

Fuel prices save the day

Falling fuel and tyre prices outweighed increases in driver wages to push down 2015 operating costs. **David Batty** reports



In 2015, operating costs for artics and rigids were 15% lower year-on-year, and van operating costs were 10% down, despite increases in driver wages and establishment costs. Finance, insurance and repair and maintenance costs were stable and tyre prices fell 3%.

Operating costs for vans decreased by 10% for 1.6-tonne to 3.5-tonne GVW vehicles. Purchase prices vary by manufacturer but residuals have been strong, which has supported the lower operating costs in this sector.

Both UK and continental trailer builders reported no price increases year-on-year for a typical curtainsider. Operators who specified code EN XL for load restraint trailers saw an increase in capital costs.

Rigid trucks were virtually unchanged due to strong residuals and a shortage of good used vehicles, in particular 18-tonne box vans, curtainsiders and those fitted with tail-lifts, the latter being popular with pallet network operators. A number of companies joining the pallet networks are seeking used vehicles before committing to a new purchase. Euro-6 vehicles have seen a slight increase in unladen chassis weight and a reduction in payload.

Operating costs for artics fell significantly,

mainly because of the fall in bulk diesel costs over the past 12 months, coupled with the improvement in fuel consumption at Euro-6.

There was a realignment of the purchase prices of some vehicles, based on comments from operators that dealers are offering attractive packages when purchased with a two- to three-year R&M or compliance pack. Both assist in generating additional hours for the workshop. Although new vehicles are less labour intensive there is a higher degree of complexity with the advent of the electronics and combined SCR and EGR systems.

It is envisaged that operators will see at least six years or 500,000 miles on the average vehicle without the need for major surgery.

Residual values

Our survey told us different stories regarding depreciation, whether it be vans, rigids or artics. One area that was consistent was that residuals remained strong on vehicles that were well maintained, clean and have a full service history. Tippers are a prime example, with a five-year-old 32-tonne tipper bringing as much as 24% of its capital cost even after five years of service.

There was a fluctuation in average → 28

| ARTICS | 32-tonne unit 4x2 | 38-tonne unit 4x2 | 44-tonne unit 6x2 | Tandem-axle trailer (curtainsider) | Tri-axle trailer (curtainsider) |
|--|-------------------|-------------------|-------------------|------------------------------------|---------------------------------|
| Vehicle Cost (£) | 61,500 | 63,500 | 73,130 | 17,290 | 18,720 |
| Fuel cost: (ppl) ex VAT | 97.72 | 97.72 | 97.72 | | |
| MPG | 10.4 | 9.2 | 8.5 | | |
| AdBlue cost: (ppl) | 32 | 32 | 32 | | |
| Depreciation period: (years) | 6 | 6 | 6 | 10 | 10 |
| Residual value: (£) | 12,300 | 12,700 | 14,626 | 1,729 | 2,800 |
| ANNUAL STANDING COSTS (£) | | | | | |
| Driver wages and NI | 34,100 | 34,100 | 34,100 | | |
| Vehicle insurance | 2,812 | 3,286 | 3,635 | | |
| Establishment/overheads | 20,934 | 21,220 | 23,090 | | |
| Vehicle tax (VED) + RUL, no RPC | 1,200 | 1,200 | 1,850 | | |
| Depreciation | 8,200 | 8,467 | 9,751 | 1,556 | 1,592 |
| Finance cost (five-year term) | 2,460 | 2,540 | 2,925 | 692 | 749 |
| Subtotal | 69,706 | 70,813 | 75,351 | 2,248 | 2,341 |
| Profit allowance (5%) | 3,485 | 3,541 | 3,768 | 112 | 117 |
| Total annual standing costs (£) | 73,191 | 74,353 | 79,118 | 2,360 | 2,458 |
| STANDING COSTS ALLOCATION | | | | | |
| Per week (£) based on 46 weeks | 1,591 | 1,616 | 1,720 | 51 | 53 |
| Per day (£) based on a five-day week | 318 | 323 | 344 | 10 | 11 |
| Per hour (£) based on an 11hr day | 28.93 | 29.39 | 31.27 | 0.93 | 0.97 |
| RUNNING COSTS (P/MILE, 80,000 M/YR) | | | | | |
| Fuel | 38 | 43 | 47 | | |
| AdBlue (at 4% of fuel consumption) | 0.59 | 0.67 | 0.73 | | |
| Tyres | 1.7 | 1.94 | 2.42 | 1.45 | 2.23 |
| Maintenance and repairs | 7.7 | 7.8 | 8.2 | 2.68 | 3 |
| Subtotal | 47.99 | 53.41 | 58.35 | 4.13 | 5.23 |
| Profit allowance (5%) | 2.4 | 2.7 | 2.9 | 0.2 | 0.3 |
| Total (p/mile) | 50.4 | 56.1 | 61.3 | 4.3 | 5.5 |
| CHARGE PER MILE (P) | | | | | |
| 60,000 miles/yr | 172.4 | 180.0 | 193.1 | 8.3 | 9.6 |
| 80,000 miles/yr | 141.9 | 149.0 | 160.2 | 7.3 | 8.6 |
| 100,000 miles/yr | 123.6 | 130.4 | 140.4 | 6.7 | 7.9 |

bulk diesel prices, which varied from 97.1ppl at the start of the year to 100.9ppl mid-year; it is now down to 92.4ppl. The typical cost of fuel year-on-year is 7.9ppl lower in 2015.

The driver shortage still prevails, and wage increases across the board are up by an average of 3% for the heavier market sector. Some operators created the position of driver recruitment and retention manager to address this situation, with the sole focus on drivers.

Insurance and establishment

If insurance costs have increased, it is probably because of an increase in claims. Our research does not indicate any known increases for vehicle insurance year-on-year; it makes sense to shop around when renewal is due. From 1 November, there was an increase of about 3.5% on insurance premium tax.

A 2% to 3% increase in establishment costs appears to be the norm, but this has been difficult to ascertain. Utilities account for a major part of these costs, along with business rates and rental cost for leased premises. Companies apportion these costs in differing formats in their accounting systems.

There was little change for mainstream vehicles. R&M costs are, in some cases, being built into the front-end capital costs by dealers.

Reviewing 2014 against 2015, we see that tyres costs have reduced by an average of 3%, this will go some way to reducing total operating costs. Prudent operators are using the reduction to step up tyre husbandry and services procedures, which, if managed correctly, will help this downward trend. ■

| 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 (£) | 9,000 | 10,600 | 12,500 | 20,567 |
| Fuel cost: (ppl) ex VAT | 97.2 | 97.2 | 97.2 | 97.2 |
| MPG | 43 | 40 | 33 | 28 |
| Depreciation period: (years) | 5 | 5 | 5 | 5 |
| Residual value: (£) | 1,800 | 2,120 | 2,500 | 4,113 |
| ANNUAL STANDING COSTS (£) | | | | |
| Driver wages and NI | 23,600 | 23,600 | 23,600 | 23,600 |
| Vehicle insurance | 1,060 | 1,130 | 1,340 | 1,490 |
| Establishment /overheads | 5,080 | 5,080 | 5,080 | 5,080 |
| Vehicle tax (VED) | 225 | 225 | 225 | 225 |
| Depreciation | 1,440 | 1,696 | 2,000 | 3,291 |
| Finance cost (five-year term) | 360 | 424 | 500 | 822.68 |
| Subtotal | 31,765 | 32,155 | 32,745 | 34,508 |
| Profit allowance (5%) | 1,588 | 1,608 | 1,637 | 1,725 |
| Total annual standing costs (£) | 33,353 | 33,763 | 34,382 | 36,234 |
| STANDING COSTS ALLOCATION | | | | |
| Per week (£) | 725 | 734 | 747 | 788 |
| Per day (£) | 145 | 147 | 149 | 158 |
| Per hour (£) | 13.18 | 13.34 | 13.59 | 14.32 |
| RUNNING COSTS (P/MILE, 30,000 M/YR) | | | | |
| Fuel | 9 | 10 | 12 | 14 |
| Tyres | 0.5 | 0.6 | 0.9 | 1.2 |
| Maintenance and repairs | 3.3 | 3.9 | 4.3 | 4.7 |
| Subtotal | 12.8 | 14.5 | 17.2 | 19.9 |
| Profit allowance (5%) | 0.6 | 0.7 | 0.9 | 1.0 |
| Total (p/mile) | 13.4 | 15.2 | 18.1 | 20.9 |
| CHARGE PER MILE (P) | | | | |
| 20,000 miles/yr | 180 | 184 | 190 | 202 |
| 30,000 miles/yr | 125 | 128 | 133 | 142 |
| 40,000 miles/yr | 97 | 100 | 104 | 111 |

| 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 (£) | 39,650 | 46,000 | 59,250 | 77,100 | 99,500 |
| Fuel cost: (ppl) ex VAT | 97.42 | 97.42 | 97.42 | 97.42 | 97.42 |
| MPG | 17 | 15 | 13 | 10.5 | 7.5 |
| AdBlue cost: (ppl) | 32 | 32 | 32 | 32 | 32 |
| Depreciation period: (years) | 5 | 5 | 5 | 5 | 7 |
| Residual value: (£) | 7,137 | 8,280 | 10,665 | 13,878 | 22,388 |
| ANNUAL STANDING COSTS (£) | | | | | |
| Driver wages and NI | 27,892 | 29,250 | 30,297 | 31,415 | 31,415 |
| Vehicle insurance | 1,760 | 1,900 | 2,110 | 2,580 | 2,580 |
| Establishment /overheads | 7,086 | 10,387 | 13,812 | 14,507 | 18,715 |
| Vehicle tax (VED) + RUL, no RPC | 165 | 200 | 650 | 650 | 1,200 |
| Depreciation | 6,503 | 7,544 | 9,717 | 12,644 | 11,016 |
| Finance cost (five-year term) | 1,190 | 1,380 | 1,778 | 2,313 | 2,985 |
| Subtotal | 44,595 | 50,661 | 58,364 | 64,109 | 67,911 |
| Profit allowance (5%) | 2,230 | 2,533 | 2,918 | 3,205 | 3,396 |
| Total annual standing costs (£) | 46,825 | 53,194 | 61,282 | 67,315 | 71,307 |
| STANDING COSTS ALLOCATION | | | | | |
| Per week (£) | 1,018 | 1,156 | 1,332 | 1,463 | 1,550 |
| Per day (£) | 204 | 231 | 266 | 293 | 310 |
| Per hour (£) | 18.51 | 21.03 | 24.22 | 26.61 | 28.18 |
| RUNNING COSTS (P/MILE, 60,000 M/YR) | | | | | |
| Fuel | 23 | 26 | 30 | 38 | 53 |
| AdBlue (at 4% of fuel consumption) | 0.34 | 0.39 | 0.45 | 0.55 | 0.77 |
| Tyres | 1.94 | 2.2 | 2.3 | 2.9 | 6.7 |
| Maintenance and repairs | 7 | 7.9 | 7.5 | 8.2 | 13.9 |
| Subtotal | 32.28 | 36.49 | 40.25 | 49.65 | 74.37 |
| Profit allowance (5%) | 1.61 | 1.82 | 2.01 | 2.48 | 3.72 |
| Total (p/mile) | 33.9 | 38.3 | 42.3 | 52.1 | 78.1 |
| CHARGE PER MILE (P) | | | | | |
| 40,000 miles/yr | 151 | 171 | 195 | 220 | 256 |
| 60,000 miles/yr | 112 | 127 | 144 | 164 | 197 |
| 80,000 miles/yr | 92 | 105 | 119 | 136 | 167 |