		
		35,000	35,000	11.3
TOTAL NET PROFIT BEFORE TAX			**52,600**	3.2

NB These figures are illustrative only

Figure 3

RATES AND CHARGES

i) We are asked to give a quotation for moving 1,000 tonnes of bulk product from a factory to a silo situated 20 miles distant. We are using 32-tonne gross vehicles.

ii) We decide from our experience and knowledge of the job that a vehicle should be able to achieve 6 trips in a normal working day, thus covering 240 miles.

iii) Referring to the Cost Tables, we derive the following standard costs and estimate other items as indicated:

	£
1 standard day at £285	285
240 miles at 84.4 pence per mile	203
Driver's bonus and additional overtime	15
Weighbridge costs	30
Total Cost	533
Target Margin (say 5%)	28
Desired revenue	551
Desired rate and quotation per tonne (assuming 21.5 tonnes per load)	**4.27**

iv) The haulier must of course have substituted his own cost figures for those shown above.

v) If possible, and before submitting this quotation, try to determine what the "going rate" for this traffic is.

vi) Decide whether or to what extent any gap between £4.27 and the market rate can be bridged.

vii) Negotiate as strongly as possible, on the basis of identified costs, to educate the customer towards realistic figures.

NOTE: In this illustration we use the figures in the 2014 Cost Tables. Remember (paragraph 8) that we must substitute current budgeted costs, particularly for fuel.

Figure 4

RATES AND CHARGES

i) We are asked to give a quotation for loading a container at a shipper's factory, delivering to a nominated port and returning to base with a replacement empty container. We are using a 44-tonner.

ii) We decide from our experience that this task will occupy two full working days, and we ascertain that the total distance to be covered will be 480 miles.

iii) Referring to the Cost Tables, we derive the following standard costs and estimate other items as indicated:

	£
2 standard days at £325	650
480 miles at 78.4 pence per mile	375
Driver's subsistence	35
Driver's bonus and additional overtime	15
Bridge toll	15
Total Cost	1,090
Target Margin (say 5%)	57
Desired rate and quotation	**1,147**

iv) The haulier will of course have substituted his own figures for those shown above.

v) If possible, and before submitting this quotation (which would probably in today's markets be met with varying degrees of derision) try to determine what the "going rate" for these movements is.

vi) Decide whether or to what extent the gap between £1,147 and the market rate can be bridged.

vii) Negotiate as strongly as possible to "educate" the customer towards realistic figures.

NOTE: In this illustration we use the figures in the 2014 Cost Tables. Remember (paragraph 8) that we must substitute current budgeted costs, particularly for fuel.

Figure 5

PERFORMANCE MONITORING

Vehicle Reg. No. .....

	WEEK ENDED	WEEK ENDED >>>	MONTH ENDED
DAYS IDLE			
DAYS DOWN			
REVENUE			
.... DAYS at STANDARD			
.... MILES at STANDARD ppm			
DRIVERS' SUBSISTENCE			
DRIVERS' BONUS, OVERTIME			
RELIEF DRIVER COSTS			
SUNDRIES			
TOTAL COSTS			
CONTRIBUTION			

NOTES:

1. IDLE AND DOWN DAYS SHOULD DESIRABLY BE CODED ACCORDING TO REASON.

2. DRIVERS' EMPLOYMENT COSTS MUST ALLOW FOR THE FACT THAT MOST DRIVERS NOW HAVE FOUR WEEKS OF PAID HOLIDAY; THEREFORE IT IS PROBABLE THAT RELIEF DRIVERS WILL BE USED TO KEEP VEHICLES AT WORK AT PEAK POTENTIAL. SIMILARLY, SICKNESS RELIEF AND TRAINING COSTS MUST BE TAKEN INTO ACCOUNT.

3. THERE WILL BE CHANGES IN THE STANDARD TIME COSTS WHERE VEHICLES ARE MULTI-SHIFTED AND ALWAYS AS COSTS CHANGE.