Haulage cost movement 2016

www.rha.uk.net

Prepared by
The Road Haulage Association
and Apprise Consulting
In or out?

“In or out?” was the question (vote) given to UK citizens on June 23 this year and has been a major and ever heated topic of conversation since that date. Of course we know that a majority voted to leave the European Union and after a change of Prime Minister, Theresa May announced on 2 October that the notice (Article 50) would be served by the end of March 2017 signalling the end of the UK as an EU member, by beginning a two year withdrawal process.

Despite widely predicted doom and gloom it would appear that in broad terms the UK hasn’t been doing too badly in the months following the vote. For example, inflation figures surprised many in mid-November when the October data was released; this reported that CPI had dropped instead of the expected rise from 1% in September to 0.9% for October, earlier in November the National Statistician advised that CPIH would take over as the preferred measure for inflation as of March next year. Meanwhile RPI (no longer counted as an official statistic) was unchanged at 2%. In spite of the CPI drop, the chief economist said that rising factory costs would push inflation up in the coming few months. November data released mid-December did show a rise by 1.2% – so up 0.3% with the increase attributed to rising fuel costs. Indeed, Gross Domestic Product (GDP) is the main indicator of UK economic performance and figures released in late November indicate growth at 0.5% which also suggests that Brexit has had a
limited effect (so far). GDP has now increased every quarter since Q1 2013 – that’s 15 quarters in a row.

The latest labour market figures describe an increase of 49,000 more people in work between April and June 2016 (similar to the estimated HGV driver numbers shortfall) bringing the overall total to 31.8 million in employment. Annually, this represented an increase of 461,000 in those having gained work.

Sterling’s plunge

The value of sterling fell after the Brexit vote and has seen a pronounced squeeze against major currencies, however, it has been clawing some of that back towards the end of the year, especially against the Euro.

Roughly speaking that meant a 15% drop against the dollar and 10% against the Euro. The drop relative to the dollar means fuel costs increased and against the Euro will lead inevitably to more expensive trucks in 2017, along with the price of goods such as food on supermarket shelves.

The Bank of England released its Financial Stability Report at the end of November. This warns that the outlook following Brexit remains challenging and that much depends on an orderly exit from the EU. Any difficulties here, it reveals, will likely affect risk to financial stability. Other large areas of concern are the slowing of growth in China and the performance of European states.

Construction industry data, courtesy of the Office for National Statistics (ONS), showed a decrease of 1.1% in Q3 compared to Q2. Some in the waste sector mentioned that business had

tailed off in the latter part of 2016. Reports suggest that UK firms currently have little appetite for investment, yet others will say that with interest rates so low it is the perfect time to borrow. The risk is that interest rates are likely to go up.

The new container weighing requirements that came into force in July 2016 under SOLAS had only limited effect on the road transport sector, as most UK ports decided to take care of customer concerns and added weighing solutions, which in the

monthly average exchange rate £ v $ (Shown in cents)

170 160 150 140 130 120 110 100

Sterling’s performance has diminished

at 9 seconds per mile (for cars). However, the real problem is the daily nightmare of any travel in peak conditions, where traffic is often at a virtual standstill, or is only crawling along – these delays, while built in to many planned journeys, are costing the country dearly. Additional financial resources were advised in the Autumn Statement to help – including £220 million extra to tackle key pinch points under the National Productivity Investment Fund (NPIF). This fund also commits a further extra sum of £1.1bn by 2020-21 in new funding to relieve congestion and deliver upgrades on local roads and also public networks.

Gateway to Europe clears

The vital Dover-Calais ferry and Channel Tunnel route for international lorry traffic appears to be returning to normal. Removal of ‘The Jungle’ migrant camp appears to have been effective in greatly reducing the threat to drivers, vehicles and loads. Members report that Calais appears to be getting back to normal – for the residents there as well as for lorry drivers.

“It is good to be able to say something really positive about Calais,” RHA chief executive Richard Burnett said, “although obviously we will be watching the situation closely. The key is to
ensure that nothing like The Jungle camp is allowed to be re-established.”

So what about freight statistics for international haulage? Poland leads the way in terms of powered freight vehicles for roll-on roll-off ferry operations. GB vehicles came next at 12%, closely followed by near identical Romanian vehicles. In Q3, 266,000 powered vehicles were ours. Just under two million movements were by foreign registered trucks and 740,000 were unaccompanied trailers. Only the foreign registered trucks saw an increase in that quarter.

In the 12 months ending March 2016 international road freight (goods lifted) saw a drop of 7% being exported from the UK and a 9% drop coming into the UK. Conversely, domestic road freight goods lifted increased by 8%. The amount of miles travelled by road freight vehicles followed a similar pattern.

Traffic Commissioners annual report
The annual report advises the number of vehicles listed against operator-licences nationwide (377,748) increased by 10% over the past year along with a modest 1.9% increase to operator-licences themselves. This needs to be taken against the Department for Transport (DfT) statistics which gives the total HGV licenced vehicles count in quarter 2 (2016) as 513,800 (document VEH0101). This indicates growth of existing companies rather than new entrants to transport.

Standard operator licence
Vehicles Previous rate Rate from 1 January 2017
First vehicle £6,650 £7,850
Additional vehicles £3,700 £4,350

Restricted operator licences have not been changed and remain at £3,100 for a first vehicle and £1,700 thereafter.

Traffic Commissioner’s report 2015-16
Number of goods vehicle operators licences (associated vehicle numbers in brackets)

<table>
<thead>
<tr>
<th></th>
<th>Restricted</th>
<th>Standard national</th>
<th>Standard international</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>48,382</td>
<td>38,924 (188,853)</td>
<td>11,010 (88,283)</td>
<td>98,316 (381,109)</td>
</tr>
<tr>
<td>2009-10</td>
<td>45,341</td>
<td>35,385 (174,090)</td>
<td>10,474 (79,995)</td>
<td>91,200 (350,259)</td>
</tr>
<tr>
<td>2010-11</td>
<td>44,435</td>
<td>33,863 (189,484)</td>
<td>9,449 (79,010)</td>
<td>87,747 (365,524)</td>
</tr>
<tr>
<td>2011-12</td>
<td>43,420</td>
<td>31,738 (173,934)</td>
<td>8,914 (75,115)</td>
<td>84,072 (342,473)</td>
</tr>
<tr>
<td>2012-13</td>
<td>42,382</td>
<td>30,196 (169,544)</td>
<td>8,316 (72,735)</td>
<td>80,894 (334,262)</td>
</tr>
<tr>
<td>2013-14</td>
<td>41,121</td>
<td>28,563 (168,570)</td>
<td>8,048 (74,578)</td>
<td>77,732 (337,570)</td>
</tr>
<tr>
<td>2014-15</td>
<td>39,896</td>
<td>27,739 (172,260)</td>
<td>7,960 (76,869)</td>
<td>75,595 (343,674)</td>
</tr>
<tr>
<td>2015-16</td>
<td>40,265</td>
<td>28,448 (195,487)</td>
<td>8,289 (82,694)</td>
<td>77,002 (377,748)</td>
</tr>
</tbody>
</table>

Vehicles 2016 v 2015 up 5,022 up 23,227 up 5,825 up 34,074

O-licences 2016 v 2015 up 369 up 709 up 329 up 1,407
A concern of the RHA is that there are virtually 100,000 HGVs in circulation on restricted O-licences which do not require a qualified transport manager. It is companies that do not have a transport manager that have the most concerns when the RHA provide audit services.

The traffic commissioners want to slash the target time for granting licences to compliant operators from nine weeks to three weeks, but says the Department for Transport needs to change regulations. The RHA welcomes the report and urges the DfT to take urgent action to bring in a radical simplification of the environmental rules on O-licensing, in order to facilitate faster decision-making by the TCs.

The senior traffic commissioner quite rightly points out that the logistics and transport industry quietly gets on with delivering the nation’s goods day after day and that the sector is an unsung hero – we agree.

Financial standing will be adjusted from 1 January 2017. This is required annually to take into account currency differences against the Euro. The difference for a standard operator is a shocking increase of 18%, there isn’t an increase for restricted operators, as only the UK apply financial standing to that sector. Applicants and operators will have to be able to demonstrate these increased resources to operate and maintain their vehicles.

Driver and Vehicle Standards Agency (DVSA)

The summary annual data recently released displays a similar pattern to last year – GB trucks have less all round issues than foreign vehicles stopped for checking. DVSA says it is finding many more falsifications of drivers’ hours records during roadside checks, probably because officers have become better at detection. Valuable expertise has been shared by continental enforcement agencies, DVSA said.

The offences are mostly by drivers for foreign hauliers, over which there is no UK regulatory control. Penalties for falsification remain woefully inadequate. The RHA raised this issue again at the Commercial Vehicle Road Safety

Daily inspections are vital

<table>
<thead>
<tr>
<th>Financial year</th>
<th>GB/ Non-GB</th>
<th>Vehicle group</th>
<th>Mechanical checks</th>
<th>Prohibitions issued</th>
<th>Prohibition rate</th>
<th>Traffic offence checks</th>
<th>Prohibitions issued</th>
<th>Prohibition rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/15</td>
<td>GB</td>
<td>HGV</td>
<td>2,335</td>
<td>240</td>
<td>9.3%</td>
<td>2,371</td>
<td>210</td>
<td>8.1%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trailer</td>
<td>1,240</td>
<td>135</td>
<td>9.8%</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Non-GB</td>
<td>HGV</td>
<td>2,534</td>
<td>382</td>
<td>15.1%</td>
<td>2,574</td>
<td>419</td>
<td>16.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trailer</td>
<td>2,459</td>
<td>514</td>
<td>20.9%</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Total 2014/15</td>
<td></td>
<td>8,568</td>
<td>1,271</td>
<td>13.8%</td>
<td>4,965</td>
<td>629</td>
<td>12.2%</td>
</tr>
<tr>
<td>2015/16</td>
<td>GB</td>
<td>HGV</td>
<td>2,446</td>
<td>230</td>
<td>9.4%</td>
<td>2,455</td>
<td>219</td>
<td>8.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trailer</td>
<td>1,249</td>
<td>125</td>
<td>10.0%</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Non-GB</td>
<td>HGV</td>
<td>2,472</td>
<td>339</td>
<td>13.7%</td>
<td>2,472</td>
<td>356</td>
<td>14.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trailer</td>
<td>2,416</td>
<td>501</td>
<td>20.7%</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Total 2015/16</td>
<td></td>
<td>8,583</td>
<td>1,195</td>
<td>13.5%</td>
<td>4,927</td>
<td>575</td>
<td>11.7%</td>
</tr>
</tbody>
</table>
Compliance Forum, a body established at our suggestion and chaired by the Department for Transport.

In March 2017, UK regulations will be amended to allow up to three fixed penalties to be issued for historic offences in the previous 28 days, a much delayed move that brings us into line with most of the rest of Europe.

Operator compliance risk score (OCRS) changes are likely in the near future to concentrate on targeting operators who pose the greatest risk to road safety. DVSA will take action against drivers or operators who fail to meet the roadworthiness standards and drivers’ hour’s rules.

The changes help traffic and vehicle examiners to review an operator’s risk score, before making a decision on what enforcement action to take rather than the straight to red trigger system which is in place now for most serious infringements and prosecutions. For further details check OCRS guidance at the www.gov.uk website.

Daily inspection by the driver remains very much at the forefront where compliance is concerned while transport managers need to keep themselves updated with the latest information.

Health & Safety Executive (HSE)
This year the HSE strategy Helping Great Britain work well sets out how all who carry out or influence activities and attitudes towards health and safety in the workplace can contribute to the ambition of improving Great Britain’s health and safety record.

Logistics and transport sector: This sector includes distribution centres, road haulage, postal and courier services, ports, airports and hubs.

HSE priorities:
- Reducing the impact of poorly controlled loads
- Reducing the rate of ill health caused by musculoskeletal disorders.
- Increasing engagement with work related road risk

The technical department within the RHA continues to receive calls from members to discuss safe loading issues.

We urge members to consider risk assessment where loading is concerned and to think about the ‘what if’ question.

And we anticipate greater involvement of HSE in 2017, after intensive lobbying by the RHA. Customers have legal responsibilities – not just hauliers.

RHA – survey on the movement of costs
Costs excluding fuel increased by 2.79%, according to our model, on the basis of answers received from members in the annual haulage cost movement survey. With fuel included that figure drops a little this year to 2.73% which tells us that other costs increased more than the impact of the fuel cost increase.

Full details of the calculations can be found in the 2017 cost-tables document, and as ever, members should carefully use their own cost workings to ensure costs are covered before attempting to apply any profit margin. Fuel pricing is very volatile and where possible should be removed as a separate equation, however, we realise many firms simply cannot operate like this. Our concern is that fuel prices are rising once again after the lower prices seen earlier in 2016.

Members are employers and they have many worries, the biggest of which at present being where the drivers are coming from. After that they have concerns about Brexit (including its effect on sterling), fuel costs, rate cutting, bad debt, growth, auto-enrolment, illegal working, jobs being postponed, cabotage, compliance and the self-employed status of some drivers. It is quite a list and the RHA, as an association, is involved in looking at, monitoring and trying to resolve many of these.

We asked members if their haulage rates had changed over the year and the largest percentage at 44% advised they had not (yet costs are increasing); 37.5% had managed rate increases. However, many of these...
will simply be fuel escalators, so not a meaningful increase. The rest had simply lost out with lower rates, which in the early part of the year could be accepted on the fuel aspect.

Quite simply, contracts are not used by over half the members responding (52%), 27% advised contract length was staying roughly the same, while 18% said they were getting shorter. Only a couple of firms advised that contract length was longer. Most contracts mentioned were for 1-3 years with only a few mentioning any contract longer than that. Members have to consider their investment in expensive equipment, wages and other costs without much guarantee of work to keep them in business. In most cases revenue is collected between 30 and 60 days from invoice, although some cases stretch this out to 90 days plus!

### The 2016 survey: 2.79% typical costs rise, excluding fuel

#### Period 1 October 2015–30 September 2016

<table>
<thead>
<tr>
<th>% total cost 25 Sep 2015</th>
<th>Cost category</th>
<th>% price movement in period</th>
<th>% total cost 30 Sep 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.45</td>
<td>Vehicle and depreciation</td>
<td>2.50</td>
<td>12.42</td>
</tr>
<tr>
<td>0.92</td>
<td>Road tax</td>
<td>0.00</td>
<td>0.89</td>
</tr>
<tr>
<td>2.87</td>
<td>Insurance</td>
<td>2.50</td>
<td>2.86</td>
</tr>
<tr>
<td>27.01</td>
<td>Driver employment costs</td>
<td>3.50</td>
<td>27.21</td>
</tr>
<tr>
<td>6.92</td>
<td>Repairs and maintenance</td>
<td>2.00</td>
<td>6.87</td>
</tr>
<tr>
<td>2.57</td>
<td>Tyres: replacement tyres, tubes etc.</td>
<td>1.00</td>
<td>2.53</td>
</tr>
<tr>
<td>17.62</td>
<td>Overhead costs</td>
<td>2.70</td>
<td>17.62</td>
</tr>
<tr>
<td>2.20</td>
<td>Trailer</td>
<td>2.50</td>
<td>2.19</td>
</tr>
<tr>
<td><strong>72.56 (TOTAL)</strong></td>
<td></td>
<td></td>
<td><strong>72.59 (TOTAL)</strong></td>
</tr>
<tr>
<td><strong>27.44</strong></td>
<td>Fuel</td>
<td><strong>2.55</strong></td>
<td><strong>27.41</strong></td>
</tr>
<tr>
<td><strong>100.00</strong></td>
<td>TOTAL = fuel + other costs</td>
<td></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

### Year-on-year fuel differential 2015/16

<table>
<thead>
<tr>
<th>Year</th>
<th>Fuel ppl</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 fuel ppl (25.09.15)</td>
<td>86.69</td>
</tr>
<tr>
<td>2016 fuel ppl (30.09.16)</td>
<td>88.9</td>
</tr>
</tbody>
</table>
Midway through this year one large supermarket was found guilty of routinely delaying payments to suppliers in order to make its profits seem better than they otherwise would have been.

One third of members responding to the survey belong to the Fleet Operator Recognition Scheme (FORS), with only a few mentioning it was useful for anything more than allowing them to deliver certain London-centric work. London, of course, brings delays due to traffic and parking issues.

Delays also frequently occur at sites such as regional distribution centres (RDCs), costing companies dearly.

In many cases it is time that is simply expected to be absorbed by the delivering transport firm. We asked members if they charged demurrage to help with this and the answer that came back was over 36% of members simply have to swallow these unacceptable costs.

Unsurprisingly, the largest sector represented within the survey was general haulage at 27%.

After that, notable sectors were construction and waste at 15% but also those taking part in container logistics, chemicals, bulk chemicals, motor vehicles, agriculture, steel, retail, media and equine transport.

Landfill tax in the waste sector increased in April by 2.2% at £84.40 for the standard rate and 6% at £2.65 for the lower rate, increases in line with RPI will be added in April 2017.

The 44-tonne 6x2 artic combination still reigns supreme among members as the tool most used for delivery purposes representing 73% of the surveyed fleet. A further 22% was taken by those using 40-tonne combinations with less than 1% each for all other vehicle types.

This year the largest fleet taking part had 800 vehicles and the smallest operator had two. It remains vital to the RHA that we hear from members big or small when we are facing policy decisions and/or look at statistics.

Vehicle and depreciation: 2.5%
Borrowing money is low cost at present. Purchase remains the biggest means for securing trucks for members at 52%, short term rentals was the next biggest at 20% with leasing in some way at 18% and contract hire at 10%.

We use the purchase price difference to modify the truck cost annually which meant an increase of £2,072 to just under £85,000 for the 44-tonne tractor unit. There would appear to be a trend towards at least trialling leasing or other rental options.

VED and Levy: 0%
VED and Levy charges remained the same as previous years.

Insurance: 2.5%
Insurance as reported by members increased 2.5% over the year so our cost model indicates an insurance price of £3,855 per 44-tonne artic-combination. From last November Insurance Premium Tax took an unwelcome leap from 6 to 9.5%. So insurance net of tax is being held down? The Budget 2016 increased this to 10% and then the new Chancellor in his Autumn Statement announced this would further increase to 12% next June adding a further £31 to our cost model (more under The Future). To counter claims that may be spurious operators have
been amongst the leading users of in-vehicle technology including cameras. Nearly 64% of member companies reported in the survey that they have forward facing cameras fitted with 33% of them advising that they increased their coverage further to at least front and rear image capture.

RHA insurance (FR8), takes this a step further with fresh approach to insurance requirements, introducing a commitment to supporting businesses that invest in improving industry standards. Put simply, good risk management should be rewarded. The Insurance Act 2015 came into force on 12 August 2016, which places further responsibility on the insured to ensure that they divulge all potential influences.

Driver employment costs: 3.5%
Companies remain focussed on recruiting suitable driving staff, however, it is getting ever more difficult and was mentioned by nearly 40% of members responding to the survey.

With a shortage estimated to be at 45,000 driver positions it is getting harder to attract from a smaller driver pool and the wage bill is growing, that of course is the driver and the cost of cover for when the regular driver is not present.

Agency driver costs themselves were assessed as increasing by 5% and of course the agency driver is more expensive than the regular staff, they will also be less familiar with their role. Along with the driver shortage is the fact that these staff may well move more often, which means additional human resource searching costs and then training costs etc.

‘Polback’ is a new word describing the situation where many foreign drivers that have taken up working in the UK have decided that with sterling diminishing in value they may as well return home, as the wage differential isn’t worth them staying here.

Provisional data from the Office for National Statistics (ONS) on average earnings and hours tells us that HGV driver gross weekly pay increased 3.2% in 2016.

The RHA publishes an annual survey regarding employee remuneration within the haulage industry; this is due to be published in January where we will look further into the driver role.

Repairs and maintenance: 2%
Repairs and maintenance (R&M) scored exactly as it did last year at 2%. Servicing Euro VI vehicles was cited several times as being a big cost increase, certainly modern high-tech units need a certain level of electronic monitoring that frequently means it is handed to the main dealer to deal with where as many operators would in the past have kept the maintenance in-house. Items of note here are increased diagnostics, increased exhaust after treatment equipment and higher injection pressures. 33.3% advised they use contracted R&M with another 22.2% advising they mix contract and own maintenance normally depending on this complexity issue. A further 25% use outside sources on a pay as you go basis. That leaves 19.5% who exclusively take care of maintenance themselves.

Telematics systems are still not used by a majority (52.7%) but 33.3% report that they do monitor R&M through technical systems. A few mentioned they were looking into or developing forms of telematics to monitor vehicle performance and maintenance requirements.

Tyres: 1%
Last year tyre prices were reported to be at zero percent change, this year they increased but by the smallest of margins. More firms appear to be setting plans to constantly monitor tyre wear, some using tyre pressure monitoring systems (a form of telematics).

In fact 87% which was an increase of 7% on the previous year said so. However, that leaves 13% who are approaching tyre management with no vision and generally with consequential additional cost.

When checked, additional performance reasons were noted as increased mileage with lower fuel consumption and lower risk of blow-outs, meaning less delay.

Michelin, Continental, Pirelli, Bridgestone and Hankook tyres were all mentioned by members. Using contract PPK was mentioned by 20%, with most firms choosing to buy when required. New tyres on tractor units and remoulds on trailers seemed to be a common response.
Overhead costs: 2.7%
Goods in transit insurance increased due to IPT increases, water rates up, so too for phone line rental, office support (such as IT) and office cleaning. Electric bills unless looked at on a long term deal also increased. Mobile phone contracts were another mention.

Fuel: 2.55%
The average price of bulk diesel for the year so far was recorded at 85.48ppl (ex-VAT) at the beginning of December. Last year’s survey noted a diesel price of 86.69ppl at the end of September 2015 compared to 88.9ppl on 30 September this year – that is an increase of 2.55%. The year started low for petroleum fuel pricing however, which helped both business and consumers. There was a gradual and steady build-up of prices throughout the year which peaked just after the survey end date in October. The reason for the October spike was news that OPEC had agreed in principal to production cuts this led to oil increases however the flurry was short lived and after three weeks began to tail back off. November diesel prices therefore dipped by 2% and then just as consumers were getting used to forecourts finally lowering their prices again the next OPEC meeting on the last day of November saw the cuts firmly agreed to and the prices once again spiked high with an 8% oil gain and 1.5ppl being added to diesel costs overnight with higher prices expected. Fuel duty went unchanged again this year after prolonged lobbying to prevent any increases adding to the recent escalating prices.

Nearly 66% of members advised they were using some sort of fuel mechanism to vary their costs,

<table>
<thead>
<tr>
<th>Quarter 4 (2016)</th>
<th>RHA average monthly bulk diesel price ppl (ex-VAT)</th>
<th>Monthly rounded average exchange rate £ v $ (shown in cents)</th>
<th>Brent barrel price $</th>
<th>Diesel per tonne $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct-15</td>
<td>86.48</td>
<td>153</td>
<td>48.58</td>
<td>485.12</td>
</tr>
<tr>
<td>Nov-15</td>
<td>85.56</td>
<td>152</td>
<td>44.31</td>
<td>462.68</td>
</tr>
<tr>
<td>Dec-15</td>
<td>81.74</td>
<td>150</td>
<td>38.22</td>
<td>378.32</td>
</tr>
<tr>
<td>Quarter 4</td>
<td>84.59</td>
<td>151.67</td>
<td>43.70</td>
<td>442.04</td>
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</tbody>
</table>

To date:

<table>
<thead>
<tr>
<th>RHA monthly bulk diesel price (ex-VAT)</th>
<th>Brent barrel price $</th>
<th>Diesel per tonne $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct-15</td>
<td>92.97</td>
<td>49.67</td>
</tr>
<tr>
<td>Nov-16</td>
<td>91.02</td>
<td>45.14</td>
</tr>
<tr>
<td>Dec-16 (provisional)</td>
<td>93.13</td>
<td>54</td>
</tr>
<tr>
<td>Quarter 4 (2016)</td>
<td>92.37</td>
<td>49.60</td>
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</tbody>
</table>

To date:

<table>
<thead>
<tr>
<th>Monthly fuel related averages</th>
</tr>
</thead>
<tbody>
<tr>
<td>(December 2016 sees heavy increases)</td>
</tr>
</tbody>
</table>

(October 2016 saw the cuts firmly agreed to and the prices once again spiked high with an 8% oil gain and 1.5ppl being added to diesel costs overnight with higher prices expected. Fuel duty went unchanged again this year after prolonged lobbying to prevent any increases adding to the recent escalating prices.)
which is only marginally different to last year (67%). That does of course still mean that nearly a third of operators have to roll with the market and take the price of fuel on the chin hoping that they can adjust in their next pricing bid or have to make allowances elsewhere such as not being able to keep up with driver pay rates.

**Driver CPC**

The industry is still split over DCPC requirements and it is something that should be looked at once we have left the European Union.

Most firms spend less than 1% of revenue on this training aspect. Some firms consider it a pointless box ticking exercise, yet others consider it a most valuable tool helping to enhance their business. Regardless, DCPC training will remain a legal requirement for years to come.

The RHA continues to support continuous personal development and we urge customers to look for a commitment to regular DCPC training as evidence of a good haulage supplier.

**The future**

In less than two years, Insurance Premium Tax (IPT) will have increased 100% (from 6% of premiums to 12%). The last increase which added 2% (from 10 to 12%) is due to take effect from June 2017.

The British Insurance Brokers’ Association described this as outrageous, following the Autumn Statement (23 November) and RHA fully agrees, knowing that its member are furious too.

That all said, we will assist RHA members to work towards minimising insurance costs.

Predictions for Brent Oil in 2017 range from $51-57 depending on source, with the previously mentioned OPEC cuts it is a fair bet that fuel costs will rise but by how much? Well, at $57 we could see prices nearer £1 a litre (ex-VAT).

What might keep the oil price in check is if the US start increasing shale drilling – and it appears that new president-elect Trump will wish to remove the shackles attached to the US oil industry. This might then trigger the oil producing states to break their production cut agreement and prices would likely drop again.

In early October changes to business rates evaluations meant that a geographical lottery would be occurring from 1 April 2017. Businesses face higher or lower rates bills and these can be checked using an online tool via the www.gov.uk website. There is an appeals service against rate changes.

It would appear that midlands- and northern-located commercial properties would come out of the re-evaluation with lower bills, while expensive areas especially London would be proportionately worse off. Overall, the process is supposed to be cost neutral.

A new tax is to be introduced in April 2017 – the apprenticeships levy. All firms with a total gross payroll cost exceeding £3 million at consolidated group level will have to pay the levy. It is in effect a new tax, currently set at 0.5% of payroll cost above the £3m threshold.

It will hit haulage firms with around 80 trucks or more, or those with a smaller fleet if they have other activities within the business, such as van operations, warehousing, workshop or other activities. And we cannot rule out the possibility of that £3 million threshold being reduced in future years.

The only way firms can avoid simply losing the money they pay in this new tax is to get it back as funding for an apprenticeship. Further information can be found here under Logistics and supply chain Trailblazer apprenticeships.

Foreign labour which the UK has been reliant on for too long now may also start to become scarcer as the earning capacity shrinks due to this loss on sterling. From 23 November 2016 until March 2019, companies will be entitled to an allowance of 100% for costs of installing electric charging points for electric vehicles.

**National living wage above inflation**

The National Living Wage will increase by 4.2% by April 2017 – from £7.20 to £7.50 – this will affect many warehouse, pick and pack operations, or, in the waste sector, general low-skilled migrant labour for material recycling facilities.

The RHA is pressing the government to enforce the NLW on foreign drivers undertaking cabotage in the UK.

The RHA has strong concerns over
the addition of random check requirements on the RHA/HMRC agreement on overnight allowances, which are planned for April 2017.

We have pursued the issue again, with the assistance of the transport minister John Hayes and await further discussions.

**Logistics and supply chain Trailblazer apprenticeships**

Everyone appears to be talking about Trailblazers, but an RHA survey of members shows relatively few people actually know much about it.

Whether you’re a training provider, or employer, here’s our bite-size guide to understanding Trailblazers.

The new apprenticeship standards which have been designed by the industry are short (one/two pages) and they describe the level of knowledge, skill, and behaviours required to do a particular role.

Three logistics apprenticeships have been developed at level 2:

- LGV driver
- Warehouse operative
- Operative (transport office)

Funding for the apprenticeships has been a key issue throughout and due to lobbying by the group and trade associations, increased funding has been secured for the LGV driver – and driver training is now included in the apprenticeship.

In short any employer taking an LGV driver under 19 years of age will have £7,000 (£5,000 for the apprenticeships, £1,000 to training provider, £1,000 to employer) available for the training, if they are a small employer, with under 50 staff, they will not have to pay anything towards the apprenticeship other than the apprentice’s pay.

If the employer has more than 50 staff, but is not an Apprenticeships Levy payer (see November’s Roadway for Apprenticeship Levy information) they will be required to make an employer contribution of 10%. This would see an employer with above 50 employees – taking an under 19 apprentice – having to contribute £500 (the standard funding is £5,000 – so 10% of that).

Levy payers will be able to draw down the full £5,000 from their levy account and will also qualify for the £1,000 training provider and £1,000 employer payments due to taking a young apprentice.

For apprentices above 19, the funding is £5,000 – plus the additions below.

There are no other age restrictions now, so this funding is available for any age apprenticeships as long as the employee is learning a new skill.

Further funding is available for apprentices who need English and Maths and are from a care plan.

The RHA believe this is a catalyst for skills, recruitment, retention and change within the industry, the trailblazer has been designed by employers for employers, it is a robust 12 month programme that ensures everyone that takes it understands the industry, its impact on the environment and covers an in-depth level of training to ensure professional development within the industry.

Available to employers of all sizes from micro, one man operations looking to introduce a family member, to SMEs looking to ensure they are prepared for contract wins, through to large employers looking at sustainability and reducing an ageing workforce and skills shortages.

RHA will soon be publishing a Guide to employing an apprentice and a guide to the expectations of an employer, along with further communications, to assist employers and apprentices wanting to join our industry.

For further information about Trailblazer apprenticeships please contact Colin Snape, at: c.snape@rha.uk.net
**Fuel costs and efficiency 2016**

*Examples illustrated for fuel costs (litres and gallons)*

The tables below chart how differing fuel economies have a major effect on the costs of operating a 44-tonne artic combination. A typical 44-tonner might travel 73,000 miles with a fuel consumption of around 8mpg being an average. The sector of operation, load, dimensions, terrain, driver and traffic density will all help to determine the costs of a particular vehicle. Below, we chart typical fuel cost scenarios at today’s prices.

### 7mpg

7mpg = 10,429 gallons or 47,411 litres
(typical for a car transporter)

<table>
<thead>
<tr>
<th>Price (ppl)</th>
<th>Cost (£)</th>
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<tbody>
<tr>
<td>85</td>
<td>£40,299</td>
</tr>
<tr>
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<td>87</td>
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</tr>
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</tr>
<tr>
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<td>£42,196</td>
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<tr>
<td>90</td>
<td>£42,670</td>
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</table>

A 1ppl rise in fuel prices at 7mpg will give an approximate increase of £474 per year per truck (fuel costs therefore 55 – 62 pence per mile within this price range)

### 8mpg

8mpg = 9,125 gallons or 41,483 litres

<table>
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<tr>
<th>Price (ppl)</th>
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<tbody>
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<td>£36,920</td>
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<tr>
<td>90</td>
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</tbody>
</table>

A 1ppl rise in fuel prices at 8mpg will give an approximate increase of £414 per year per truck (fuel costs therefore 48 – 54 pence per mile within this price range)

### 9mpg

9mpg = 8,111 gallons or 36,873 litres

<table>
<thead>
<tr>
<th>Price (ppl)</th>
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</tr>
</thead>
<tbody>
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</tr>
<tr>
<td>90</td>
<td>£33,186</td>
</tr>
</tbody>
</table>

A 1ppl rise in fuel prices at 9mpg will give an approximate increase of £368 per year per truck (fuel costs therefore 43 – 48 pence per mile)

Improving fuel economy by 3.75% from 8mpg to 8.3mpg would save £1333 per truck over the course of one year (using the end of September figure of 88.9ppl – 73,000 miles).

Note: 8.3mpg = 8795 gallons or 39,983 litres

Mileage does differ. Many operators inform us that they average 80,000 miles per year, which of course will have an effect on the percentage fuel costs for operating a truck. An 8mpg example is given above for a 44-tonne truck travelling 80,000 miles per year.
Cost tables
This report highlights haulage cost movement together with a commentary on key issues.

The figures are median averages and so are not the cost changes for an individual transport operator, but an overall reflection of the market.

All companies are different, but any firm should bear in mind that numerous aspects of an individual job each need consideration: time, distance and job-related costs (subsistence, tolls, escort vehicles etc), not to mention of course the addition of profit margin.

The RHA also produces a cost tables document as an example, with updated information and a formula to allow operators to look at – and model – their own unique costs relating to their individual haulage operations.

It is pointless to rely on costs relating to another firm. A company can monitor basic shifts and trends of competitors, but they need to understand their own costs and then from that work out where they need to be.

In summary
The industry faces a triple whammy of fuel, truck and wage inflation.

Fuel is expected to increase due to the OPEC production cut recently agreed which has seen immediate price rises for oil and petroleum fuels, trucks are expected to increase due to sterling weakness as an effect of Brexit.

Add to that the driver shortage and subsequent pay demands – along with an unwillingness by customers to accept any cost changes, all makes for a bleak outlook for the UK transport industry.

London remains a target area for restrictions in movement and/or types of vehicle that may enter; that situation looks set to get worse.

Yet it is a resilient sector, where much consolidation has taken place with vehicle and operator numbers having increased – following some not so good years.

Right now there are deliveries to be made.

Key points:

- Manage your costs
- Do not rely on per mile or per day only charging
- Use a fuel mechanism
- How to make a profit

The cost tables will be available to members at: www.rha.uk.net/costs