

To: Forum Directors, Presidents, CEOs & Area Executives
From: Kerry Arnold, Manager Technical & Roading

RTFNZ/GRANT THORNTON TRANSPORT COST INDEX QUARTER ENDING DECEMBER 2019 (PUBLISHED 27 March 2020)

Please find attached the Grant Thornton index for the period ending December 2019, plus continuation of the forecast index to March 2020.

Grant Thornton continues to provide an enhanced index (refer to pages 1 to 3) by including a year-by-year rolling comparison in table form, line graph and bar graph representations.

Also provided are the relevant forecourt diesel prices (less GST) in table form (page 3) that support the forecast (provisional) quarterly index changes to March 2020, shown on page 2.

The diesel cost table is accompanied by its own graphical presentation of fuel price changes over the past nine months. However, we stress that the fuel data from MBIE that supports the March index is provisional.

Due to the delay in MBIE fuel price reporting, a regression calculation has had to be used once again, to complete the provisional pricing for the provisional or forecasted quarter.

As pointed out in previous quarterly cover notes, MBIE has changed its fuel reporting methodology used for monitoring weekly fuel prices.

The cost index table on page 1 includes a number of important notes for users of the index. Please read these notes.

Fuel pricing continues to be volatile and this continues to show up from the September 2019 quarter through to the March 2020 provisional quarter.

All other costs have risen incrementally with wages and R&M confirming an upswing, with overheads and insurance drifting upwards.

It is worth noting that the index is **not** a pricing index, it is a cost index and using this exclusively to support remuneration payments without any recognition of margins has the potential to lead to financial stress for contractors.

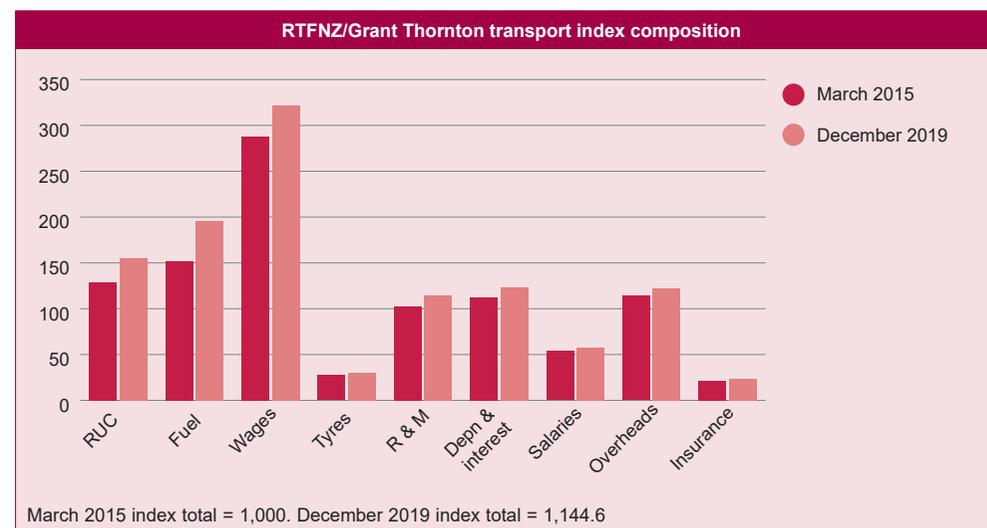
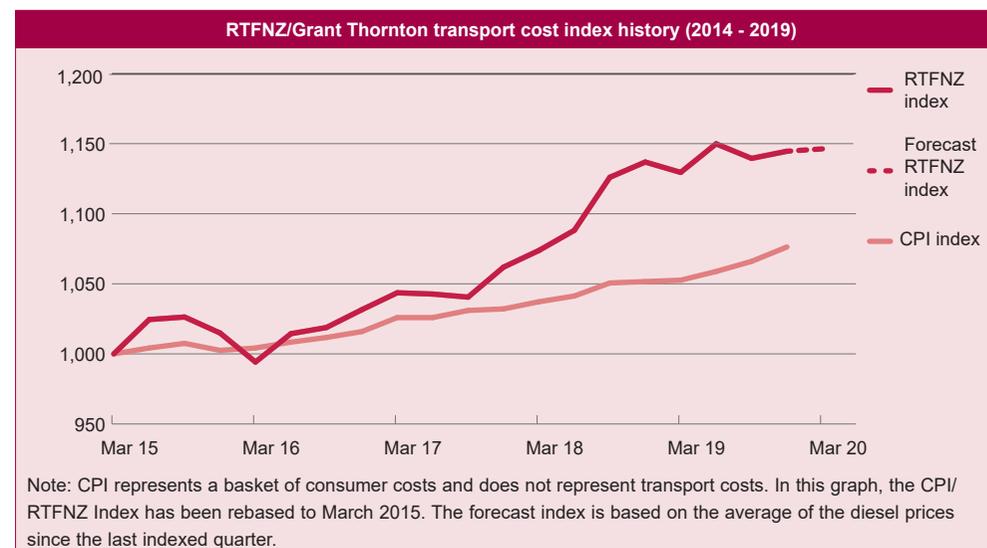
We expect to be in a position to reset the index next quarter as the base costing research by university of Waikato and their report have now been finalised.

RTFNZ/Grant Thornton transport cost index • Quarter ending December 2019

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RTFNZ/Grant Thornton transport cost index					
Cost category	RTFNZ/GTNZ survey weighting Mar 2015	Updated RTFNZ/GTNZ Index as at Dec 2019	Quarterly change to Dec 2019 (%)	Yearly change to Dec 2019 (%)	Total change since Mar 2015 (%)
Road user charges	128.5	155.6	0.00%	5.50%	21.09%
Fuel	151.4	195.8	-0.14%	-7.73%	29.33%
Wages	288.3	321.7	0.80%	2.78%	11.56%
Tyres	27.4	29.7	0.44%	2.24%	8.44%
Repairs & maintenance	103.0	114.3	0.82%	2.78%	10.96%
Depreciation & interest (vehicles)	112.4	123.5	0.68%	1.01%	9.95%
Salaries	53.7	57.7	0.68%	1.90%	7.59%
Overheads	114.0	122.6	0.34%	1.07%	7.55%
Insurance (vehicles)	21.4	23.7	0.49%	-0.11%	10.91%
RTFNZ index	1,000.0	1,144.6	0.45%	0.68%	14.46%
Consumer price index			0.97%	2.35%	7.63%

No account has been taken of the effects of GST, which must be accounted for separately. All information is based on quarterly average prices and is obtained from either Statistics New Zealand or MBIE. MBIE has amended their methodology to account for price differences between Auckland and the rest of the country as a result of the Auckland Regional Fuel Tax. The adjustment was applied from 1 July 2018 and accordingly, historical publications do not reflect on the changes that were made.



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Movement of RTFNZ/Grant Thornton transport cost index over previous four quarters and forecast quarter													
RTFNZ/GTNZ index	RTFNZ/GTNZ survey weighting Dec 18	Quarterly change to Mar 19 (%)	RTFNZ/GTNZ survey weighting Mar 19	Quarterly change to Jun 19 (%)	RTFNZ/GTNZ survey weighting Jun 19	Quarterly change to Sep 19 (%)	RTFNZ/GTNZ survey weighting Sep 19	Quarterly change to Dec 19 (%)	RTFNZ/GTNZ survey weighting Dec 19	Forecast quarterly change to Mar 20 (%)	Forecast survey weighting Mar 20	Increment Mar 15 to Dec 19	Increment Mar 15 to Mar 20
Road user charges	147.5	0.00%	147.5	5.50%	155.6	0.00%	155.6	0.00%	155.6	0.00%	155.6	1.2109	1.2109
Fuel	212.2	-5.65%	200.2	4.06%	208.4	-5.89%	196.1	-0.14%	195.8	0.89%	197.6	1.2933	1.3048
Wages	312.9	0.57%	314.7	0.98%	317.8	0.40%	319.1	0.80%	321.7		321.7	1.1156	1.1156
Tyres	29.1	0.00%	29.1	1.52%	29.5	0.26%	29.6	0.44%	29.7		29.7	1.0844	1.0844
Repairs & maintenance	111.2	0.50%	111.8	0.62%	112.4	0.81%	113.4	0.82%	114.3		114.3	1.1096	1.1096
Depreciation & interest (vehicles)	122.3	1.25%	123.8	-1.33%	122.2	0.42%	122.7	0.68%	123.5		123.5	1.0995	1.0995
Salaries	56.7	0.26%	56.8	0.43%	57.1	0.52%	57.4	0.68%	57.7		57.7	1.0759	1.0759
Overheads	121.3	0.38%	121.7	0.89%	122.8	-0.53%	122.2	0.34%	122.6		122.6	1.0755	1.0755
Insurance (vehicles)	23.7	0.72%	23.9	0.89%	24.1	-2.18%	23.6	0.49%	23.7		23.7	1.1091	1.1091
RTFNZ index	1,136.9	-0.65%	1,129.5	1.80%	1,149.9	-0.90%	1,139.5	0.45%	1,144.6	0.15%	1,146.3	1.1446	1.1463
Consumer price index		0.10%		0.58%		0.68%		0.97%					

Diesel prices (fuel) are sourced from the MBIE's oil price monitoring service. Diesel prices presented above for the March 2020 quarter are provisional. The forecast index movement for fuel for the March 2020 quarter is estimated based on regression analysis as fuel prices for that quarter have not yet been released by MBIE at the date of this publication.

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Forecourt diesel prices* (excluding GST)					
Sep 19 Quarter		Dec 19 Quarter		Mar 20 Quarter	
Week ended	Price c/litre	Week ended	Price c/litre	Week ended	Price c/litre
28-Jun-19	137.85	27-Sep-19	138.38	27-Dec-19	140.68
5-Jul-19	132.30	4-Oct-19	138.97	3-Jan-20	142.26
12-Jul-19	134.16	11-Oct-19	139.07	10-Jan-20	143.19
19-Jul-19	133.91	18-Oct-19	139.07	17-Jan-20	142.45
26-Jul-19	133.17	25-Oct-19	139.07	24-Jan-20	141.08
2-Aug-19	133.17	1-Nov-19	139.07	31-Jan-20	140.59
9-Aug-19	133.17	8-Nov-19	139.44	7-Feb-20	140.59
16-Aug-19	133.17	15-Nov-19	139.94	14-Feb-20	140.59
23-Aug-19	133.17	22-Nov-19	139.94	21-Feb-20	140.09
30-Aug-19	133.91	29-Nov-19	139.94	28-Feb-20	139.34
6-Sep-19	135.77	6-Dec-19	139.94	6-Mar-20	136.61
13-Sep-19	135.77	13-Dec-19	139.94	13-Mar-20	
20-Sep-19	139.13	20-Dec-19	139.94	20-Mar-20	
Average	134.51		139.44		140.68
Change (%)			3.66%		0.89%

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