

Brexit and US election equal cost uncertainties, as **David Batty** reports

Choppy waters

In 2017 operators will be subject to high levels of inflation on almost all key cost metrics. With the pound approximately 16% lower against the euro than a year ago, exchange rates are going to have an effect on the transport industry's operating costs.

This year's tables differ somewhat from previous years, as they are predicting what is around the corner on increased costs rather than simply reflecting year-on-year changes in a given month.

The tables can give only a guide as to what the future holds in the next few months. The headline numbers indicated a 9% cost increase at the heavy end of the market (artics), with 7% and 3% rises in the rigid and van markets respectively. The main drivers in the cost increases are the euro exchange rate, which is having a significant effect on capital equipment costs, as well as some mandatory additional systems such as advanced braking and lane departure warning. These have added approximately £850 to the capital cost alone.

Most truck manufacturers are sitting on the fence looking to see what the others are doing,

before making any announcements on their offer. Both UK and European trailer manufacturers are looking to increase prices, but as with the major truck players they are playing follow the leader, whoever that may be, rather than make the first move.

Fuel prices are on the upward trend and who knows what to expect following Donald Trump's US election win. Various other increases come in around tyres, up 9% across the board. Drivers' and fitters' wages both have small moves, 2% to 3% typically. Insurance premium tax is up again by 3%. Company establishment costs continue to move slightly upwards year on year. The cost of finance remains near static at around 2.5%.

Residual values are down between 5% and 10%, unless you have something to remarket other than one of the many thousand 6x2 tractor units that are out there.

It will be a difficult year for all operators, with lots of unknowns and surprises when Article 50 is invoked and beyond, and we foresee choppy waters ahead. ■



ARTICS	32-tonne unit 4x2	38-tonne unit 4x2	44-tonne unit 6x2	Tandem-axle trailer (curtainsider)	Tri-axle trailer (curtainsider)
Vehicle cost (£)	65,805	67,945	87,249	18,500	20,030
Fuel cost (ppl) Ex VAT	90.13	90.13	90.13		
MPG	10.4	9.2	8.5		
AdBlue cost (ppl)	34	34	34		
Depreciation period (years)	6	6	6	10	10
Residual value (£)	13,161	13,589	17,450	1,850	2,861
ANNUAL STANDING COSTS (£)					
Driver wages and NI	34,782	34,782	34,782		
Vehicle insurance	2,896	3,384	3,744		
Establishment/overheads	21,352	21,644	23,551		
Vehicle tax (VED), no RPC, with levy	1,200	1,200	1,850		
Depreciation	8,774	9,059	11,633	1,665	1,717
Finance cost (five-year term)	2,460	2,540	2,925	692	749
Fixed maintenance costs of 2nd trailer					
Subtotal	71,464	72,609	78,485	2,357	2,466
Profit allowance (5%)	3,573	3,630	3,924	118	123
Total annual standing costs (£)	75,037	76,240	82,409	2,475	2,589
STANDING COSTS ALLOCATION					
Per week (£) based on 46 weeks	1,631	1,657	1,792	54	56
Per day (£) based on a five-day week	326	331	358	11	11
Per hour (£) based on an 11-hour day	29.66	30.13	32.57	0.98	1.02
RUNNING COSTS (P/MILE, 80,000 M/YR)					
Fuel	39	44	59		
AdBlue (at 4% of fuel consumption)	0.594	0.67	0.73		
Tyres	1.85	2.11	2.63	1.58	2.43
Maintenance and repairs	7.85	7.95	8.36	2.73	3.06
Subtotal	49.294	54.73	70.72	4.31	5.49
Profit allowance (5%)	2.5	2.7	3.5	0.2	0.3
Total (p/mile)	51.8	57.5	74.3	4.5	5.8
CHARGE PER MILE (P)					
60,000 miles/yr	176.8	184.5	211.6	8.7	10.1
80,000 miles/yr	145.6	152.8	177.3	7.6	9.0
100,000 miles/yr	126.8	133.7	156.7	7.0	8.4



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 (£)	14,873	15,087	20,972	22,006
Fuel cost (ppl) Ex VAT	90.13	90.13	90.13	90.13
MPG	43	40	33	28
Depreciation period (years)	5	5	5	5
Residual value (£)	1,919	1,947	2,706	2,839
ANNUAL STANDING COSTS (£)				
Driver wages and NI	24,072	24,072	24,072	24,072
Vehicle insurance	1,091	1,163	1,380	1,534
Establishment /overheads	5,181	5,181	5,181	5,181
Vehicle tax, based on E5	140	140	140	140
Depreciation	1,440	1,696	2,000	3,291
Finance cost (five-year term)	360	424	500	822.68
Subtotal	32,284	32,676	33,273	35,040
Profit allowance (5%)	1,614	1,634	1,664	1,752
Total annual standing costs (£)	33,898	34,310	34,937	36,792
STANDING COSTS ALLOCATION				
Per week (£)	737	746	759	800
Per day (£)	147	149	152	160
Per hour (£)	13.40	13.56	13.81	14.54
RUNNING COSTS (P/MILE, 30,000 M/YR)				
Fuel	5	10	12.4	14.6
Tyres	54	0.65	0.98	1.3
Maintenance and repairs	3.36	3.97	4.38	4.79
Subtotal	62.36	14.62	17.76	20.69
Profit allowance (5%)	3.1	0.7	0.9	1.0
Total (p/mile)	65.5	15.4	18.6	21.7
CHARGE PER MILE (P)				
20,000 miles/yr	235	187	193	206
30,000 miles/yr	178	130	135	144
40,000 miles/yr	150	101	106	114

RIGIDS	7.5-tonne GVW (curtainsider)	12-tonne GVW (curtainsider)	18-tonne GVW (curtainsider)	26-tonne GVW 6x2 (curtainsider)	32-tonne GVW 8x4 (tipper)
Vehicle cost (£)	42,425	49,220	63,397	82,497	106,465
Fuel cost (ppl) ex VAT	90.13	90.13	90.13	90.13	90.13
MPG	17	15	13	10.5	7.5
AdBlue cost (ppl)	34	34	34	34	34
Depreciation period (years)	5	5	5	5	7
Residual value (£)	8,485	9,844	12,679	16,499	21,293
ANNUAL STANDING COSTS (£)					
Driver wages and NI	28,449	29,835	30,902	32,043	32,043
Vehicle insurance	1,712	1,957	2,173	2,657	2,657
Establishment /overheads	7,227	10,594	14,088	14,797	19,089
Vehicle tax (VED), no RPC, E6 and levy	165	200	650	650	1,200
Depreciation	6,788	7,875	10,144	13,200	12,167
Finance cost (5-yr term)	1,190	1,380	1,778	2,313	2,985
Subtotal	45,531	51,841	59,735	65,660	70,141
Profit allowance (5%)	2,277	2,592	2,987	3,283	3,507
Total annual standing costs (£)	47,808	54,433	62,721	68,942	73,649
STANDING COSTS ALLOCATION					
Per week (£)	1,039	1183	1364	1499	1601
Per day (£)	208	237	273	300	320
Per hour (£)	18.90	21.52	24.79	27.25	29.11
RUNNING COSTS (P/MILE, 60,000 M/YR)					
Fuel	24	27	31	39	54
AdBlue (at 4% of fuel consumption)	0.36	0.41	0.47	0.58	0.82
Tyres	2.11	2.39	2.5	3.16	7.3
Maintenance & repairs	7.14	8.05	7.65	8.36	14.17
Subtotal	33.61	37.85	41.62	51.1	76.29
Profit allowance (5%)	1.68	1.89	2.08	2.56	3.81
Total (p/mile)	35.3	39.7	43.7	53.7	80.1
CHARGE PER MILE (P)					
40,000 miles/yr	155	176	201	226	264
60,000 miles/yr	115	130	148	169	203
80,000 miles/yr	95	108	122	140	172