Average commercial vehicle operating costs rose just 1% last year, as **David Wilcox** reports

Fuel saves the day

The average cost of operating trucks in 2013 was just 1% up on the 2012 figure. That modest outcome sums up a year that was hard to read: our research clearly showed that some parts of the business – and some regions – are recovering faster than others. Price rises mentioned in some of our more upbeat responses were dismissed as impossible to contemplate by others who said business was still far too tough.

Diesel

The fuel price was largely responsible for holding down operating costs in 2013. At 111.3ppl (full tanker loads, averaged across the year) our bulk diesel price is 1.3p lower than in 2012. Although that equates to a fall of just 1.2%, it is only the second time in a decade that we have seen a year-on-year drop in the fuel price. There is a popular belief that the fall should have been greater, given that the price of Brent crude during the year as a whole was 3% lower than the previous year's average, and we have had no duty increases.

However, the pound's average value against the dollar has dropped 2% year-on-year, eroding much of the benefit that we should otherwise have seen.

It is harder to pin down the other cost that dominates all others – labour costs. The latest government data shows total weekly earnings in the private sector in June to August this year were just 1.1% up on the same period a year earlier. But anecdotal evidence suggests the picture is patchy, with much depending on the health of individual sector and business. We heard of driver settlements ranging from 1% to as much as 4%. Settlements towards the upper end of this range became more likely later in the year as business confidence started to return and the economic indicators perked up. The drivers' night-out allowance rose by 3.1%. We raised our drivers' employment costs by 2.1%. This is still below the average rise in Retail Price Index (RPI) inflation for the year of just over 3%, so it is no increase in real terms.

Maintenance

Turning to vehicle maintenance, the typical increase for workshop labour charge-out rates in 2013 appears to be close to 3%, justified on the grounds that skilled technicians are not two-a-penny and hence command a decent pay award. This broad level of increase would also apply to maintenance contracts index-linked to the RPI.

As usual, the increase in the cost of parts is rather less. Although some manufacturers issued list price increases totalling about 3%, we were told that at least some of that was negated by greater discounting. "The parts business is too competitive to accept increases unchallenged," says one aftersales manager. He points to the growth of all-makes parts programmes, price-matching and operators who are better at seeking alternative suppliers. "And we are competing for a slice of a smaller cake," he adds, referring to the fact that there are 60,000 fewer trucks and 20,000 fewer trailers on UK roads than there were five years ago. In short, while some told us that parts prices were up by an average of 2%, others opined that prices had dropped by 2% to 3%.

Truck prices

There was no significant change in the prices of AdBlue or engine oil this year. Apart from an extra £5 on the cost of a van's tax disc, vehicle excise duty (VED) was also static, for the 12th successive year. It's all change next year with the introduction of the HGV Road User Levy for trucks of 12-tonne GVW and over, scheduled to start in April. VED rates will be cut to offset the new charge.

Tyre prices also hardly moved. Averaged across the year, the natural rubber price was about 15% below the previous year's, but that advantage was apparently nullified by rises in energy costs: tyre production is an energy-hungry business. Tyre service costs, which account typically for 15% to 20% of the total tyre bill, are likely to have risen by 2% to 3%.

MT's research led us to conclude that truck prices rose, on average, 3% this year. Operators who placed orders at the beginning of the year

may have escaped most of that increase, but prices firmed as the year wore on towards the Euro-5 derogation build deadline of 30 September. In contrast, we found little evidence of higher trailer prices this year. "It was a case of just changing the date on the quotation," quipped one trailer sales manager.

Weak sales of new rigid trucks suppressed price rises for bodywork, with the exception of the tipper market, where bodybuilders report healthy order books. This recovery in the tipper business also strengthened residual values for 8x4 models in particular, so our tables reflect that adjustment. We were told that van residuals were generally a little better, driven by short supply as a result of the paucity of new van sales since they peaked in 2008.

The cost of finance edged downwards a tad this year, saving approximately £100 a year on a five-year £50,000 loan.

In last year's cost review we detailed how overhead costs were the villains of the piece, subject to some of highest price hikes we uncovered. It was a similar story this year. Electricity prices for small/medium non-domestic users were up by an average of 6% in H1 compared with the corresponding period in 2012: gas prices rose between 6% and 13% (depending on consumption) and this is before the much-criticised recent hikes of 8% to 10% take effect. Water price rises averaged about 4%.

Business rates always loom large in the list of overheads. The multiplier (pence in the pound of rateable value) for 2013/14 rose by 2.8% in England and Scotland, and by 2.7% in Wales. The increase for 2014/15 in England will be 3.2%. Operators who rent premises are likely to have seen rents frozen or tweaked upwards by just 1% .

Insurance

We were advised that the typical employers' liability insurance premium for operators increased by almost 10%, whereas the cost of goods in transit insurance, as usual, was said to be stable. It is harder to summarise how vehicle insurance has moved because so much is determined by the individual operator's own claims record, usually assessed over a three- or five-year period. If the latest year's record is significantly better than the one it replaces, the premium should reduce, even if the market trend is upwards. We were told that general claims inflation – the cost of settling claims – is running at 6% to 7% a year, so premium hikes of 3% to 5% were not uncommon if the claims record has not changed significantly.

One truck insurance specialist said the issue of cycle safety in London was having a bearing on the premiums of operators who routinely worked there. We were also told that operators investing in technology such as cameras and video digital recorders were the most likely to see premiums frozen this year, rewarding their efforts and expenditure. ■

ARTICS	32-tonne unit 4x2 (two-axle trailer)	38-tonne unit 4x2 (triaxle trailer)	44-tonne unit 6x2 (triaxle trailer)	Tandem trailer (curtainsider)	1st tri-axle trailer (curtainsider)	2nd tri-axle trailer (curtainsider)
Vehicle cost (£)	59,740	61,800	73,130	17,000	18,500	18,500
Fuel cost (ppl)	111.3	111.3	111.3			
MPG	9.9	8.7	8.0			
AdBlue cost (ppl)	32	32	32			
Depreciation period (years)	6	6	6	10	10	10
Residual value (£)	6,000	10,000	12,000	1,700	2,250	2,250
ANNUAL STANDING COSTS (£)						
Driver wages and NI	33,000	33,000	33,000			
Vehicle insurance	2,730	3,190	3,530			
Establishment/overheads	19,810	20,080	21,850			
Vehicle tax (VED)	1,200	1,200	1,200			
Depreciation	8,957	8,633	10,188	1,530	1,625	1,625
Finance cost (five-year term)	1,792	1,854	2,194	510	555	555
Fixed maintenance cost second trailer						612
Subtotal	67,489	67,957	71,962	2,040	2,180	2,792
Profit allowance (5%)	3,374	3,398	3,598	102	109	140
Total annual standing costs (£)	70,863	71,355	75,560	2,142	2,289	2,932
STANDING COSTS ALLOCATION						
Per week (£)	1,541	1,551	1,643	47	50	64
Per day (£)	308	310	329	9	10	13
Per hour (£)	28.00	28.20	29.87	0.85	0.91	1.16
RUNNING COSTS (P/MILE, 80,000 M/YR)						
Fuel	51.1	58.2	63.2			
AdBlue (at 4% of fuel consumption)	0.6	0.7	0.7			
Tyres	1.8	2.0	2.5	1.5	2.3	
Maintenance and repairs	7.0	7.4	8.1	3.1	3.5	
Subtotal	60.5	68.3	74.5	4.6	5.8	
Profit allowance (5%)	3.0	3.4	3.7	0.2	0.3	
Total (p/mile)	63.5	71.7	78.2	4.8	6.1	
CHARGE PER MILE (P)						
60,000 miles/yr	182	191	204	8.4	9.9	4.9
80,000 miles/yr	152	161	173	7.5	9.0	3.7
100,000 miles/yr	135	143	154	6.9	8.4	2.9

VANS

	1.6-tonne GVW (550kg payload)	2.1-tonne GVW (750kg payload)	2.8-tonne GVW (1-tonne payload)	3.5-tonne GVW (1.4-tonne payload)
Vehicle cost (£)	9,500	12,000	16,000	18,000
Fuel cost (p/litre)	111.3	111.3	111.3	111.3
MPG	46.0	42.0	35.0	29.0
Depreciation period (years)	5	5	5	5
Residual value (£)	1,365	1,785	2,520	3,045
ANNUAL STANDING COSTS (£)				
Driver wages and NI	22,970	22,970	22,970	22,970
Vehicle insurance	1,000	1,100	1,300	1,450
Establishment /overheads	4,950	4,950	4,950	4,950
Vehicle tax	220	220	220	220
Depreciation	1,627	2,043	2,696	2,991
Finance cost (five-year term)	285	360	480	540
Subtotal	31,052	31,643	32,616	33,121
Profit allowance (5%)	1,553	1,582	1,631	1,656
Total annual standing costs (£)	32,605	33,225	34,247	34,777
STANDING COSTS ALLOCATION				
Per week (£)	709	722	745	756
Per day (£)	142	144	149	151
Per hour (£)	12.89	13.13	13.55	13.75
RUNNING COSTS (P/MILE, 30,000 M/YR)				
Fuel	11.0	12.0	14.5	17.4
Tyres	0.5	0.6	0.9	1.2
Maintenance and repairs	3.2	3.8	4.2	4.6
Subtotal	14.7	16.4	19.6	23.2
Profit allowance (5%)	0.7	0.8	1.0	1.2
Total (p/mile)	15.4	17.2	20.6	24.4
CHARGE PER MILE (P)				
20,000 miles/yr	178	183	192	198
30,000 miles/yr	124	128	135	140
40,000 miles/yr	97	100	106	111

NOTES

There are twice as many trailers as tractor units in the UK. We account for the standing costs of all those spare trailers in our '2nd trailer' category. If your trailer-to-unit ratio is 1:1 our 1st trailer category takes care of all trailer costs. If the ratio is 2:1, include the 2nd trailer too, covering its standing costs of depreciation, finance and non-distance-related maintenance costs such as safety inspections and annual test. For ease of calculation, all distance-related trailer costs such as maintenance and tyres are carried by the 1st trailer: adding the charge per mile for both trailers accounts for two trailers for each tractor unit.

1 All costs exclude VAT.
2 Fuel cost: bulk diesel (full loads), 2013 average.
3 Residual value: after depreciation period.
4 Finance cost: representative annual interest charges on loan to purchase vehicle (3% flat rate, five-year term).
5 Fixed maintenance cost of 2nd trailer: non-distance-related costs, such as safety inspections and annual test.
6 Standing costs allocation: per week assumes 46 weeks/yr; per day assumes five days/wk; per hour assumes 11 hours/day.

RIGIDS

	7.5-tonne GVW (curtainsider)	13-tonne GVW (curtainsider)	18-tonne GVW (curtainsider)	26-tonne GVW 6x2 (curtainsider)	32-tonne GVW 8x4 (tipper)
Vehicle cost (£)	38,825	46,000	59,250	76,650	98,700
Fuel cost (ppl)	111.3	111.3	111.3	111.3	111.3
MPG	17.0	15.0	13.0	10.5	7.5
AdBlue cost (ppl)	32	32	32	32	32
Depreciation period (years)	5	5	5	5	7
Residual value (£)	6,750	9,000	12,500	18,500	17,500
ANNUAL STANDING COSTS (£)					
Driver wages and NI	26,290	27,570	28,560	29,610	29,610
Vehicle insurance	1,710	1,880	2,050	2,505	3,075
Establishment /overheads	6,705	9,830	13,070	13,730	17,710
Vehicle tax	165	200	650	650	1,200
Depreciation	6,415	7,400	9,350	11,630	11,600
Finance cost (five-year term)	1,165	1,380	1,778	2,300	2,961
Subtotal	42,450	48,260	55,458	60,425	66,156
Profit allowance (5%)	2,123	2,413	2,773	3,021	3,308
Total annual standing costs (£)	44,573	50,673	58,231	63,446	69,464
STANDING COSTS ALLOCATION					
Per week (£)	969	1,102	1,266	1,379	1,510
Per day (£)	194	220	253	276	302
Per hour (£)	17.62	20.03	23.02	25.08	27.45
RUNNING COSTS (P/MILE, 60,000 M/YR)					
Fuel	29.8	33.7	38.9	48.2	67.5
AdBlue (at 4% of fuel consumption)	0.3	0.4	0.4	0.6	0.8
Tyres	2.0	2.3	2.4	3.1	7.1
Maintenance and repairs	6.0	7.8	7.9	8.9	13.3
Subtotal	38.1	44.2	49.6	60.8	88.7
Profit allowance (5%)	1.9	2.2	2.5	3.0	4.4
Total (p/mile)	40.0	46.4	52.1	63.8	93.1
CHARGE PER MILE (P)					
40,000 miles/yr	151	173	198	222	267
60,000 miles/yr	114	131	149	170	209
80,000 miles/yr	96	110	125	143	180