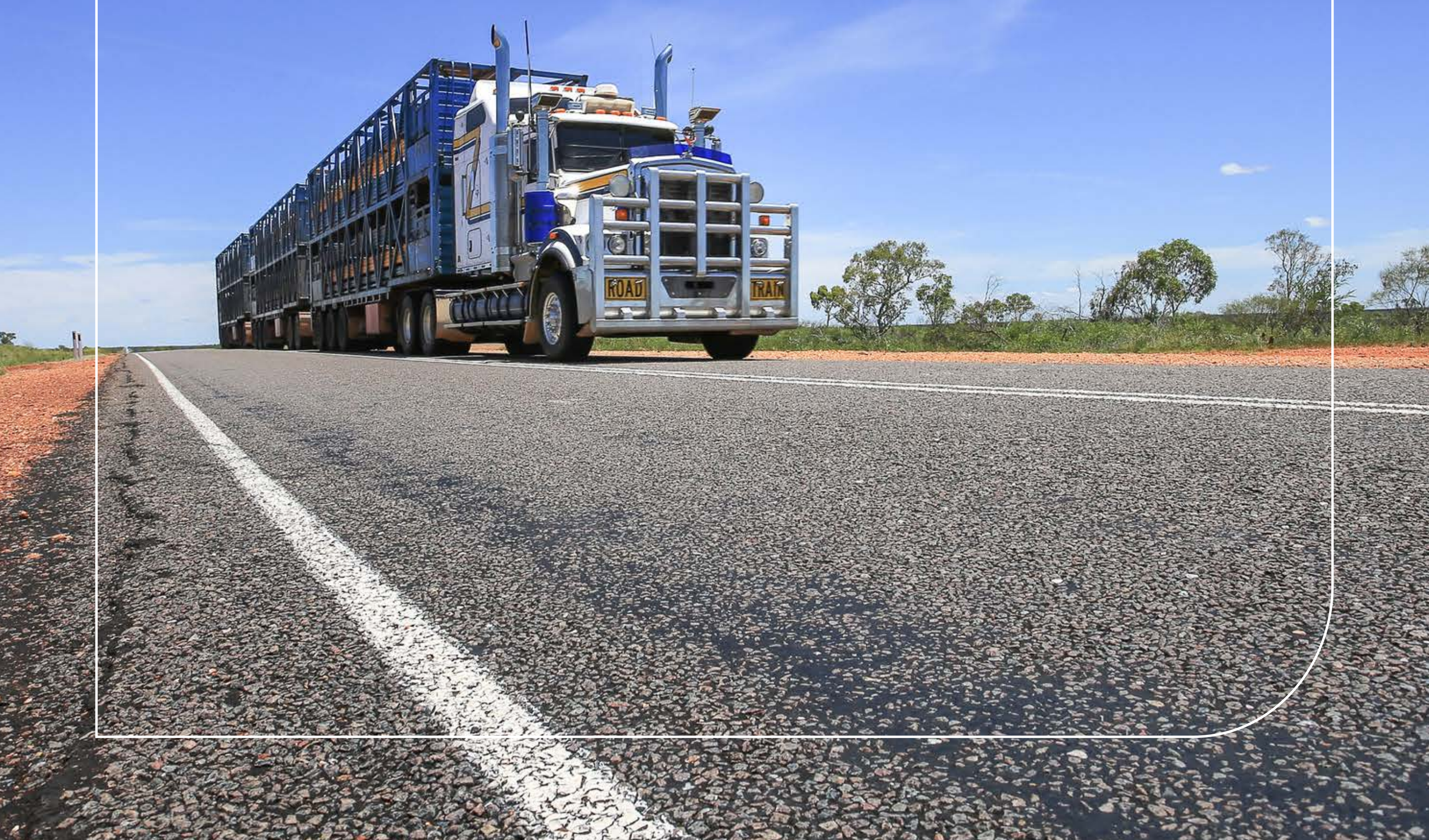
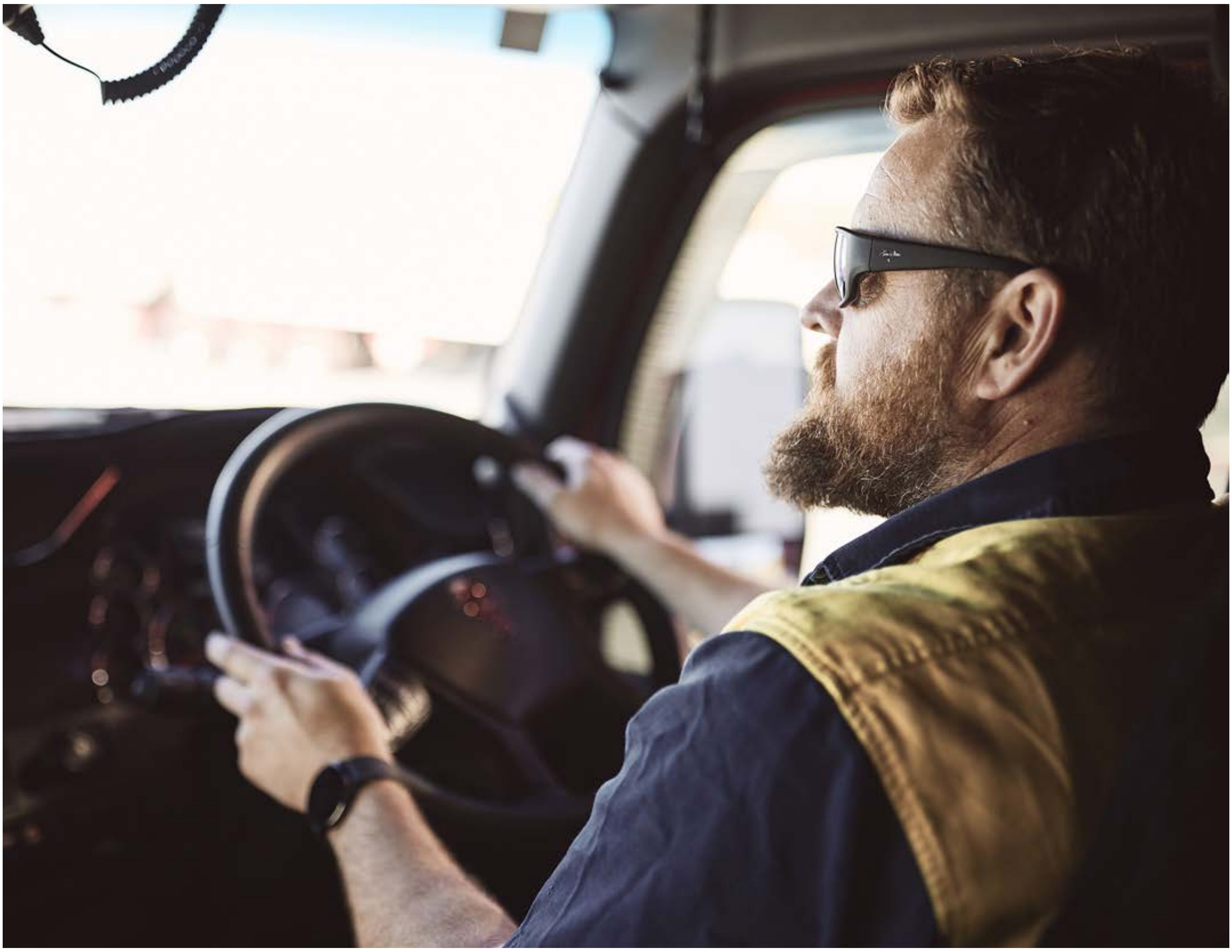
Research Summary

Macro trends for road freight operators in Australia

March, 2023





RISING PRICES CREATING PAIN FOR ROAD FREIGHT OPERATORS

Running a successful road freight business is challenging at any time. Operators need to find the right balance between meeting costs and turning a profit, all while charging customers a fair price.

However, the past two years have delivered an exceptional set of global economic circumstances. Surging fuel prices, rising interest rates and supply chain delays have created challenging conditions for businesses owners of all kinds, as well as ordinary Australians.

To better understand exactly how these factors are affecting Australian road freight operators, NatRoad commissioned economics consultancy HoustonKemp to conduct a study of industry trends. As well as analysing global impacts, the consultants surveyed 158 NatRoad members and 11 non-members to ask what they saw as the biggest challenges – and biggest success factors – for their businesses.

Fuel a key contributor to rising costs

The resulting study, Macro trends for road freight operators in Australia, found that many costs in the sector had risen significantly and rapidly. The research looked at the yearly operating costs for a nine-axle B-double travelling 250,000 kilometres annually. While costs remained relatively stable between 2015/16 and 2020/21, they surged 16 per cent in the 2022 financial year. Even more dramatic rises were expected for the 2023 financial year due to a combination of several factors.

Rising fuel costs were among the clearest contributors to the recent cost hikes. While national diesel terminal gate prices ranged between $1 and $1.50 per litre between July 2014 and January 2022, they rose rapidly following the Russian invasion of Ukraine in February 2022. At the time the study was completed, prices had stayed consistently above $1.70 per litre. This equated to an overall 45 per cent fuel cost increase in 2021/22, with even higher costs expected in the 2023 financial year.

The study found labour cost have also risen markedly in recent times after a period of stability. Weekly wages under the award grew by 2.5 per cent in FY2022 and were expected to jump five per cent in FY2023 due to a larger than usual increase in the award wage and an increase in the superannuation rate.

Rising costs for operators*	
Overall cost increase FY2021 to FY2022:	16%
Fuel cost increase FY2021 to FY2022:	45%
Expected labour costs increase FY2022 to FY2023:	5%

** Figures based on a B-double travelling 250k km per year*

Vehicle costs have remained relatively flat in recent years. However, the Reserve Bank of Australia's moves to fight inflation by raising rates was expected to have an impact in the 2023 financial year and beyond. Increased rates will impact particularly on operators who have purchased new vehicles using loans.

Survey reveals pain points and attitudes on carbon

The survey component of the study shone a light on how cost pressures were currently affecting operators across the industry.

Perhaps not surprisingly, fuel and vehicle costs were the primary pain points. Some 93 per cent of respondents said increased fuel costs were an important or very important issue affecting their business. Less than 1 per cent said fuel costs were not an issue at all. Some 84 per cent said that an increase in vehicle costs was an important or very important issue.

When it came to the factors that will help their road freight businesses succeed, respondents pointed to being able to pass on price rises and the ability to keep cost in check. Some 78 per cent of operators said it was important or very important to success that they could pass on the costs of fuel and tolls. Some 72 per cent said having effective cost controls across their business was important or very important.

Survey respondents were also asked about carbon reduction. Some 54 per cent said reducing their carbon footprint was either not very important or not important at all. A total of 88 per cent did not measure their emissions. Only 28 per cent had a plan to reduce emissions.

For those businesses that planned to reduce emissions, the most common strategies were to purchase vehicles with better fuel efficiency (38 respondents), reduce fuel use through driver training (27) and reduce energy consumption at the office (20). Only seven survey respondents planned to purchase a zero/low emission vehicle, such as an electric or hydrogen truck.

Feedback from the industry	
Respondents who saw increased fuel costs as important or very important:	93%
Respondents who saw increased vehicle costs as important or very important:	84%
Respondents who said passing on costs was important or very important to success:	78%
Respondents who had a plan to reduce carbon emissions:	28%
Respondents who planned to purchase a zero/low emission vehicle:	7

NATROAD
NATIONAL ROAD TRANSPORT ASSOCIATION

About NatRoad

With a proud history dating back to 1948, NatRoad operates to represent its members and as advocates for the $96 billion road freight industry. With more than 45,000 trucking companies employing more than 140,000 people across the country, the road transport industry is one of Australia's biggest economic drivers.

NatRoad is a not-for-profit Association that is 100% funded via its membership fees and business partnerships. No funding is provided by government or unions. Our board is made up of individuals who run transport businesses and have members from owner-drivers to road freight and large fleet operators, representing all aspects of the industry.

Contact NatRoad

Phone: **1800 272 144**
Email **info@natroad.com.au**

www.natroad.com.au