



ADVISORY

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To: Forum Directors, Presidents, CEOs & Area Executives

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RTFNZ/GRANT THORNTON TRANSPORT COST INDEX QUARTER ENDING MARCH 2020 (PUBLISHED 24 JUNE 2020)

Please find attached the Grant Thornton (GT) index for the quarter ending March 2020, plus continuation of the forecast index to June 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 is the relevant forecourt diesel prices (less GST) in table form (page 3) that support the forecast (provisional) quarterly index changes to June 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 June index is provisional.

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

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

To support the provisional index GT has also brought forward the planned July 2020 Road User Charges (RUC) increase.

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 the worldwide reduction in the demand for automotive diesel fuel through the Covid-19 period has seen forecourt costs fall dramatically. This in turn, has had a significant impact on the index. The unusually large reduction in the index has been checked and rechecked and then recalculated by Grant Thornton data analysts from first principles to ensure it is correct.

We would point out the low diesel prices may be a short-lived phenomenon as we are seeing fuel prices in USA beginning to rise incrementally. The fuel price is expected to rise in New Zealand once the international oversupply issues are resolved.

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

It is worth noting 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.

RTF expected to be in a position to reset the index base this quarter given the operator cost comparison analysis by University of Waikato report was completed earlier this year. Instead of resetting the base in the same quarter as introducing the increase in RUC, and thereby avoiding the potential for interpretational complications, we have elected to hold off the base index resetting until the September publishing period. The resetting process will include tables that enable users to move data sets between different bases.

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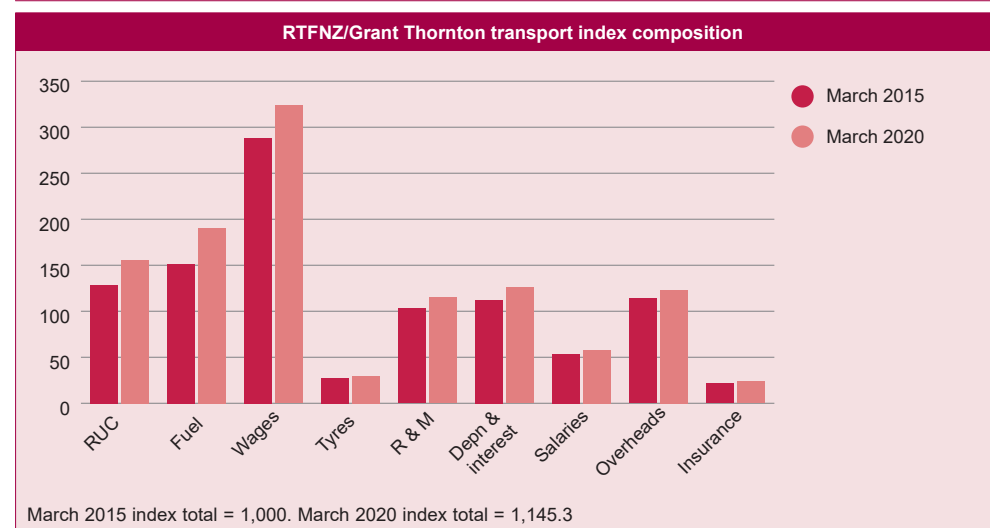
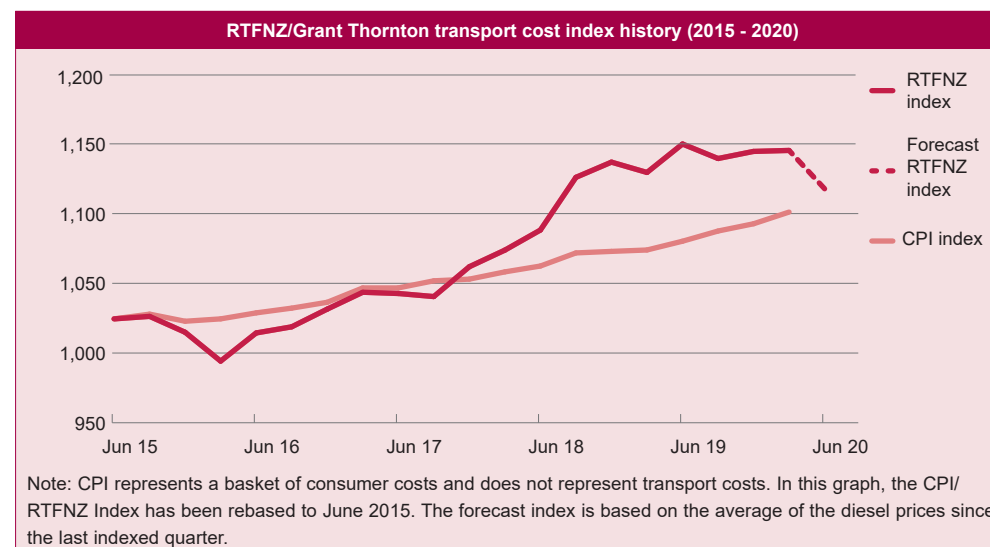
RTFNZ/Grant Thornton transport cost index • Quarter ending March 2020

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RTFNZ/Grant Thornton transport cost index					
Cost category	RTFNZ/GTNZ survey weighting Mar 2015	Updated RTFNZ/GTNZ Index as at Mar 2020	Quarterly change to Mar 2020 (%)	Yearly change to Mar 2020 (%)	Total change since Mar 2015 (%)
Road user charges	128.5	155.6	0.00%	5.50%	21.09%
Fuel	151.4	190.6	-2.68%	-4.82%	25.87%
Wages	288.3	323.7	0.64%	2.85%	12.27%
Tyres	27.4	29.8	0.26%	2.50%	8.73%
Repairs & maintenance	103.0	115.0	0.66%	2.94%	11.69%
Depreciation & interest (vehicles)	112.4	125.7	1.77%	1.53%	11.89%
Salaries	53.7	57.8	0.17%	1.81%	7.77%
Overheads	114.0	123.2	0.54%	1.24%	8.14%
Insurance (vehicles)	21.4	23.8	0.40%	-0.43%	11.36%
RTFNZ index	1,000.0	1,145.3	0.06%	1.40%	14.53%
Consumer price index			0.77%	2.53%	7.93%

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.

An increase in the RUC rate will come into effect from 1 July 2020. Based on advice from the Ministry of Transport, the expected average RUC rate increase is approximately 5.3%. To assist users of the publication to estimate the impact of this, we have early adopted the change to start from the June 2020 Quarter. This is represented by the June forecast column.



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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 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	Quarterly change to Mar 20 (%)	RTFNZ/GTNZ survey weighting Mar 20	Forecast quarterly change to Jun 20 (%)	Forecast survey weighting Jun 20	Increment Mar 15 to Mar 20	Increment Mar 15 to Jun 20
Road user charges	147.5	5.50%	155.6	0.00%	155.6	0.00%	155.6	0.00%	155.6	5.30%	163.8	1.2109	1.2751
Fuel	200.2	4.06%	208.4	-5.89%	196.1	-0.14%	195.8	-2.68%	190.6	-18.77%	154.8	1.2587	1.0224
Wages	314.7	0.98%	317.8	0.40%	319.1	0.80%	321.7	0.64%	323.7		323.7	1.1227	1.1227
Tyres	29.1	1.52%	29.5	0.26%	29.6	0.44%	29.7	0.26%	29.8		29.8	1.0873	1.0873
Repairs & maintenance	111.8	0.62%	112.4	0.81%	113.4	0.82%	114.3	0.66%	115.0		115.0	1.1169	1.1169
Depreciation & interest (vehicles)	123.8	-1.33%	122.2	0.42%	122.7	0.68%	123.5	1.77%	125.7		125.7	1.1189	1.1189
Salaries	56.8	0.43%	57.1	0.52%	57.4	0.68%	57.7	0.17%	57.8		57.8	1.0777	1.0777
Overheads	121.7	0.89%	122.8	-0.53%	122.2	0.34%	122.6	0.54%	123.2		123.2	1.0814	1.0814
Insurance (vehicles)	23.9	0.89%	24.1	-2.18%	23.6	0.49%	23.7	0.40%	23.8		23.8	1.1136	1.1136
RTFNZ index	1,129.5	1.80%	1,149.9	-0.90%	1,139.5	0.45%	1,144.6	0.06%	1,145.3	-2.40%	1,117.8	1.1453	1.1178
Consumer price index		0.58%		0.68%		0.48%		0.77%					

Diesel prices (fuel) are sourced from the MBIE's oil price monitoring service. Diesel prices presented above for the June 2020 quarter are provisional. The forecast index movement for fuel for the June 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)					
Dec 19 Quarter		Mar 20 Quarter		Jun 20 Quarter	
Week ended	Price c/litre	Week ended	Price c/litre	Week ended	Price c/litre
27-Sep-19	138.38	27-Dec-19	140.68	27-Mar-20	110.04
4-Oct-19	138.97	3-Jan-20	142.18	3-Apr-20	110.11
11-Oct-19	139.07	10-Jan-20	143.08	10-Apr-20	110.14
18-Oct-19	139.07	17-Jan-20	142.34	17-Apr-20	110.14
25-Oct-19	139.07	24-Jan-20	140.97	24-Apr-20	110.14
1-Nov-19	139.07	31-Jan-20	140.47	1-May-20	111.13
8-Nov-19	139.44	7-Feb-20	140.47	8-May-20	111.88
15-Nov-19	139.94	14-Feb-20	140.47	15-May-20	113.37
22-Nov-19	139.94	21-Feb-20	139.98	22-May-20	112.87
29-Nov-19	139.94	28-Feb-20	139.23	29-May-20	111.88
6-Dec-19	139.94	6-Mar-20	136.50	5-Jun-20	
13-Dec-19	139.94	13-Mar-20	122.71	12-Jun-20	
20-Dec-19	139.94	20-Mar-20	110.04	19-Jun-20	
Average	139.44		136.86		111.17
Change (%)			-1.85%		-18.77%

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