



Victoria Government Gazette

No. S 328 Tuesday 19 December 2006
By Authority: Victorian Government Printer

Owner Drivers and Forestry Contractors Act 2005
TRANSPORT INDUSTRY COUNCIL – RATES AND COSTS SCHEDULE
1 Tonne Vehicle (GVM)

This Schedule applies to owner drivers¹ who supply a 1 Tonne Vehicle (1 tonne being the weight of the vehicle fully loaded) or similar vehicle.²

This Schedule is a general guide only. Owner drivers are strongly advised to seek independent professional accounting advice for their own situation and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.

Introduction

This Rates and Costs Schedule is published under section 14 of the **Owner Drivers and Forestry Contractors Act 2005** (Vic.) (the Act). Under the Act, this Schedule must be given by hirers to all owner drivers within 45 days of the Act commencing (that is, by 15 January 2007), and then to new owner drivers three days prior to engagement. This Schedule will be revised at least annually, and under section 18 of the Act, hirers are required to give owner drivers a copy of any such revised Schedule as soon as practicable after it is published.

The Schedule is intended to assist owner drivers and their hirers to better understand the typical operating costs of an owner driver business and to inform their negotiations.

The Schedule does not set minimum rates that must be paid.

The Schedule sets out a worked example of typical overhead costs for an owner driver supplying a 1 Tonne Vehicle. The worked example is based on certain assumptions about the business, for example, that the vehicle is 2 years old, is in operation for 8 hours a day and uses a certain number of tyres. The aim of the schedule is to assist owner drivers to:

- better understand their business cost structures and how increases and decreases in different cost items affect overall profitability; and
- calculate their own cost model.

The Schedule is structured as follows:

Part 1	Fixed costs	Describes typical fixed (or annual) business costs. These are the costs that the business must pay each year regardless of how many kilometres the vehicle travels.
Part 2	Variable costs	Describes typical variable business costs. These are the costs (such as fuel and tyres) that vary with how many kilometres are travelled. These are calculated on an hourly basis.
Part 3	Payment for labour	Describes the range of rates that are typically paid to employee drivers for performing similar kinds of work, to assist the owner driver to determine what may be a reasonable payment for their own labour.
Part 4	Totals	This section allows the owner driver to prepare total hourly rates for ordinary hours (up to 1840 a year) and excess hours.

1 Owner Driver is defined in the **Owner Drivers and Forestry Contractors Act 2005**. The definition is also affected by the Owner Drivers and Forestry Contractors Regulations 2006 made under the Act.

2 Rates and Costs Schedules have been published for 1 tonne vehicle, 4.5 tonne GVM, 8 tonne GVM, 12 tonne GVM (3 axle), Prime Mover (Bogie drive) and Semi-Trailer (Bogie Drive, 6-axle). Hirers are required to provide owner drivers with the Schedule that most closely relates to the owner driver's vehicle.

SPECIAL

The Schedule does not deal with the issue of return on investment, and this would need to be factored in where appropriate. The issue of return on investment is dealt with in section 11 of the Owner Drivers and Forestry Contractors Code of Practice.

Key assumptions

The model set out in Part 2 is based on certain assumptions about the vehicle used, hours of work and the type of business. The assumptions used that have the greatest impact on the figures given are:

Subject	Costing Assumptions
Vehicle and finance	<p>The fixed costs are based on:</p> <ul style="list-style-type: none"> ● a vehicle with a current capital value of \$20,100 (being the current average retail value of a 2 year old vehicle) ● a vehicle subject to a lease arrangement, over a 4 year term with a 25% residual, with interest at a comparison interest rate of 8.4 % per annum. ● Note that if the business owns the vehicle outright, or has a loan, the cost structure will be different with depreciation as the relevant cost rather than lease payments. <p>All costs exclude GST.</p>
Driving hours per year Kilometres travelled	<ul style="list-style-type: none"> ● The calculation of the fixed costs assumes the vehicle is in operation for 8 driving hours per day for 230 working days a year. This equals 1,840 hours of operation a year. ● The model spreads fixed operating costs over those 1,840 hours. ● In part 4, a separate hourly rate for hours over and above the base hours of 1,840 a year is provided. To avoid double counting of fixed costs, this rate only includes variable costs and a return for labour, based on an overtime labour rate.

The cost structure of the individual business will be significantly different if, for example:

- The age, current capital value (or both) of the vehicle is less or more than the above figures;
- Other finance arrangements apply (for example, the vehicle is fully owned or is subject to a loan);
- More or fewer hours are worked each year.

Because of these potential variations, great care should be taken in using the indicative figures set out in the cost model, as the costs of the individual business may vary significantly.

To assist owner drivers to calculate their own unique cost model, a blank column is included to calculate the business's own unique costs. This model can be downloaded as an Excel spreadsheet from www.irv.vic.gov.au. The spreadsheet can be used to automatically calculate the effect of changes to cost items, for example, the effect on the business of a new vehicle purchase or the effect of increases in the price of fuel or interest rates. This will allow the owner driver to better plan their business.

Rate Structures

This model calculates the cost of running a typical owner driver business, described as an hourly rate, made up of fixed and variable costs and a payment for the owner driver's labour. The Schedule does not calculate or suggest any particular rate calculation or payment method.

Arrangements for payment for owner drivers in the transport industry vary enormously. They can be paid an hourly rate, a load rate, parcel rate, on the basis of tasks performed, or even kilometres travelled. If an owner driver is paid on such an arrangement, the schedules set out below can be used as a base to calculate the cost to the business of travelling per kilometre, or delivering a particular load. Unions, industry associations or accountants and other professional advisers can assist in this task.

Part 1 Fixed Annual Costs – per year and per hour

Note: All costs are exclusive of GST

	Cost items Assumptions used in the example	Example: typical cost per year	Your costs: \$	variations in this cost item
Fixed Costs	<p>Vehicle Lease Costs This model is based on a vehicle with a current capital value of \$20,100 (based on typical retail value of a 2 year old vehicle), and is based on a lease arrangement over a 4 year term with a 25% residual, at 8.4 % interest per annum.</p>	\$4,872		<p>Finance arrangements will vary widely depending on:</p> <ul style="list-style-type: none"> • if the arrangement is a lease or hire purchase, or purchase of the vehicle through a loan; or • if the arrangement is a loan, then the purchase price, the amount borrowed and the loan terms will affect cash-flow, and depreciation needs to be allowed for.
	<p>Registration, Permits and TAC Fees Based on vehicle registration fee of \$168.60 and TAC charge of \$370.25 which is net of GST. Assumes payment is made on an annual basis and TAC charge assumes vehicle is garaged in a high risk area (eg metropolitan Melbourne).</p>	\$539		<p>These fees are current as at 1 July 2006 but may change. Additional licences may be payable for certain types of operations (eg interstate registration, oversize, port security permit, dangerous goods). Additional administration charges may apply to registration fees if they are paid in instalments. TAC charges may be lower if the vehicle is garaged in a medium or low risk area.</p>
	<p>Superannuation Self-funded, based on 9% of own labour assumed at \$29,166.</p>	\$2,625		
	<p>Insurance</p>			
	<ul style="list-style-type: none"> • Comprehensive Vehicle Based on rate of 3.15% per annum. Based on operator who is over the age of 25, has at least 5 years experience and no claims history. Assumes vehicle is not carrying dangerous goods. Assumes vehicle is travelling intrastate only. 	\$633		<p>Rates may be higher for interstate trucks. Additional insurance charges may apply to certain kinds of goods carried (eg refrigerated goods or livestock). Comprehensive vehicle insurance costs may vary depending upon the age and value of the equipment insured, the insurance provider, the amount of any excess payable, the individual's claims history, the age and experience level of the driver and whether the vehicle is carrying dangerous goods.</p>

<ul style="list-style-type: none"> ● Goods In Transit Based on sum insured \$50,000. Assumes vehicle is not carrying dangerous goods. 	\$400		The cost of goods in transit insurance may vary depending on the type of goods being transported.
<ul style="list-style-type: none"> ● Personal Sickness And Accident/ Income Basic policy, based on 80% of income for 52 weeks, 30 day waiting period. Assumes driver is travelling intrastate only. Assumes driver has no pre-existing conditions. Maximum age limit of 60 years. 	\$450		The cost of personal income and accident insurance (also called income protection insurance) will vary depending on the individual's health history, the amount of income insured, the period of time after an accident before benefits are payable and the maximum period over which benefits are paid.
<ul style="list-style-type: none"> ● Public Liability Assumes policy for public liability claims up to \$10 million. 	\$405		
<ul style="list-style-type: none"> ● Workers' Compensation Assumed at the rate of 4.698% for the assumed labour rate of the business owner of \$29,166. Assumes vehicle is primarily travelling intrastate. 	\$1,370		<p>The rate is current as at 18 August 2006 and is subject to change.</p> <p>The rate of workers' compensation may vary depending on whether the vehicle is travelling short or long distances and whether the vehicle is travelling interstate. The rate may also vary depending on the driver's claims history.</p> <p>Note: It is not uncommon for hirers of this type of vehicle to pay workers' compensation premiums on behalf of the owner driver. Drivers are advised to consult their hirer about this cost.</p>

Business Administration Costs	\$2,500	<p>Accounting/bookkeeping fees may be lower if the business prepares its own BAS and accounts. Mobile phone charges will vary significantly depending on level of use. Other costs: Professional association fees, accommodation costs, parking fees, bank charges, and other costs should be allowed for where relevant. This example is based on a business that is already up and running, and does not take into account the costs of starting a business (eg registering a company). This figure may also vary depending on contractual conditions.</p>
Includes maintenance of records, preparation of tax returns, mobile phone charges, and sundry business expenses.		
TOTAL ANNUAL FIXED COSTS	\$13,794	
TOTAL HOURLY FIXED COSTS <i>Assuming 1,840 vehicle operation hours</i>	\$7.50	Assumes that the annual fixed costs of the business are spread over 1,840 vehicle operation hours per year.

Part 2 Variable Costs – per kilometre and per hour

Note: All costs are exclusive of GST

Cost Item and assumptions	<i>typical cost per km</i>	<i>your cost per km</i>	Variations in this cost item
Assumes 40,000 kms travelled per year			
Fuel Based on retail diesel fuel cost as at 1 November 2006 of \$1.13 per litre which is net of GST. Assumes 6.19 kms per litre consumed.	18.30 cents		Fuel is the single biggest variable cost, and will significantly affect your business. Fuel costs will also vary depending on the age, features and condition of the vehicle.
Tyres Assumes cost of \$176 per tyre.	1.04 cents		Consumption of tyres will vary with the age of vehicle, off-road use, geographic and road conditions, braking frequency and driving techniques and the quality of the tyres used. Cost of tyres will also vary depending on the manufacturer, type of tyre and any discount arrangements.
Servicing, Repairs and Maintenance Based on rate of 2.69 cents per kilometre.	2.69 cents		Repair and maintenance costs will vary significantly with the age and condition of the vehicle. Major repairs may be a one-off major cost in any given year. Significant savings can be made if the business does its own servicing and repairs.
TOTAL VARIABLE COSTS Per kilometre	22.03 cents		

<p>TOTAL VARIABLE COSTS Per driving hour Assumes 25 kms travelled per hour</p>	<p>\$5.51</p>	<p>These rates are typical for city driving only. The number of kilometres travelled per hour will vary significantly depending on the routes travelled, whether the work is metropolitan or regional, how often the vehicle stops to load or unload and the nature of the work. Drivers who travel long distance or in the country will need to take this into account for their own calculations.</p>
<p><i>Note: Citylink tolls: Where directed to take a route using tolls you may incur an additional cost for road tolls.</i></p>		

Part 3 A payment for the owner driver's own labour

The next factor to include in a business cost model is an amount for the business owner's own work (labour) in driving the vehicle and in work such as loading and unloading and tasks necessary in running the business. This Part will provide information to assist owner drivers to determine the amount they can aim to receive as a payment for that labour.

Because an owner driver is a small business (not an employee) the hirer is not legally obliged to pay a minimum wage or rate of pay. However, the wages that are paid to employee drivers are a useful guide to the market for the labour services of driving a vehicle. Set out below are rates that would typically be paid for driving a vehicle if this work was performed by an employee rather than an owner driver.

These rates will vary over time, and should be used as a general guide only. Unions, industry associations, newspaper job advertisements and other drivers are a source of advice about the going rates in your industry sector.

Typical base and casual rates paid to employee drivers per hour

	base hourly rate (1)	casual/loaded Hourly Rate (2) <i>(includes allowance for leave etc)</i>	overtime rate(3) <i>For the first two hours over 8 per day or 38 hours per week</i>	overtime rate(3) <i>For hours worked over 10 per day or 48 per week</i>
Award hourly rates(4)	\$14.75	\$18.44	\$22.13	\$29.50
Range of rates typically paid in Victoria (5)	\$14.75 to \$17.00	\$18.44 to \$21.25	\$22.13 to \$25.50	\$29.50 to \$34.00

Notes:

- 1 **“Base rates”** are paid to full time employees, who typically also get four weeks paid annual leave, ten days paid personal/sick leave a year and shift and penalty rates (for example, an extra 50% loading for overtime or night work).
- 2 **“Casual rates”** include an additional 25% loading on the base rate. This is compensation for not receiving the paid holidays, personal/ sick leave or public holidays that employees enjoy.
- 3 **Overtime rates.** Employee drivers in Victoria would typically receive payment at overtime rates of hours worked in excess of 38 hours a week. Typically a 50% loading applies for the first two hours of overtime per day or up to 48 hours per week and then a 100% penalty for hours thereafter.
- 4 **Award hourly rates.** This row sets out the hourly wage for employed drivers, as set under the Transport Workers Award 1998 (Victorian common rule award) for drivers of a 1 Tonne Van. The hourly rates above are accurate as at 1 December 2006, but are varied from time to time by the Australian Fair Pay Commission. You can find information about the most recently published minimum employee rates by visiting www.wagenet.gov.au or contacting your association or union.
- 5 **The range of rates in Victoria.** This part of the table sets out the range of rates typically paid in Victoria to employee drivers in the transport industry. A range is supplied because the rate paid will vary depending on whether a company is party to a workplace agreement, the particular industry sector, the skill and efficiency of the particular driver and market factors such as whether there is a shortage of drivers in the area.

Part 4 Hourly totals**A Hourly total for hours up to 8 hours a day, 1,840 hours a year**

TOTALS	TOTALS (PER DRIVING HOUR)	Typical costs	Your figures	NOTES
	FIXED COSTS	\$7.50		Assuming fixed costs spread over 1,840 hours.
	VARIABLE COSTS	\$5.51		Assuming 25 kms travelled per hour.
	LABOUR	\$14.75		This worked example is based on a labour rate of \$14.75 per hour. <i>See discussion on rates for labour in Part 3 above.</i>
	TOTAL PER HOUR Up to 1,840 hours	\$27.75		Note that this is not a prescribed or recommended rate. Owner drivers are strongly recommended to consider their own circumstances and obtain advice.

B Total per hour - for hours in excess of 8 hours per day / 1,840 hours a year

This model assumes that the owner driver will recover fixed annual costs over 1,840 driving hours a year. Many owner drivers work longer than these hours, either extra days each week or longer hours each day. This table calculates an hourly rate for those extra hours, using variable and labour costs only, and using an overtime rate of pay.

TOTALS	TOTALS (PER DRIVING HOUR)	Typical costs	Your figures	NOTES
	VARIABLE COSTS	\$5.51		Assuming 25 kms travelled per hour.
	LABOUR Overtime rates	\$22.13		This worked example is based on nominal penalty labour rate of \$22.13 per hour. <i>See discussion on rates for labour in Part 3 above.</i>
	TOTAL PER HOUR	\$27.63		Note that this is not a prescribed or recommended rate. Owner drivers are strongly recommended to consider their own circumstances and obtain advice.

In addition to the figures above, owner drivers should where relevant include any amount that they seek as a return on their capital investment. This issue is dealt with in section 11 of the Owner Drivers and Forestry Contractors Code of Practice, available from www.irv.vic.gov.au

Note that this is not a prescribed or recommended rate. It is strongly recommended that owner drivers obtain advice on their own individual circumstances and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.

Owner Drivers and Forestry Contractors Act 2005

TRANSPORT INDUSTRY COUNCIL – RATES AND COSTS SCHEDULE

4.5 Tonne Rigid Vehicle (GVM)

This Schedule applies to owner drivers¹ who supply a 4.5 Tonne Rigid Vehicle (4.5 tonnes being the weight of the vehicle fully loaded) or similar vehicle.²

This Schedule is a general guide only. Owner drivers are strongly advised to seek independent professional accounting advice for their own situation and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.

Introduction

This Rates and Costs Schedule is published under section 14 of the **Owner Drivers and Forestry Contractors Act 2005** (Vic.) (the Act). Under the Act, this Schedule must be given by hirers to all owner drivers within 45 days of the Act commencing (that is, by 15 January 2007), and then to new owner drivers three days prior to engagement. This Schedule will be revised at least annually, and under section 18 of the Act, hirers are required to give owner drivers a copy of any such revised Schedule as soon as practicable after it is published.

The Schedule is intended to assist owner drivers and their hirers to better understand the typical operating costs of an owner driver business and to inform their negotiations.

The Schedule does not set minimum rates that must be paid.

The Schedule sets out a worked example of typical overhead costs for an owner driver supplying a 4.5 Tonne Rigid Vehicle. The worked example is based on certain assumptions about the business, for example, that the vehicle is 3 years old, is in operation for 8 hours a day and uses a certain number of tyres. The aim of the schedule is to assist owner drivers to:

- better understand their business cost structures and how increases and decreases in different cost items affect overall profitability; and
- calculate their own unique cost model.

The Schedule is structured as follows:

Part 1	Fixed costs	Describes typical fixed (or annual) business costs. These are the costs that the business must pay each year regardless of how many kilometres the vehicle travels.
Part 2	Variable costs	Describes typical variable business costs. These are the costs (such as fuel and tyres) that vary with how many kilometres are travelled. These are calculated on an hourly basis.
Part 3	Payment for labour	Describes the range of rates that are typically paid to employee drivers for performing similar kinds of work, to assist the owner driver to determine what may be a reasonable payment for their own labour.
Part 4	Totals	This section allows the owner driver to prepare total hourly rates for ordinary hours (up to 1,840 a year) and excess hours.

The Schedule does not deal with the issue of return on investment, and this would need to be factored in where appropriate. The issue of return on investment is dealt with in section 11 of the Owner Drivers and Forestry Contractors Code of Practice.

¹ Owner Driver is defined in the **Owner Drivers and Forestry Contractors Act 2005**. The definition is also affected by the Owner Drivers and Forestry Contractors Regulations 2006 made under the Act.

² Rates and Costs Schedules have been published for a 1 tonne vehicle GVM, 4.5 tonne GVM, 8 tonne GVM, 12 tonne GVM (3-axle), Prime Mover (Bogie Drive) and Semi-Trailer (Bogie Drive, 6-axle). Hirers are required to provide to owner drivers with the Schedule that most closely relates to the owner driver's vehicle.

Key assumptions

The model set out in Part 2 is based on certain assumptions about the vehicle used, hours of work and the type of business. The assumptions used that have the greatest impact on the figures given are:

Subject	Costing Assumptions
Vehicle and finance	The fixed costs are based on: <ul style="list-style-type: none"> ● a vehicle with a current capital value of \$31,217 (being the current average retail value of a 3 year old vehicle); or ● a vehicle subject to a lease arrangement, over a 4 year term with a 25% residual, with interest at a comparison interest rate of 8.4% per annum. ● Note that if the business owns the vehicle outright, or has a loan, the cost structure will be different with depreciation as the relevant cost rather than lease payments. All costs exclude GST.
Driving hours per year Kilometres travelled	<ul style="list-style-type: none"> ● The calculation of the fixed costs assumes the vehicle is in operation for 8 driving hours per day for 230 working days a year. This equals 1,840 hours of operation a year. ● The model spreads fixed operating costs over those 1,840 hours. ● In part 4, a separate hourly rate for hours over and above the base hours of 1,840 a year is provided. To avoid double counting of fixed costs, this rate only includes variable costs and a return for labour, based on an overtime labour rate.

The cost structure of the individual business will be significantly different if, for example:

- the age, current capital value (or both) of the vehicle is less or more than the above figures;
- other finance arrangements apply (for example, the vehicle is fully owned or is subject to a loan);
- more or fewer hours are worked each year.

Because of these potential variations, great care should be taken in using the indicative figures set out in the cost model, as the costs of the individual business may vary significantly.

To assist owner drivers to calculate their own unique cost model, a blank column is included to calculate the business's own unique costs. This model can be downloaded as an Excel spreadsheet from www.irv.vic.gov.au The spreadsheet can be used to automatically calculate the effect of changes to cost items, for example the effect on the business of a new vehicle purchase or the effect of increases in the price of fuel or interest rates. This will allow the owner driver to better plan the business.

Rate Structures

This model calculates the cost of running a typical owner driver business, described as an hourly rate, made up of fixed and variable costs and a payment for the owner driver's labour. The Schedule does not calculate or suggest any particular rate calculation or payment method.

Arrangements for payment for owner drivers in the transport industry vary enormously. They can be paid an hourly rate, load rate, parcel rate, on the basis of tasks performed, or even kilometres travelled. If an owner driver is paid on such an arrangement, the schedules set out below can be used as a base to calculate the cost to the business of travelling per kilometre, or delivering a particular load. Unions, industry associations or accountants and other professional advisers can assist in this task.

Part 1 Fixed Annual Costs – per year and per hour

Note: All costs are exclusive of GST

	Cost items Assumptions used in the example	Example: typical cost per year	Your costs: \$	variations in this cost item
Fixed Costs	Vehicle lease costs <ul style="list-style-type: none"> This model is based on a vehicle with a current capital value of \$31,217 (based on typical retail value of a 3 year old vehicle). Based on a lease arrangement over a 4 year term with a 25% residual, at 8.4% interest. 	\$7,567		Finance arrangements will vary widely depending on: <ul style="list-style-type: none"> if the arrangement is a lease or hire purchase, or purchase of the vehicle through a loan; or If the arrangement is a loan, then the purchase price, the amount borrowed and the loan terms will affect cash-flow, and depreciation needs to be allowed for.
	Registration, permits and TAC fees Based on vehicle registration fee of \$168.60 and TAC charge of \$525.74 which is net of GST. Assumes payment is made on an annual basis and TAC charge assumes vehicle has a carrying capacity of more than 2 tonnes and that vehicle is garaged in a high risk area (eg metropolitan Melbourne).	\$694		These fees are current as at 1 July 2006 but may change. Additional licences may be payable for certain types of operations (eg interstate registration, oversize, port security permit, dangerous goods). Additional administration charges may apply to registration fees if they are paid in instalments. TAC charges may be lower if the vehicle is garaged in a medium or low risk area.
	Superannuation Self-funded, based on 9% of own base labour assumed at \$29,166.	\$2,625		
	Insurance <ul style="list-style-type: none"> Comprehensive Vehicle Based on rate of 3.15% per annum. Based on operator who is over the age of 25, has at least 5 years experience and no claims history. Assumes vehicle is not carrying dangerous goods. Assumes vehicle is travelling intrastate only. 	\$983		Rates may be higher for interstate trucks. Additional insurance charges may apply to certain kinds of goods carried (eg refrigerated goods or livestock). Comprehensive vehicle insurance costs may vary depending upon the age and value of the equipment insured, the insurance provider, the amount of any excess payable, the individual's claims history, the age and experience level of the driver and whether the vehicle is carrying dangerous goods.

<ul style="list-style-type: none"> ● Goods In Transit Based on sum insured \$50,000. Assumed vehicle is not carrying dangerous goods. 	\$400	The cost of goods in transit insurance may vary depending on the type of goods being transported.
<ul style="list-style-type: none"> ● Personal Sickness And Accident/ Income Basic policy, based on 80% of income for 52 weeks, 30 day waiting period. Assumes driver is travelling intrastate only. Assumes driver has no pre-existing conditions. Maximum age limit of 60 years. 	\$450	The cost of personal income and accident insurance (also called income protection insurance) will vary depending on the individual's health history, the amount of income insured, the period of time after an accident before benefits are payable and the maximum period over which benefits are paid.
<ul style="list-style-type: none"> ● Public Liability Assumes policy for public liability claims up to \$10 million. 	\$405	
<ul style="list-style-type: none"> ● Workers' Compensation Assumed at the rate of 4.698% for the assumed labour rate of the business owner of \$29,166. Assumes vehicle is primarily travelling intrastate. 	\$1,370	The rate is current as at 18 August 2006 and is subject to change. The rate of workers' compensation may vary depending on whether the vehicle is travelling short or long distances and whether the vehicle is travelling interstate. The rate may also vary depending on the driver's claims history.

Business administration costs		
Includes maintenance of records, preparation of tax returns, mobile phone charges, and sundry business expenses.	\$2,500	<p>Accounting/bookkeeping fees may be lower if the business prepares its own BAS and accounts.</p> <p>Mobile phone charges will vary significantly depending on level of use.</p> <p>Other costs: Professional association fees, accommodation costs, parking fees, bank charges, and other costs should be allowed for where relevant.</p> <p>This example is based on a business that is already up and running, and does not take into account the costs of starting a business (eg registering a company).</p> <p>This figure may also vary depending on the contractual conditions.</p>
TOTAL ANNUAL FIXED COSTS	\$16,995	
TOTAL HOURLY FIXED COSTS <i>Assuming 1,840 vehicle operation hours</i>	\$9.24	Assumes that the annual fixed costs of the business are spread over 1,840 vehicle operation hours per year.

Part 2 Variable Costs – per kilometre and per hour

Note: All costs are exclusive of GST

	Cost Item and assumptions	typical cost per km	your cost per km	variations in this cost item
Variable Costs per kilometre	Assumes 40,000 kms travelled per year			
	Fuel Based on retail diesel fuel cost as of 1 November 2006 of 95 cents per litre which is net of GST and the diesel fuel rebate. Assumes 3.72 kms per litre consumed.	25.47 cents		Fuel is the single biggest variable cost and will significantly affect your business. Fuel costs will also vary depending on the age, features and condition of your vehicle.
	Tyres Assumes cost of \$375 per tyre.	3.58 cents		Consumption of tyres will vary with the age of vehicle, off-road use, geographic and road conditions, braking frequency and driving techniques and the quality of the tyres used. Cost of tyres will also vary depending on the manufacturer, type of tyre and any discount arrangements.
	Servicing, repairs and maintenance Based on rate of 6.4 cents per km.	6.4 cents		Repair and maintenance costs will vary significantly with the age and condition of the vehicle. Major repairs may be a one-off major cost in any given year. Significant savings can be made if the business does its own servicing and repairs.
	TOTAL VARIABLE COSTS Per kilometre	35.45 cents		
	TOTAL VARIABLE COSTS Per driving hour Assuming 22 kms travelled per hour	\$7.80		These rates are typical for city driving only. The number of kilometres travelled per hour will vary significantly depending on the routes travelled, whether the work is metropolitan or regional, how often the vehicle stops to load or unload and the nature of the work. Drivers who travel long distance or in the country will need to take this into account for their own calculations.
	<i>Note: Citylink tolls: Where directed to take a route using tolls you may incur an additional cost for road tolls.</i>			

Part 3 A payment for the owner driver's own labour

The next factor to include in a business cost model is an amount for the business owner's own work (labour) in driving the vehicle and in work such as loading and unloading and tasks necessary in running the business. This Part will provide information to assist owner drivers to determine the amount they can aim to receive as a payment for that labour.

Because an owner driver is a small business (not an employee) the hirer is not legally obliged to pay a minimum wage or rate of pay. However, the wages that are paid to employee drivers are a useful guide to the market for the labour services of driving a vehicle. Set out below are rates that would typically be paid for driving a vehicle if this work was performed by an employee rather than an owner driver.

These rates will vary over time, and should be used as a general guide only. Unions, industry associations, newspaper job advertisements and other drivers are a source of advice about the going rates in your industry sector.

Typical base and casual rates paid to employee drivers per hour

	base hourly rate (1)	casual/loaded Hourly Rate (2) <i>(includes allowance for leave etc)</i>	overtime rate (3) <i>For the first two hours over 8 per day or 38 hours per week</i>	overtime rate (3) <i>For hours worked over 10 per day or 48 per week</i>
Award hourly rates (4)	\$14.75	\$18.44	\$22.13	\$29.50
Range of rates typically paid in Victoria (5)	\$14.75 to \$17.50	\$18.44 to \$21.25	\$22.13 to \$25.50	\$29.50 to \$34.00

Notes:

- 1 **"Base rates"** are paid to full time employees, who typically also get four weeks paid annual leave, ten days paid personal/sick leave a year and shift and penalty rates (for example, an extra 50% loading for overtime or night work).
- 2 **"Casual rates"** include an additional 25% loading on the base rate. This is compensation for not receiving the paid holidays, personal/ sick leave or public holidays that employees enjoy.
- 3 **Overtime rates.** Employee drivers in Victoria would typically receive payment at overtime rates of hours worked in excess of 38 hours a week. Typically a 50% loading applies for the first two hours of overtime per day or up to 48 hours per week and then a 100% penalty for hours thereafter.
- 4 **Award hourly rates.** This row sets out the hourly wage for employed drivers, as set under the Transport Workers Award 1998 (Victorian common rule award) for drivers of a 4.5 Tonne GVM Rigid Vehicle. The hourly rates above are accurate as at 1 December 2006, but are varied from time to time by the Australian Fair Pay Commission. You can find information about the most recently published minimum employee rates by visiting www.wagenet.gov.au or contacting your association or union.
- 5 **The range of rates in Victoria.** This part of the table sets out the range of rates typically paid in Victoria to employee drivers in the transport industry. A range is supplied because the rate paid will vary depending on whether a company is party to a workplace agreement, the particular industry sector, the skill and efficiency of the particular driver and market factors such as whether there is a shortage of drivers in the area.

Part 4 Hourly totals**A Hourly total for hours up to 8 hours a day, 1,840 hours a year**

TOTALS	TOTALS (PER DRIVING HOUR)	Typical costs	Your figures	NOTES
	FIXED COSTS	\$9.24		Assuming fixed costs spread over 1,840 hours.
	VARIABLE COSTS	\$7.80		Assuming 22 kms travelled per hour.
	LABOUR	\$14.75		This worked example is based on a labour rate of \$14.75 per hour. <i>See discussion on rates for labour in Part 3 above.</i>
	TOTAL PER HOUR Up to 1,840 hours	\$31.79		Note that this is not a prescribed or recommended rate. Owner drivers are strongly recommended to consider their own circumstances and obtain advice.

B Total per hour – for hours in excess of 8 hours per day/ 1,840 hours a year

This model assumes that the owner driver will recover fixed annual costs over 1,840 driving hours a year. Many owner drivers work longer than these hours, either extra days each week or longer hours each day. This table calculates an hourly rate for those extra hours, using variable and labour costs only, and using an overtime rate of pay.

TOTALS	TOTALS (PER DRIVING HOUR)	Typical costs	Your figures	NOTES
	VARIABLE COSTS	\$7.80		Assuming 22 kms travelled per hour.
	LABOUR Overtime rates	\$22.13		This worked example is based on a nominal penalty labour rate of \$22.13 per hour. <i>See discussion on rates for labour in Part 3 above.</i>
	TOTAL PER HOUR	\$29.93		Note that this is not a prescribed or recommended rate. Owner drivers are strongly recommended to consider their own circumstances and obtain advice.

In addition to the figures above, owner drivers should where relevant include any amount that they seek as a return on their capital investment. This issue is dealt with in section 11 of the Owner Drivers and Forestry Contractors Code of Practice, available from www.irv.vic.gov.au

Note that this is not a prescribed or recommended rate. It is strongly recommended that owner drivers obtain advice on their own individual circumstances and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.

Owner Drivers and Forestry Contractors Act 2005

TRANSPORT INDUSTRY COUNCIL – RATES AND COSTS SCHEDULE

8 Tonne Rigid Vehicle (GVM)

This Schedule applies to owner drivers¹ who supply a 8 Tonne Rigid Vehicle (8 tonne being the weight of the vehicle fully loaded) or similar vehicle.²

This Schedule is a general guide only. Owner drivers are strongly advised to seek independent professional accounting advice for their own situation and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.

Introduction

This Rates and Costs Schedule is published under section 14 of the **Owner Drivers and Forestry Contractors Act 2005** (Vic.) (the Act). Under the Act, this Schedule must be given by hirers to all owner drivers within 45 days of the Act commencing (that is, by 15 January 2007), and then to new owner drivers three days prior to engagement. This Schedule will be revised at least annually, and under section 18 of the Act, hirers are required to give owner drivers a copy of any such revised Schedule as soon as practicable after it is published.

The Schedule is intended to assist owner drivers and their hirers to better understand the typical operating costs of an owner driver business and to inform their negotiations.

The Schedule does not set minimum rates that must be paid.

The Schedule sets out a worked example of typical overhead costs for an owner driver supplying an 8 Tonne GVM Rigid Vehicle. The worked example is based on certain assumptions about the business, for example, that the vehicle is 5 years old, is in operation for 8 hours a day and uses a certain number of tyres. The aim of the schedule is to assist owner drivers to:

- better understand their business cost structures and how increases and decreases in different cost items affect overall profitability; and
- calculate their own unique cost model.

The Schedule is structured as follows:

Part 1	Fixed costs	Describes typical fixed (or annual) business costs. These are the costs that the business must pay each year regardless of how many kilometres the vehicle travels.
Part 2	Variable costs	Describes typical variable business costs. These are the costs (such as fuel and tyres) that vary with how many kilometres are travelled. These are calculated on an hourly basis.
Part 3	Payment for labour	Describes the range of rates that are typically paid to employee drivers for performing similar kinds of work, to assist the owner driver to determine what may be a reasonable payment for their own labour.
Part 4	Totals	This section allows the owner driver to prepare total hourly rates for ordinary hours (up to 1,840 a year) and excess hours.

The Schedule does not deal with the issue of return on investment, and this would need to be factored in where appropriate. The issue of return on investment is dealt with in section 11 of the Owner Drivers and Forestry Contractors Code of Practice.

¹ Owner Driver is defined in the **Owner Drivers and Forestry Contractors Act 2005**. The definition is also affected by the Owner Drivers and Forestry Contractors Regulations 2006 made under the Act.

² Rates and Costs Schedules have been published for a 1 tonne vehicle GVM, 4.5 tonne GVM, 8 tonne GVM, 12 tonne GVM (3-axle), Prime Mover (Bogie Drive) and Semi-Trailer (Bogie Drive, 6-axle). Hirers are required to provide owner drivers with the Schedule that most closely relates to the owner driver's vehicle.

Key assumptions

The model set out in Part 2 is based on certain assumptions about the vehicle used, hours of work and the type of business. The assumptions used that have the greatest impact on the figures given are:

Subject	Costing Assumptions
Vehicle and finance	The fixed costs are based on: <ul style="list-style-type: none"> ● A vehicle with a current capital value of \$49,650 (being the current average retail value of a 5 year old vehicle). ● A vehicle subject to a lease arrangement, over a 4 year term with a 25% residual, with interest at a comparison interest rate of 8.4% per annum. ● Note that if the business owns the vehicle outright, or has a loan, the cost structure will be different with depreciation as the relevant cost rather than lease payments. All costs exclude GST.
Driving hours per year Kilometres travelled	<ul style="list-style-type: none"> ● The calculation of the fixed costs assumes the vehicle is in operation for 8 driving hours per day for 230 working days a year. This equals 1,840 hours of operation a year. ● The model spreads fixed operating costs over those 1,840 hours. ● In Part 4, a separate hourly rate for hours over and above the base hours of 1,840 a year is provided. To avoid double counting of fixed costs, this rate only includes variable costs and a return for labour, based on an overtime labour rate.

The cost structure of the individual business will be significantly different if, for example:

- the age, current capital value (or both) of the vehicle is less or more than the above figures;
- other finance arrangements apply (for example, the vehicle is fully owned or is subject to a loan); or
- more or fewer hours are worked each year.

Because of these potential variations, great care should be taken in using the indicative figures set out in the cost model, as the costs of the individual business may vary significantly.

To assist owner drivers to calculate their own unique cost model, a blank column is included to calculate the business's own unique costs. This model can be downloaded as an Excel spreadsheet from www.irv.vic.gov.au The spreadsheet can be used to automatically calculate the effect of changes to cost items, for example, the effect on the business of a new vehicle purchase or the effect of increases in the price of fuel or interest rates. This will allow the owner driver to better plan their business.

Rate Structures

This model calculates the cost of running a typical owner driver business, described as an hourly rate, made up of fixed and variable costs and a payment for the owner driver's labour. The Schedule does not calculate or suggest any particular rate calculation or payment method.

Arrangements for payment for owner drivers in the transport industry vary enormously. They can be paid an hourly rate, a load rate, parcel rate, on the basis of tasks performed or even kilometres travelled. If an owner driver is paid on such an arrangement, the schedules set out below can be used as a base to calculate the cost to the business of travelling per kilometre, or delivering a particular load. Unions, industry associations or accountants and other professional advisers can assist in this task.

Part 1 Fixed Annual Costs – per year and per hour

Note: All costs are exclusive of GST

	Cost items Assumptions used in the example	Example: typical cost per year	Your costs: \$	variations in this cost item
Fixed Costs	Vehicle lease costs <ul style="list-style-type: none"> This model is based on a vehicle with a current capital value of \$49,650 (based on typical retail value of a 5 year old vehicle). Based on a lease arrangement over a 4 year term with a 25% residual, at 8.4% interest. 	\$12,035		Finance arrangements will vary widely depending on: <ul style="list-style-type: none"> if the arrangement is a lease or hire purchase, or purchase of the vehicle through a loan; or if the arrangement is a loan, then the purchase price, the amount borrowed and the loan terms will affect cash-flow, and depreciation needs to be allowed for.
	Registration, permits and TAC fees Based on vehicle registration fee of \$334 and TAC charge of \$525.74 which is net of GST. Assumes payment is made on an annual basis and TAC charge assumes that vehicle is garaged in a high risk area (eg metropolitan Melbourne).	\$860		These fees are current as at 1 July 2006 but may change. Additional licences may be payable for certain types of operations (eg interstate registration, oversize, port security permit, dangerous goods). Additional administration charges may apply to registration fees if they are paid in instalments. TAC charges will be lower if the vehicle is garaged in a medium or low risk area.
	Superannuation Self-funded, based on 9% of own base labour assumed at \$29,561.	\$2,660		
	Insurance <ul style="list-style-type: none"> Comprehensive Vehicle Based on rate of 3.15% per annum. Based on operator who is over the age of 25, has at least 5 years experience and no claims history. Assumes vehicle is not carrying dangerous goods. Assumes vehicle is travelling intrastate only. 	\$1,564		Rates may be higher for interstate trucks. Additional insurance charges may apply to certain kinds of goods carried (eg refrigerated goods or livestock). Comprehensive vehicle insurance costs may vary depending upon the age and value of the equipment insured, the insurance provider, the amount of any excess payable, the individual's claims history, the age and experience level of the driver and whether the vehicle is carrying dangerous goods.

<ul style="list-style-type: none"> ● Goods In Transit Based on sum insured \$50,000. Assumes vehicle is not carrying dangerous goods. 	\$400		The cost of goods in transit insurance may vary depending on the type of goods being transported.
<ul style="list-style-type: none"> ● Personal Sickness And Accident/Income Basic policy, based on 80% of income for 52 weeks, 30 day waiting period. Assumes driver is travelling intrastate only. Assumes driver has no pre-existing conditions. Maximum age limit of 60 years. 	\$450		The cost of personal income and accident insurance (also called income protection insurance) will vary depending on the individual's health history, the amount of income insured, the period of time after an accident before benefits are payable and the maximum period over which benefits are paid.
<ul style="list-style-type: none"> ● Public Liability Assumes policy for public liability claims up to \$10 million. 	\$405		
<ul style="list-style-type: none"> ● Workers' Compensation Assumed at the rate of 4.698% for the assumed labour rate of the business owner of \$29,561. Assumes vehicle is primarily travelling intrastate. 	\$1,389		The rate is current as at 18 August 2006 and is subject to change. The rate of workers' compensation may vary depending on whether the vehicle is travelling short or long distances and whether the vehicle is travelling interstate. The rate may also vary depending on the driver's claims history.

Business administration costs			
Includes maintenance of records, preparation of tax returns, mobile phone charges, and sundry business expenses.	\$2,500		<p>Accounting/bookkeeping fees may be lower if the business prepares its own BAS and accounts.</p> <p>Mobile phone charges will vary significantly depending on level of use.</p> <p>Other costs: Professional association fees, accommodation costs, parking fees, bank charges, and other costs should be allowed for where relevant.</p> <p>This example is based on a business that is already up and running, and does not take into account the costs of starting a business (eg registering a company).</p> <p>This figure may also vary depending on contractual conditions.</p>
TOTAL ANNUAL FIXED COSTS	\$22,263		
TOTAL HOURLY FIXED COSTS <i>Assuming 1,840 vehicle operation hours</i>	\$12.10		Assumes that the annual fixed costs of the business are spread over 1,840 vehicle operation hours per year.

Part 2 Variable Costs – per kilometre and per hour

Note: All costs are exclusive of GST

Variable Costs per kilometre	Cost Item and assumptions	<i>typical cost per km</i>	<i>your cost per km</i>	variations in this cost item	
	Assumes 35,000 kms travelled per year				
	Fuel Based on retail diesel fuel cost as of 1 November 2006 of 95 cents per litre which is net of GST and the diesel fuel rebate. Assumes 4.07 kms per litre consumed.	23.28 cents		Fuel is the single biggest variable cost and will significantly affect your business. Fuel costs will also vary depending on the age, features and condition of your vehicle.	
	Tyres Assumes cost of \$732 per tyre.	3.66 cents		Consumption of tyres will vary with the age of vehicle, off-road use, geographic and road conditions, braking frequency and driving techniques and the quality of the tyres used. Cost of tyres will also vary depending on the manufacturer, type of tyre and any discount arrangements.	
	Servicing, repairs and maintenance Based on rate of 8.21 cents per km.	8.21 cents		Repair and maintenance costs will vary significantly with the age and condition of the vehicle. Major repairs may be a one-off major cost in any given year. Significant savings can be made if the business does its own servicing and repairs.	
	TOTAL VARIABLE COSTS Per kilometre	35.15 cents			
	TOTAL VARIABLE COSTS Per driving hour Assuming 20 kms travelled per hour.	\$7.03		These rates are typical for city driving only. The number of kilometres travelled per hour will vary significantly depending on the routes travelled, whether the work is metropolitan or regional, how often the vehicle stops to load or unload and the nature of the work. Drivers who travel long distance or in the country will need to take this into account for their own calculations.	
<i>Note: Citylink tolls: Where directed to take a route using tolls you may incur an additional cost for road tolls.</i>					

Part 3 A payment for the owner driver's own labour

The next factor to include in a business cost model is an amount for the business owner's own work (labour) in driving the vehicle and in work such as loading and unloading and tasks necessary in running the business. This Part will provide information to assist owner drivers to determine the amount they can aim to receive as a payment for that labour.

Because an owner driver is a small business (not an employee) the hirer is not legally obliged to pay a minimum wage or rate of pay. However, the wages that are paid to employee drivers are a useful guide to the market for the labour services of driving a vehicle. Set out below are rates that would typically be paid for driving a vehicle if this work was performed by an employee rather than an owner driver.

These rates will vary over time, and should be used as a general guide only. Unions, industry associations, newspaper job advertisements and other drivers are a source of advice about the going rates in your industry sector.

Typical base and casual rates paid to employee drivers per hour

	base hourly rate (1)	casual/loaded Hourly Rate (2) <i>(includes allowance for leave etc)</i>	overtime rate (3) <i>For the first two hours over 8 per day or 38 hours per week</i>	overtime rate (3) <i>For hours worked over 10 per day or 48 per week</i>
Award hourly rates (4)	\$14.96	\$18.70	\$22.44	\$29.92
Range of rates typically paid in Victoria (5)	\$14.96 to \$17.50	\$18.70 to \$21.25	\$22.44 to \$25.50	\$29.92 to \$34.00

Notes:

- 1 **"Base rates"** are paid to full time employees, who typically also get four weeks paid annual leave, ten days paid personal/sick leave a year and shift and penalty rates (for example, an extra 50% loading for overtime or night work).
- 2 **"Casual rates"** include an additional 25% loading on the base rate. This is compensation for not receiving the paid holidays, personal/ sick leave or public holidays that employees enjoy.
- 3 **Overtime rates.** Employee drivers in Victoria would typically receive payment at overtime rates of hours worked in excess of 38 hours a week. Typically a 50% loading applies for the first two hours of overtime per day or up to 48 hours per week and then a 100% penalty for hours thereafter.
- 4 **Award hourly rates.** This row sets out the hourly wage for employed drivers, as set under the Transport Workers Award 1998 (Victorian common rule award) for drivers of an 8 Tonne GVM Rigid Vehicle. The hourly rates above are accurate as at 1 December 2006, but are varied from time to time by the Australian Fair Pay Commission. You can find information about the most recently published minimum employee rates by visiting www.wagenet.gov.au or contacting your association or union.
- 5 **The range of rates in Victoria.** This part of the table sets out the range of rates typically paid in Victoria to employee drivers in the transport industry. A range is supplied because the rate paid will vary depending on whether a company is party to a workplace agreement, the particular industry sector, the skill and efficiency of the particular driver and market factors such as whether there is a shortage of drivers in the area.

Part 4 Hourly totals**A Hourly total for hours up to 8 hours a day, 1,840 hours a year**

	TOTALS (PER DRIVING HOUR)	Typical costs	Your figures	NOTES
TOTALS	FIXED COSTS	\$12.10		Assuming fixed costs spread over 1,840 hours.
	VARIABLE COSTS	\$7.03		Assuming 20 kms travelled per hour.
	LABOUR	\$14.96		This worked example is based on a labour rate of \$14.96 per hour. <i>See discussion on rates for labour in Part 3 above.</i>
	TOTAL PER HOUR Up to 1,840 hours	\$34.09		Note that this is not a prescribed or recommended rate. Owner drivers are strongly recommended to consider their own circumstances and obtain advice.

B Total per hour – for hours in excess of 8 hours per day/ 1,840 hours a year

This model assumes that the owner driver will recover fixed annual costs over 1,840 driving hours a year. Many owner drivers work longer than these hours, either extra days each week or longer hours each day. This table calculates an hourly rate for those extra hours, using variable and labour costs only, and using an overtime rate of pay.

	TOTALS (PER DRIVING HOUR)	Typical costs	Your figures	NOTES
TOTALS	VARIABLE COSTS	\$7.03		Assuming 20 kms travelled per hour
	LABOUR Overtime rates	\$22.44		This worked example is based on nominal penalty labour rate of \$22.44 per hour. <i>See discussion on rates for labour in Part 3 above.</i>
	TOTAL PER HOUR	\$29.47		Note that this is not a prescribed or recommended rate. Owner drivers are strongly recommended to consider their own circumstances and obtain advice.

In addition to the figures above, owner drivers should where relevant include any amount that they seek as a return on their capital investment. This issue is dealt with in section 11 of the Owner Drivers and Forestry Contractors Code of Practice, available from www.irv.vic.gov.au

Note that this is not a prescribed or recommended rate. It is strongly recommended that owner drivers obtain advice on their own individual circumstances and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.

Owner Drivers and Forestry Contractors Act 2005

TRANSPORT INDUSTRY COUNCIL – RATES AND COSTS SCHEDULE

12 Tonne Rigid Vehicle (GVM) (3-axle)

This Schedule applies to owner drivers who supply a 12 Tonne Rigid Vehicle (3-axle) (12 tonne being the weight of the vehicle fully loaded) or similar vehicle.²

This Schedule is a general guide only. Owner drivers are strongly advised to seek independent professional accounting advice for their own situation and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.

Introduction

This Rates and Costs Schedule is published under section 14 of the **Owner Drivers and Forestry Contractors Act 2005** (Vic.) (the Act). Under the Act, this Schedule must be given by hirers to all owner drivers within 45 days of the Act commencing (that is, by 15 January 2007), and then to new owner drivers three days prior to engagement. This Schedule will be revised at least annually, and under section 18 of the Act, hirers are required to give owner drivers a copy of any such revised Schedule as soon as practicable after it is published.

The Schedule is intended to assist owner drivers and their hirers to better understand the typical operating costs of an owner driver business and to inform their negotiations.

The Schedule does not set minimum rates that must be paid.

The Schedule sets out a worked example of typical overhead costs for an owner driver supplying a 12 Tonne Rigid Vehicle. The worked example is based on certain assumptions about the business, for example that the vehicle is 8 years old, is in operation for 8 hours a day and uses a certain number of tyres. The aim of the schedule is to assist owner drivers to:

- better understand their business cost structures and how increases and decreases in different cost items affect overall profitability; and
- calculate their own unique cost model.

The Schedule is structured as follows:

Part 1	Fixed costs	Describes typical fixed (or annual) business costs. These are the costs that the business must pay each year regardless of how many kilometres the vehicle travels.
Part 2	Variable costs	Describes typical variable business costs. These are the costs (such as fuel and tyres) that vary with how many kilometres are travelled. These are calculated on an hourly basis.
Part 3	Payment for labour	Describes the range of rates that are typically paid to employee drivers for performing similar kinds of work, to assist the owner driver to determine what may be a reasonable payment for their own labour.
Part 4	Totals	This section allows the owner driver to prepare total hourly rates for ordinary hours (up to 1,840 a year) and excess hours.

The Schedule does not deal with the issue of return on investment, and this would need to be factored in where appropriate. The issue of return on investment is dealt with in section 11 of the Owner Drivers and Forestry Contractors Code of Practice.

1 Owner Driver is defined in the **Owner Drivers and Forestry Contractors Act 2005**. The definition is also affected by the Owner Drivers and Forestry Contractors Regulations 2006 made under the Act.

2 Rates and Costs Schedules have been published for a 1 tonne vehicle GVM, 4.5 tonne GVM, 8 tonne GVM, 12 tonne GVM (3-axle), Prime Mover (Bogie Drive) and Semi-Trailer (Bogie Drive, 6-axle). Hirers are required to provide owner drivers with the Schedule that most closely relates to the owner driver's vehicle.

Key assumptions

The model set out in Part 2 is based on certain assumptions about the vehicle used, hours of work and the type of business. The assumptions used that have the greatest impact on the figures given are:

Subject	Costing Assumptions
Vehicle and finance	<p>The fixed costs are based on:</p> <ul style="list-style-type: none"> ● A vehicle with a current capital value of \$64,814 (being the current average retail value of a 8 year old vehicle). ● A vehicle subject to a lease arrangement, over a 4 year term with a 25% residual, with interest at a comparison interest rate of 8.4% per annum. ● Note that if the business owns the vehicle outright, or has a loan, the cost structure will be different with depreciation as the relevant cost rather than lease payments. <p>All costs exclude GST.</p>
Driving hours per year Kilometres travelled	<ul style="list-style-type: none"> ● The calculation of the fixed costs assumes the vehicle is in operation for 8 driving hours per day for 230 working days a year. This equals 1,840 hours of operation a year. ● The model spreads fixed operating costs over those 1,840 hours. ● In Part 4, a separate hourly rate for hours over and above the base hours of 1,840 a year is provided. To avoid double counting of fixed costs, this rate only includes variable costs and a return for labour, based on an overtime labour rate.

The cost structure of the individual business will be significantly different if, for example:

- the age, current capital value (or both) of the vehicle is less or more than the above figures;
- other finance arrangements apply (for example, the vehicle is fully owned or is subject to a loan); or
- more or fewer hours are worked each year.

Because of these potential variations, great care should be taken in using the indicative figures set out in the cost model, as the costs of the individual business may vary significantly.

To assist owner drivers to calculate their own unique cost model, a blank column is included to calculate the business's own unique costs. This model can be downloaded as an Excel spreadsheet from www.irv.vic.gov.au The spreadsheet can be used to automatically calculate the effect of changes to cost items, for example the effect on the business of a new vehicle purchase or the effect of increases in the price of fuel or interest rates. This will allow the owner driver to better plan their business.

Rate Structures

This model calculates the cost of running a typical owner driver business, described as an hourly rate, made up of fixed and variable costs and a payment for the owner driver's labour. The Schedule does not calculate or suggest any particular rate calculation or payment method.

Arrangements for payment for owner drivers in the transport industry vary enormously. They can be paid an hourly rate, a load rate, parcel rate, on the basis of tasks performed or even kilometres travelled. If an owner driver is paid on such an arrangement, the schedules set out below can be used as a base to calculate the cost to the business of travelling per kilometre, or delivering a particular load. Unions, industry associations or accountants and other professional advisers can assist in this task.

Part 1 Fixed Annual Costs – per year and per hour

Note: All costs are exclusive of GST

	Cost items Assumptions used in the example	Example: typical cost per year	Your costs: \$	variations in this cost item
Fixed Costs	Vehicle lease costs <ul style="list-style-type: none"> This model is based on a vehicle with a current capital value of \$64,814 (based on typical retail value of an 8 year old vehicle). Based on a lease arrangement over a 4 year term with a 25% residual, at 8.4% interest. 	\$15,710		Finance arrangements will vary widely depending on: <ul style="list-style-type: none"> if the arrangement is a lease or hire purchase, or purchase of the vehicle through a loan. if the arrangement is a loan, then the purchase price, the amount borrowed and the loan terms will affect cash-flow, and depreciation needs to be allowed for.
	Registration, permits and TAC fees Based on vehicle registration fee of \$668 and TAC charge of \$525.74 which is net of GST Assumes payment is made on an annual basis and TAC charge assumes vehicle is garaged in a high risk area (eg metropolitan Melbourne).	\$1,194		These fees are current as at 1 July 2006 but may change. Additional licences may be payable for certain types of operations (eg interstate registration, oversize, port security permit, dangerous goods). Additional administration charges may apply to registration fees if they are paid in instalments. TAC charges may be lower if the vehicle is garaged in a medium or low risk area.
	Superannuation Self-funded, based on 9% of own base labour assumed at \$29,561.	\$2,660		
	Insurance			
	<ul style="list-style-type: none"> Comprehensive Vehicle Based on rate of 3.15% per annum. Based on operator who is over the age of 25, has at least 5 years experience and no claims history. Assumes vehicle is not carrying dangerous goods. Assumes vehicle is travelling intrastate only. 	\$2,042		Rates may be higher for interstate trucks. Additional insurance charges may apply to certain kinds of goods carried (eg refrigerated goods or livestock). Comprehensive vehicle insurance costs may vary depending upon the age and value of the equipment insured, the insurance provider, the amount of any excess payable, the individual's claims history, the age and experience level of the driver and whether the vehicle is carrying dangerous goods.

<ul style="list-style-type: none"> ● Goods in Transit Based on sum insured \$50,000. Assumed vehicle is not carrying dangerous goods. 	\$400		The cost of goods in transit insurance may vary depending on the type of goods being transported.
<ul style="list-style-type: none"> ● Personal Sickness and Accident/Income Basic policy, based on 80% of income for 52 weeks, 30 day waiting period. Assumes driver is travelling intrastate only. Assumes driver has no pre-existing conditions. Maximum age limit of 60 years. 	\$450		The cost of personal income and accident insurance (also called income protection insurance) will vary depending on the individual's health history, the amount of income insured, the period of time after an accident before benefits are payable and the maximum period over which benefits are paid.
<ul style="list-style-type: none"> ● Public Liability Assumes policy for public liability claims up to \$10 million. 	\$405		
<ul style="list-style-type: none"> ● Workers' Compensation Assumed at the rate of 4.698% for the assumed labour rate of the business owner of \$29,561. Assumes vehicle is primarily travelling intrastate. 	\$1,389		The rate is current as at 18 August 2006 and is subject to change. The rate of workers' compensation may vary depending on whether the vehicle is travelling short or long distances and whether the vehicle is travelling interstate. The rate may also vary depending on the driver's claims history.
<p>Business Administration Costs Includes maintenance of records, preparation of tax returns, mobile phone charges, and sundry business expenses.</p>	\$2,500		<p>Accounting/bookkeeping fees may be lower if the business prepares its own BAS and accounts. Mobile phone charges will vary significantly depending on level of use. Other costs: Professional association fees, accommodation costs, parking fees, bank charges, and other costs should be allowed for where relevant. This example is based on a business that is already up and running, and does not take into account the costs of starting a business (eg registering a company). This figure may also vary depending on contractual conditions.</p>
TOTAL ANNUAL FIXED COSTS	\$26,750		
TOTAL HOURLY FIXED COSTS <i>Assuming 1,840 vehicle operation hours</i>	\$14.54		Assumes that the annual fixed costs of the business are spread over 1,840 vehicle operation hours per year.

Part 2 Variable Costs – per kilometre and per hour

Note: All costs are exclusive of GST

	Cost Item and assumptions	<i>typical cost per km</i>	<i>your cost per km</i>	variations in this cost item
Variable Costs per kilometre	Assumes 35,000 kms travelled per year			
	Fuel Based on retail diesel fuel cost as of 1 November 2006 of 95 cents per litre which is net of GST and the diesel fuel rebate. Assumes 3.89 kms per litre consumed.	24.36 cents		Fuel is the single biggest variable cost and will significantly affect your business. Fuel costs will also vary depending on the age, features and condition of your vehicle.
	Tyres Assumes cost of \$853 per tyre.	3.6 cents		Consumption of tyres will vary with the age of vehicle, off-road use, geographic and road conditions, braking frequency and driving techniques and the quality of the tyres used. Cost of tyres will also vary depending on the manufacturer, type of tyre and any discount arrangements.
	Servicing, repairs and maintenance Based on rate of 15.14 cents per km.	15.14 cents		Repair and maintenance costs will vary significantly with the age and condition of the vehicle. Major repairs may be a one-off major cost in any given year. Significant savings can be made if the business does its own servicing and repairs.
	TOTAL VARIABLE COSTS Per kilometre	43.10 cents		
	TOTAL VARIABLE COSTS Per driving hour Assuming 18 kms travelled per hour	\$7.76		These rates are typical for city driving only. The number of kilometres travelled per hour will vary significantly depending on the routes travelled, whether the work is metropolitan or regional, how often the vehicle stops to load or unload and the nature of the work. Drivers who travel long distance or in the country will need to take this account for their own calculations.
	<i>Note: Citylink tolls: Where directed to take a route using tolls you may incur an additional cost for road tolls.</i>			

Part 3 A payment for the owner driver's own labour

The next factor to include in a business cost model is an amount for the business owner's own work (labour) in driving the vehicle and in work such as loading and unloading and tasks necessary in running the business. This Part will provide information to assist owner drivers to determine the amount they can aim to receive as a payment for that labour.

Because an owner driver is a small business (not an employee) the hirer is not legally obliged to pay a minimum wage or rate of pay. However, the wages that are paid to employee drivers are a useful guide to the market for the labour services of driving a vehicle. Set out below are rates that would typically be paid for driving a vehicle if this work was performed by an employee rather than an owner driver.

These rates will vary over time, and should be used as a general guide only. Unions, industry associations, newspaper job advertisements and other drivers are a source of advice about the going rates in your industry sector.

Typical base and casual rates paid to employee drivers per hour

	base hourly rate (1)	casual/loaded Hourly Rate (2) <i>(includes allowance for leave etc)</i>	overtime rate (3) <i>For the first two hours over 8 per day or 38 hours per week</i>	overtime rate (3) <i>For hours worked over 10 per day or 48 per week</i>
Award hourly rates (5)	\$14.96	\$18.70	\$22.44	\$29.92
Range of rates typically paid in Victoria (6)	\$14.96 to \$17.50	\$18.70 to \$21.25	\$22.44 to \$25.50	\$29.92 to \$34.00

Notes:

- 1 **"Base rates"** are paid to full time employees, who typically also get four weeks paid annual leave, ten days paid personal/sick leave a year and shift and penalty rates (for example, an extra 50% loading for overtime or night work).
- 2 **"Casual rates"** include an additional 25% loading on the base rate. This is compensation for not receiving the paid holidays, personal/ sick leave or public holidays that employees enjoy.
- 3 **Overtime rates.** Employee drivers in Victoria would typically receive payment at overtime rates of hours worked in excess of 38 hours a week. Typically a 50% loading applies for the first two hours of overtime per day or up to 48 hours per week and then a 100% penalty for hours thereafter.
- 4 **Award hourly rates.** This row sets out the hourly wage for employed drivers, as set under the Transport Workers Award 1998 (Victorian common rule award) for drivers of a 12 Tonne GVM Tray Vehicle. The hourly rates above are accurate as at 1 December 2006, but are varied from time to time by the Australian Fair Pay Commission. You can find information about the most recently published minimum employee rates by visiting www.wagenet.gov.au or contacting your association or union.
- 5 **The range of rates in Victoria.** This part of the table sets out the range of rates typically paid in Victoria to employee drivers in the transport industry. A range is supplied because the rate paid will vary depending on whether a company is party to a workplace agreement, the particular industry sector, the skill and efficiency of the particular driver and market factors such as whether there is a shortage of drivers in the area.

Part 4 Hourly totals**A Hourly total for hours up to 8 hours a day, 1,840 hours a year**

TOTALS	TOTALS (PER DRIVING HOUR)	Typical costs	Your figures	NOTES
	FIXED COSTS	\$14.54		Assuming fixed costs spread over 1,840 hours.
	VARIABLE COSTS	\$7.76		Assuming 18 kms travelled per hour.
	LABOUR	\$14.96		This worked example is based on a labour rate of \$14.96 per hour. <i>See discussion on rates for labour in Part 3 above.</i>
	TOTAL PER HOUR Up to 1,840 hours	\$37.26		Note that this is not a prescribed or recommended rate. Owner drivers are strongly recommended to consider their own circumstances and obtain advice.

B Total per hour - for hours in excess of 8 hours per day/ 1,840 hours a year

This model assumes that the owner driver will recover fixed annual costs over 1,840 driving hours a year. Many owner drivers work longer than these hours, either extra days each week or longer hours each day. This table calculates an hourly rate for those extra hours, using variable and labour costs only, and using an overtime rate of pay.

TOTALS	TOTALS (PER DRIVING HOUR)	Typical costs	Your figures	NOTES
	VARIABLE COSTS	\$7.76		Assuming 18 kms travelled per hour.
	LABOUR Overtime rates	\$22.44		This worked example is based on nominal penalty labour rate of \$22.44 per hour. <i>See discussion on rates for labour in Part 3 above.</i>
	TOTAL PER HOUR	\$30.20		Note that this is not a prescribed or recommended rate. Owner drivers are strongly recommended to consider their own circumstances and obtain advice.

In addition to the figures above, owner drivers should where relevant include any amount that they seek as a return on their capital investment. This issue is dealt with in section 11 of the Owner Drivers and Forestry Contractors Code of Practice, available from www.irv.vic.gov.au

Note that this is not a prescribed or recommended rate. It is strongly recommended that owner drivers obtain advice on their own individual circumstances and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.

Owner Drivers and Forestry Contractors Act 2005
TRANSPORT INDUSTRY COUNCIL – RATES AND COSTS SCHEDULE
 Prime Mover (Bogie Drive)
 This Schedule applies to owner drivers¹ who supply a Prime Mover
 (Bogie Drive) or similar vehicle.²

This Schedule is a general guide only. Owner drivers are strongly advised to seek independent professional accounting advice for their own situation and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.

Introduction

This Rates and Costs Schedule is published under section 14 of the **Owner Drivers and Forestry Contractors Act 2005** (Vic.) (the Act). Under the Act, this Schedule must be given by hirers to all owner drivers within 45 days of the Act commencing (that is, by 15 January 2007), and then to new owner drivers three days prior to engagement. This Schedule will be revised at least annually, and under section 18 of the Act, hirers are required to give owner drivers a copy of any such revised Schedule as soon as practicable after it is published.

The Schedule is intended to assist owner drivers and their hirers to better understand the typical operating costs of an owner driver business and to inform their negotiations.

The Schedule does not set minimum rates that must be paid.

The Schedule sets out a worked example of typical overhead costs for an owner driver supplying a Prime Mover (Bogie Drive). The worked example is based on certain assumptions about the business, for example, that the vehicle is 10 years old, is in operation for 8 hours a day and uses a certain number of tyres. The aim of the Schedule is to assist owner drivers to:

- better understand their business cost structures and how increases and decreases in different cost items affect overall profitability; and
- calculate their own unique cost model.

The Schedule is structured as follows:

Part 1	Fixed costs	Describes typical fixed (or annual) business costs. These are the costs that the business must pay each year regardless of how many kilometres the vehicle travels.
Part 2	Variable costs	Describes typical variable business costs. These are the costs (such as fuel and tyres) that vary with how many kilometres are travelled. These are calculated on an hourly basis.
Part 3	Payment for labour	Describes the range of rates that are typically paid to employee drivers for performing similar kinds of work, to assist the owner driver to determine what may be a reasonable payment for their own labour.
Part 4	Totals	This section allows the owner driver to prepare total hourly rates for ordinary hours (up to 1,840 a year) and excess hours.

The Schedule does not deal with the issue of return on investment, and this would need to be factored in where appropriate. The issue of return on investment is dealt with in section 11 of the Owner Drivers and Forestry Contractors Code of Practice.

¹ Owner Driver is defined in the **Owner Drivers and Forestry Contractors Act 2005**. The definition is also affected by the Owner Drivers and Forestry Contractors Regulations 2006 made under the Act.

² Rates and Costs Schedules have been published for a 1 tonne vehicle GVM, 4.5 tonne GVM, 8 tonne GVM, 12 tonne GVM (3-axle), Prime Mover (Bogie Drive) and Semi-Trailer (Bogie Drive, 6-axle). Hirers are required to provide owner drivers with the Schedule that most closely relates to the owner driver's vehicle.

Key assumptions

The model set out in Part 2 is based on certain assumptions about the vehicle used, hours of work and the type of business. The assumptions used that have the greatest impact on the figures given are:

Subject	Costing Assumptions
Vehicle and finance	The fixed costs are based on: <ul style="list-style-type: none"> ● A vehicle with a current capital value of \$82,475 (being the current average retail value of a 10 year old vehicle). ● A vehicle subject to a lease arrangement, over a 4 year term with a 25% residual, with interest at a comparison interest rate of 8.4% per annum. ● Note that if the business owns the vehicle outright, or has a loan, the cost structure will be different with depreciation as the relevant cost rather than lease payments. All costs exclude GST.
Driving hours per year Kilometres travelled	<ul style="list-style-type: none"> ● The calculation of the fixed costs assumes the vehicle is in operation for 8 driving hours per day for 230 working days a year. This equals 1,840 hours of operation a year. ● The model spreads fixed operating costs over those 1,840 hours. ● In Part 4, a separate hourly rate for hours over and above the base hours of 1,840 a year is provided. To avoid double counting of fixed costs, this rate only includes variable costs and a return for labour, based on an overtime labour rate.

The cost structure of the individual business will be significantly different if, for example:

- the age, current capital value (or both) of the vehicle is less or more than the above figures;
- other finance arrangements apply (for example, the vehicle is fully owned or is subject to a loan); or
- more or fewer hours are worked each year.

Because of these potential variations, great care should be taken in using the indicative figures set out in the cost model, as the costs of the individual business may vary significantly.

To assist owner drivers to calculate their own unique cost model, a blank column is included to calculate the business's own unique costs. This model can be downloaded as an Excel spreadsheet from www.irv.vic.gov.au The spreadsheet can be used to automatically calculate the effect of changes to cost items, for example, the effect on the business of a new vehicle purchase or the effect of increases in the price of fuel or interest rates. This will allow the owner driver to better plan their business.

Rate Structures

This model calculates the cost of running a typical owner driver business, described as an hourly rate, made up of fixed and variable costs and a payment for the owner driver's labour. The Schedule does not calculate or suggest any particular rate calculation or payment method.

Arrangements for payment for owner drivers in the transport industry vary enormously. They can be paid an hourly rate, a load rate, parcel rate, on the basis of tasks performed or even kilometres travelled. If an owner driver is paid on such an arrangement, the schedules set out below can be used as a base to calculate the cost to the business of travelling per kilometre, or delivering a particular load. Unions, industry associations or accountants and other professional advisers can assist in this task.

Part 1 Fixed Annual Costs – per year and per hour

Note: All costs are exclusive of GST

	Cost items Assumptions used in the example	Example: typical cost per year	Your costs: \$	variations in this cost item
Fixed Costs	Vehicle lease costs <ul style="list-style-type: none"> This model is based on a vehicle with a current capital value of \$82,475 (based on typical retail value of a 10 year old vehicle). Based on a lease arrangement over a 4 year term with a 25% residual, at 8.4% interest. 	\$19,991		Finance arrangements will vary widely depending on: <ul style="list-style-type: none"> if the arrangement is a lease or hire purchase, or purchase of the vehicle through a loan; or if the arrangement is a loan, then the purchase price, the amount borrowed and the loan terms will affect cash-flow, and depreciation needs to be allowed for.
	Registration, permits and TAC fees Based on vehicle registration fee of \$3,781 and TAC charge of \$1,455.11 which is net of GST. Assumes payment is made on an annual basis and TAC charge assumes that vehicle is garaged in a high risk area (eg. metropolitan Melbourne).	\$5,236		These fees are current as at 1 July 2006 but may change. Additional licences may be payable for certain types of operations (eg interstate registration, oversize, port security permit, dangerous goods). Additional administration charges may apply to registration fees if they are paid in instalments. TAC charges will be lower if the vehicle is garaged in a low or medium risk area.
	Superannuation Self-funded, based on 9% of own base labour assumed at \$30,964.	\$2,787		
	Insurance			
	<ul style="list-style-type: none"> Comprehensive Vehicle Based on rate of 3.15% per annum. Based on operator who is over the age of 25, has at least 5 years experience and no claims history. Assumes vehicle is not carrying dangerous goods. Assumes vehicle is travelling intrastate only. 	\$2,598		Rates may be higher for interstate trucks. Additional insurance charges may apply to certain kinds of goods carried (eg refrigerated goods or livestock). Comprehensive vehicle insurance costs may vary depending upon the age and value of the equipment insured, the insurance provider, the amount of any excess payable, the individual's claims history, the age and experience level of the driver and whether the vehicle is carrying dangerous goods.

<ul style="list-style-type: none"> ● Goods in Transit Based on sum insured \$50,000 Assumes vehicle is not carrying dangerous goods. 	\$500		The cost of goods in transit insurance may vary depending on the type of goods being transported.
<ul style="list-style-type: none"> ● Personal Sickness and Accident/Income Basic policy, based on 80% of income for 52 weeks, 30 day waiting period. Assumes driver is travelling intrastate only. Assumes driver has no pre-existing conditions. Maximum age limit of 60 years. 	\$450		The cost of personal income and accident insurance (also called income protection insurance) will vary depending on the individual's health history, the amount of income insured, the period of time after an accident before benefits are payable and the maximum period over which benefits are paid.
<ul style="list-style-type: none"> ● Public Liability Assumes policy for public liability claims up to \$10 million. 	\$405		
<ul style="list-style-type: none"> ● Workers' Compensation Assumed at the rate of 4.698% for the assumed labour rate of the business owner of \$30,964. Assumes vehicle is primarily travelling intrastate. 	\$1,455		The rate is current as at 18 August 2006 and is subject to change. The rate of workers' compensation may vary depending on whether the vehicle is travelling short or long distances and whether the vehicle is travelling interstate. The rate may also vary depending on the driver's claims history.
Business administration costs Includes maintenance of records, preparation of tax returns, mobile phone charges, and sundry business expenses.	\$2,500		Accounting/bookkeeping fees may be lower if the business prepares its own BAS and accounts. Mobile phone charges will vary significantly depending on level of use. Other costs: Professional association fees, accommodation costs, parking fees, bank charges, and other costs should be allowed for where relevant. This example is based on a business that is already up and running, and does not take into account the costs of starting a business (eg registering a company). This figure may also vary depending on contractual conditions.
TOTAL ANNUAL FIXED COSTS	\$35,922		
TOTAL HOURLY FIXED COSTS <i>Assuming 1,840 vehicle operation hours</i>	\$19.52		Assumes that the annual fixed costs of the business are spread over 1,840 vehicle operation hours per year.

Part 2 Variable Costs – per kilometre and per hour

Note: All costs are exclusive of GST

Variable Costs per kilometre	Cost Item and assumptions	<i>typical cost</i> CITY per km	<i>your cost</i> CITY per km	variations in this cost item
	Assumes 30,000 kms travelled per year			
	Fuel Based on retail diesel fuel cost as of 1 November 2006 of 95 cents per litre which is net of GST and the diesel fuel rebate. Assumes 1.59 kms per litre consumed.	59.59 cents		Fuel is the single biggest variable cost and will significantly affect your business. Fuel costs will also vary depending on the age, features and condition of your vehicle.
	Tyres Assumes cost of \$853 per tyre.	4.8 cents		Consumption of tyres will vary with the age of vehicle, off-road use, geographic and road conditions, braking frequency and driving techniques and the quality of the tyres used. Cost of tyres will also vary depending on the manufacturer, type of tyre and any discount arrangements.
	Servicing, repairs and maintenance Based on rate of 25.96 cents per km.	25.96 cents		Repair and maintenance costs will vary significantly with the age and condition of the vehicle. Major repairs may be a one-off major cost in any given year. Significant savings can be made if the business does its own servicing and repairs.
	TOTAL VARIABLE COSTS Per kilometre	90.30 cents		
	TOTAL VARIABLE COSTS Per driving hour Assuming 18 kms travelled per hour	\$16.25		These rates are typical for city driving only. The number of kilometres travelled per hour will vary significantly depending on the routes travelled, whether the work is metropolitan or regional, how often the vehicle stops to load or unload and the nature of the work. Drivers who travel long distance or in the country will need to take this account for their own calculations.
<i>Note: Citylink tolls: Where directed to take a route using tolls you may incur an additional cost for road tolls.</i>				

Part 3 A payment for the owner driver's own labour

The next factor to include in a business cost model is an amount for the business owner's own work (labour) in driving the vehicle and in work such as loading and unloading and tasks necessary in running the business. This Part will provide information to assist owner drivers to determine the amount they can aim to receive as a payment for that labour.

Because an owner driver is a small business (not an employee) the hirer is not legally obliged to pay a minimum wage or rate of pay. However, the wages that are paid to employee drivers are a useful guide to the market for the labour services of driving a vehicle. Set out below are rates that would typically be paid for driving a vehicle if this work was performed by an employee rather than an owner driver.

These rates will vary over time, and should be used as a general guide only. Unions, industry associations, newspaper job advertisements and other drivers are a source of advice about the going rates in your industry sector.

Typical base and casual rates paid to employee drivers per hour

	base hourly rate (1)	casual/loaded Hourly Rate (2) <i>(includes allowance for leave etc)</i>	overtime rate (3) <i>For the first two hours over 8 per day or 38 hours per week</i>	overtime rate (3) <i>For hours worked over 10 per day or 48 per week</i>
Award hourly rates (4)	\$15.67	\$19.59	\$23.51	\$31.34
Range of rates typically paid in Victoria (5)	\$15.67 to \$18.00	\$19.59 to \$21.25	\$23.51 to \$25.50	\$31.34 to \$34.00

Notes:

- 1 **"Base rates"** are paid to full time employees, who typically also get four weeks paid annual leave, ten days paid personal/sick leave a year and shift and penalty rates (for example, an extra 50% loading for overtime or night work).
- 2 **"Casual rates"** include an additional 25% loading on the base rate. This is compensation for not receiving the paid holidays, personal/ sick leave or public holidays that employees enjoy.
- 3 **Overtime rates.** Employee drivers in Victoria would typically receive payment at overtime rates of hours worked in excess of 38 hours a week. Typically a 50% loading applies for the first two hours of overtime per day or up to 48 hours per week and then a 100% penalty for hours thereafter.
- 4 **Award hourly rates.** This row sets out the hourly wage for employed drivers, as set under the Transport Workers Award 1998 (Victorian common rule award) for drivers of a Prime Mover (Bogie Drive). The hourly rates above are accurate as at 1 December 2006, but are varied from time to time by the Australian Fair Pay Commission. You can find information about the most recently published minimum employee rates by visiting www.wagenet.gov.au or contacting your association or union.
- 5 **The range of rates in Victoria.** This part of the table sets out the range of rates typically paid in Victoria to employee drivers in the transport industry. A range is supplied because the rate paid will vary depending on whether a company is party to a workplace agreement, the particular industry sector, the skill and efficiency of the particular driver and market factors such as whether there is a shortage of drivers in the area.

Part 4 Hourly totals**A Hourly total for hours up to 8 hours a day, 1,840 hours a year**

TOTALS	TOTALS (PER DRIVING HOUR)	Typical costs	Your figures	NOTES
	FIXED COSTS	\$19.52		Assuming fixed costs spread over 1,840 hours.
	VARIABLE COSTS	\$16.25		Assuming 18 kms travelled per hour.
	LABOUR	\$15.67		This worked example is based on a labour rate of \$15.67 per hour. <i>See discussion on rates for labour in Part 3 above.</i>
	TOTAL PER HOUR Up to 1,840 hours	\$51.45		Note that this is not a prescribed or recommended rate. Owner drivers are strongly recommended to consider their own circumstances and obtain advice.

B Total per hour – for hours in excess of 8 hours per day/ 1,840 hours a year

This model assumes that the owner driver will recover fixed annual costs over 1,840 driving hours a year. Many owner drivers work longer than these hours, either extra days each week or longer hours each day. This table calculates an hourly rate for those extra hours, using variable and labour costs only, and using an overtime rate of pay.

TOTALS	TOTALS (PER DRIVING HOUR)	Typical costs	Your figures	NOTES
	VARIABLE COSTS	\$16.25		Assuming 18 kms travelled per hour.
	LABOUR Overtime rates	\$23.51		This worked example is based on nominal penalty labour rate of \$23.51 per hour. <i>See discussion on rates for labour in Part 3 above.</i>
	TOTAL PER HOUR	\$39.76		

In addition to the figures above, owner drivers should where relevant include any amount that they seek as a return on their capital investment. This issue is dealt with in section 11 of the Owner Drivers and Forestry Contractors Code of Practice, available from www.irv.vic.gov.au

Note that this is not a prescribed or recommended rate. It is strongly recommended that owner drivers obtain advice on their own individual circumstances and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.

Owner Drivers and Forestry Contractors Act 2005
 TRANSPORT INDUSTRY COUNCIL – RATES AND COSTS SCHEDULE
 Semi-trailer (Bogie Drive, 6-axle)
 This Schedule applies to owner drivers¹ who supply a Semi-Trailer
 (Bogie Drive, 6-axle) or similar vehicle.²

This Schedule is a general guide only. Owner drivers are strongly advised to seek independent professional accounting advice for their own situation and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.

Introduction

This Rates and Costs Schedule is published under section 14 of the **Owner Drivers and Forestry Contractors Act 2005** (Vic.) (the Act). Under the Act, this Schedule must be given by hirers to all owner drivers within 45 days of the Act commencing (that is, by 15 January 2007), and then to new owner drivers three days prior to engagement. This Schedule will be revised at least annually, and under section 18 of the Act, hirers are required to give owner drivers a copy of any such revised Schedule as soon as practicable after it is published.

The Schedule is intended to assist owner drivers and their hirers to better understand the typical operating costs of an owner driver business and to inform their negotiations.

The Schedule does not set minimum rates that must be paid.

The Schedule sets out a worked example of typical overhead costs for an owner driver supplying a Semi-trailer with a Bogie Drive, 6-axle configuration. The worked example is based on certain assumptions about the business, for example, that the vehicle is 10 years old, is in operation for 8 hours a day and uses a certain number of tyres. The aim of the Schedule is to assist owner drivers to:

- better understand their business cost structures and how increases and decreases in different cost items affect overall profitability; and
- calculate their own unique cost model.

The Schedule is structured as follows:

Part 1	Fixed costs	Describes typical fixed (or annual) business costs. These are the costs that the business must pay each year regardless of how many kilometres the vehicle travels.
Part 2	Variable costs	Describes typical variable business costs. These are the costs (such as fuel and tyres) that vary with how many kilometres are travelled. These are calculated on an hourly basis.
Part 3	Payment for labour	Describes the range of rates that are typically paid to employee drivers for performing similar kinds of work, to assist the owner driver to determine what may be a reasonable payment for their own labour.
Part 4	Totals	This section allows the owner driver to prepare total hourly rates for ordinary hours (up to 1840 a year) and excess hours.

¹ Owner Driver is defined in the **Owner Drivers and Forestry Contractors Act 2005**. The definition is also affected by the Owner Drivers and Forestry Contractors Regulations 2006 made under the Act.

² Rates and Costs Schedules have been published for a 1 tonne vehicle GVM, 4.5 tonne GVM, 8 tonne GVM, 12 tonne GVM (3-axle), Prime Mover (Bogie Drive) and Semi-Trailer (Bogie Drive, 6-axle). Hirers are required to provide owner drivers with the Schedule that most closely relates to the owner driver's vehicle.

The Schedule does not deal with the issue of return on investment, and this would need to be factored in where appropriate. The issue of return on investment is dealt with in section 11 of the Owner Drivers and Forestry Contractors Code of Practice.

Key assumptions

The model set out in Part 2 is based on certain assumptions about the vehicle used, hours of work and the type of business. The assumptions used that have the greatest impact on the figures given are:

Subject	Costing Assumptions
Vehicle and finance	<p>The fixed costs are based on:</p> <ul style="list-style-type: none"> ● A vehicle with a current capital value of \$99,000 (being the current average retail value of a 10 year old vehicle). ● A vehicle subject to a lease arrangement, over a 4 year term with a 25% residual, with interest at a comparison interest rate of 8.4% per annum. ● Note that if the business owns the vehicle outright, or has a loan, the cost structure will be different with depreciation as the relevant cost rather than lease payments. <p>All costs exclude GST.</p>
Driving hours per year Kilometres travelled	<ul style="list-style-type: none"> ● The calculation of the fixed costs assumes the vehicle is in operation for 8 driving hours per day for 230 working days a year. This equals 1,840 hours of operation a year. ● The model spreads fixed operating costs over those 1,840 hours. ● In Part 4, a separate hourly rate for hours over and above the base hours of 1,840 a year is provided. To avoid double counting of fixed costs, this rate only includes variable costs and a return for labour, based on an overtime labour rate.

The cost structure of the individual business will be significantly different if, for example:

- the age, current capital value (or both) of the vehicle is less or more than the above figures;
- other finance arrangements apply (for example, the vehicle is fully owned or is subject to a loan); or
- more or fewer hours are worked each year.

Because of these potential variations, great care should be taken in using the indicative figures set out in the cost model, as the costs of the individual business may vary significantly.

To assist owner drivers to calculate their own unique cost model, a blank column is included to calculate the business's own unique costs. This model can be downloaded as an Excel spreadsheet from www.irv.vic.gov.au The spreadsheet can be used to automatically calculate the effect of changes to cost items, for example, the effect on the business of a new vehicle purchase or the effect of increases in the price of fuel or interest rates. This will allow the owner driver to better plan their business.

Rate Structures

This model calculates the cost of running a typical owner driver business, described as an hourly rate, made up of fixed and variable costs and a payment for the owner driver's labour. The Schedule does not calculate or suggest any particular rate calculation or payment method.

Arrangements for payment for owner drivers in the transport industry vary enormously. They can be paid an hourly rate, a load rate, parcel rate, on the basis of tasks performed or even kilometres travelled. If an owner driver is paid on such an arrangement, the schedules set out below can be used as a base to calculate the cost to the business of travelling per kilometre, or delivering a particular load. Unions, industry associations or accountants and other professional advisers can assist in this task.

Part 1 Fixed Annual Costs – per year and per hour

Note: All costs are exclusive of GST

	Cost items Assumptions used in the example	Example: typical cost per year	Your costs: \$	variations in this cost item
Fixed Costs	<p>Vehicle lease costs</p> <ul style="list-style-type: none"> This model is based on a vehicle with a current capital value of \$99,000 (based on typical retail value of a 10 year old vehicle). Based on a lease arrangement over a 4 year term with a 25% residual, at 8.4% interest. 	\$24,000		<p>Finance arrangements will vary widely depending on:</p> <ul style="list-style-type: none"> if the arrangement is a lease or hire purchase, or purchase of the vehicle through a loan; or if the arrangement is a loan, then the purchase price, the amount borrowed and the loan terms will affect cash-flow, and depreciation needs to be allowed for.
	<p>Registration, permits and TAC fees Based on vehicle registration fee of \$4,449. TAC charge of \$1,586 which is net of GST. Assumes payment is made on an annual basis and TAC charge assumes that vehicle is garaged in a high risk area (eg. metropolitan Melbourne). Assumes vehicle is not registered for interstate travel.</p>	\$5,904		<p>These fees are current as at 1 December 2006 but may change. Additional licences may be payable for certain types of operations (eg interstate registration, oversize, port security permit, dangerous goods). Additional administration charges may apply to registration fees if they are paid in instalments. TAC charges will be lower if the vehicle is garaged in a low or medium risk area.</p>
	<p>Superannuation Self-funded, based on 9% of own base labour assumed at \$30,964.</p>	\$2,787		

Insurance			
<ul style="list-style-type: none"> Comprehensive Vehicle Based on rate of 3.15% for the prime mover per annum. Based on operator who is over the age of 25, has at least 5 years experience and no claims history. Assumes vehicle is not carrying dangerous goods. Assumes vehicle is travelling intrastate only. 	\$3,119		Rates may be higher for interstate trucks. Additional insurances charges may apply to certain kinds of goods carried (eg refrigerated goods or livestock). Comprehensive vehicle insurance costs may vary depending upon the age and value of the equipment insured, the insurance provider, the amount of any excess payable, the individual's claims history, the age and experience level of the driver and whether the vehicle is carrying dangerous goods.
<ul style="list-style-type: none"> Goods In Transit Based on sum insured \$50,000. Assumed vehicle is not carrying dangerous goods. 	\$500		The cost of goods in transit insurance may vary depending on the type of goods being transported.
<ul style="list-style-type: none"> Personal Sickness and Accident/Income Basic policy, based on 80% of income for 52 weeks, 30 day waiting period. Assumes driver is travelling intrastate only. Assumes driver has no pre-existing conditions. Maximum age limit of 60 years. 	\$450		The cost of personal income and accident insurance (also called income protection insurance) will vary depending on the individual's health history, the amount of income insured, the period of time after an accident before benefits are payable and the maximum period over which benefits are paid.
<ul style="list-style-type: none"> Public Liability Assumes policy for public liability claims up to \$10 million. 	\$405		
<ul style="list-style-type: none"> Workers' Compensation Assumed at the rate of 4.698% for the assumed labour rate of the business owner of \$30,964. Assumes vehicle is primarily travelling intrastate. 	\$1,455		The rate is current as at 1 December 2006 and is subject to change. The rate of workers' compensation may vary depending on whether the vehicle is travelling short or long distances and whether the vehicle is travelling interstate. The rate may also vary depending on the driver's claims history.

Business administration costs			
Includes maintenance of records, preparation of tax returns, mobile phone charges, and sundry business expenses.	\$2,500		<p>Accounting/bookkeeping fees may be lower if the business prepares its own BAS and accounts.</p> <p>Mobile phone charges will vary significantly depending on level of use.</p> <p>Other costs: Professional association fees, accommodation costs, parking fees, bank charges, and other costs should be allowed for where relevant.</p> <p>This example is based on a business that is already up and running, and does not take into account the costs of starting a business (eg registering a company).</p> <p>This figure may vary depending on contractual conditions.</p>
TOTAL ANNUAL FIXED COSTS	\$41,119		
TOTAL HOURLY FIXED COSTS <i>Assuming 1,840 vehicle operation hours</i>	\$22.35		Assumes that the annual fixed costs of the business are spread over 1,840 vehicle operation hours per year.

Part 2 Variable Costs – per kilometre and per hour

Note: All costs are exclusive of GST

Variable Costs per kilometre	Cost items Assumptions used in the example	<i>Example: typical cost per year</i>	<i>Your costs per Km</i>	variations in this cost item
	Assumes 30,000 kms travelled per year			
	Fuel Based on retail diesel fuel cost as of 1 November 2006 of 95 cents per litre which is net of GST and the diesel fuel rebate. Assumes 1.59 kms per litre consumed.	59.59 cents		Fuel is the single biggest variable cost and will significantly affect your business. Fuel costs will also vary depending on the age, features and condition of your vehicle.
	Tyres Assumes cost of \$853 per tyre.	8.22 cents		Consumption of tyres will vary with the age of vehicle, off-road use, geographic and road conditions, braking frequency and driving techniques and the quality of the tyres used. Cost of tyres will also vary depending on the manufacturer, type of tyre and any discount arrangements.
	Servicing, repairs and maintenance Based on rate of 33.03 cents per km.	33.03 cents		Repair and maintenance costs will vary significantly with the age and condition of the vehicle. Major repairs may be a one-off major cost in any given year. Significant savings can be made if the business does its own servicing and repairs.
	TOTAL VARIABLE COSTS Per kilometre	\$1.01		
	TOTAL VARIABLE COSTS Per driving hour Assuming 18 kms travelled per hour	\$18.15		These rates are typical for city driving only. The number of kilometres travelled per hour will vary significantly depending on the routes travelled, whether the work is metropolitan or regional, how often the vehicle stops to load or unload and the nature of the work. Drivers who travel long distance or in the country will need to take this account for their own calculations.
<i>Note: Citylink tolls: Where directed to take a route using tolls you may incur an additional cost for road tolls.</i>				

Part 3 A payment for the owner driver's own labour

The next factor to include in a business cost model is an amount for the business owner's own work (labour) in driving the vehicle and in work such as loading and unloading and tasks necessary in running the business. This Part will provide information to assist owner drivers to determine the amount they can aim to receive as a payment for that labour.

Because an owner driver is a small business (not an employee) the hirer is not legally obliged to pay a minimum wage or rate of pay. However, the wages that are paid to employee drivers are a useful guide to the market for the labour services of driving a vehicle. Set out below are rates that would typically be paid for driving a vehicle if this work was performed by an employee rather than an owner driver.

These rates will vary over time, and should be used as a general guide only. Unions, industry associations, newspaper job advertisements and other drivers are a source of advice about the going rates in your industry sector.

Typical base and casual rates paid to employee drivers per hour

	base hourly rate (1)	casual/loaded Hourly Rate (2) <i>(includes allowance for leave etc)</i>	overtime rate (3) <i>For the first two hours over 8 per day or 38 hours per week</i>	overtime rate (3) <i>For hours worked over 10 per day or 48 per week</i>
Award hourly rates (4)	\$15.67	\$19.59	\$23.51	\$31.34
Range of rates typically paid in Victoria (5)	\$15.67 to \$18.00	\$19.59 to \$21.25	\$23.51 to \$25.50	\$31.34 to \$34.00

Notes:

- 1 **"Base rates"** are paid to full time employees, who typically also get four weeks paid annual leave, ten days paid personal/sick leave a year and shift and penalty rates (for example, an extra 50% loading for overtime or night work).
- 2 **"Casual rates"** include an additional 25% loading on the base rate. This is compensation for not receiving the paid holidays, personal/ sick leave or public holidays that employees enjoy.
- 3 **Overtime rates.** Employee drivers in Victoria would typically receive payment at overtime rates of hours worked in excess of 38 hours a week. Typically a 50% loading applies for the first two hours of overtime per day or up to 48 hours per week and then a 100% penalty for hours thereafter.
- 4 **Award hourly rates.** This row sets out the hourly wage for employed drivers, as set under the Transport Workers Award 1998 (Victorian common rule award) for drivers of a Semi-trailer. The hourly rates above are accurate as at 1 December 2006, but are varied from time to time by the Australian Fair Pay Commission. You can find information about the most recently published minimum employee rates by visiting www.wagenet.gov.au or contacting your association or union.
- 5 **The range of rates in Victoria.** This part of the table sets out the range of rates typically paid in Victoria to employee drivers in the transport industry. A range is supplied because the rate paid will vary depending on whether a company is party to a workplace agreement, the particular industry sector, the skill and efficiency of the particular driver and market factors such as whether there is a shortage of drivers in the area.

Part 4 Hourly totals**A Hourly total for hours up to 8 hours a day, 1,840 hours a year**

TOTALS	TOTALS (PER DRIVING HOUR)	Typical costs	Your figures	NOTES
	FIXED COSTS	\$22.35		Assuming fixed costs spread over 1840 hours.
	VARIABLE COSTS	\$18.15		Assuming 18 kms travelled per hour.
	LABOUR	\$15.67		This worked example is based on a labour rate of \$15.67 per hour. See discussion on rates for labour in Part 3 above.
	TOTAL PER HOUR Up to 1,840 hours	\$56.17		Note that this is not a prescribed or recommended rate. Owner drivers are strongly recommended to consider their own circumstances and obtain advice.

B Total per hour – for hours in excess of 8 hours per day/1,840 hours a year

This model assumes that the owner driver will recover fixed annual costs over 1,840 driving hours a year. Many owner drivers work longer than these hours, either extra days each week or longer hours each day. This table calculates an hourly rate for those extra hours, using variable and labour costs only, and using an overtime rate of pay.

TOTALS	TOTALS (PER DRIVING HOUR)	Typical costs	Your figures	NOTES
	VARIABLE COSTS	\$18.15		Assuming 18 kms travelled per hour.
	LABOUR Overtime rates	\$23.51		This worked example is based on nominal penalty labour rate of \$23.51 per hour. See discussion on rates for labour in Part 3 above.
	TOTAL PER HOUR	\$41.66		Note that this is not a prescribed or recommended rate. Owner drivers are strongly recommended to consider their own circumstances and obtain advice.

In addition to the figures above, owner drivers should where relevant include any amount that they seek as a return on their capital investment. This issue is dealt with in section 11 of the Owner Drivers and Forestry Contractors Code of Practice, available from www.irv.vic.gov.au

Note that this is not a prescribed or recommended rate. It is strongly recommended that owner drivers obtain advice on their own individual circumstances and discuss all issues with their hirer or potential hirer to ensure that there is no misunderstanding concerning payment structures.

Owner Drivers and Forestry Contractors Act 2005

FORESTRY INDUSTRY COUNCIL – RATES AND COSTS SCHEDULE

Harvesting – Native Forests

This Schedule is a general guide only. Contractors are strongly advised to seek professional accounting advice relevant to their own situation and discuss all issues with their hirer to ensure there is no misunderstanding concerning payment structures.

A Introduction – How to Use this Schedule

This Schedule applies to harvesting contractors harvesting forest products¹ in native forests.

This Rates and Costs Schedule (“Schedule”) is published under section 14 of the **Owner Drivers and Forestry Contractors Act 2005** (Vic.). Under the Act, this Schedule must be given by hirers to all harvesting contractors within 45 days of the Act commencing (that is, by 15 January 2007), and then to new harvesting contractors three days prior to engagement. This Schedule will be revised at least annually, and hirers must provide harvesting contractors with any such revised Schedule as soon as practicable after it is published.

The Schedule does not set minimum rates that must be paid, but sets out a costing model and example based on typical overhead costs to assist contractors and their hirers to better understand the typical operating costs of a harvesting business. The Schedule can then be used by contractors as a guide to plan their own unique costs.

The Schedule includes an explanation of the assumptions used and the factors that will cause costs to vary. The cost structure of the individual business will be significantly different if, for example:

- the age, current capital value (or both) of the equipment is less or more;
- other finance arrangements apply; or
- the length of the season, terrain, yield or contracted volume is different.

Because of these potential variations, great care should be taken in using the indicative figures set out in the Schedule, as the overhead cost structure of individual business may vary significantly. The Schedule is based on the following assumptions about the type of harvesting operation.

1 “Harvesting contractor” and “forest products” are defined in the **Owner Drivers and Forestry Contractors Act 2005**

Subject	Assumptions
Equipment mix and contract term	A mechanical harvesting operation using a harvester, 2 excavators, skidder, vehicles, dozer, mixture of old and new equipment, subject to a five year finance contract.
Finance	Based on \$735,000 of the total \$1.28 million of equipment costs being under finance, and assumes 5 years and 9% interest, \$0 residual.
Fuel	Based on retail diesel fuel cost (terminal gate price), net of tax rebates and net of GST of \$0.7649 per litre (as at 1 November 2006).
Hand falling	A mechanical harvester will generally require some hand falling in order to fully utilise a coupe. The example in this Schedule assumes that such hand falling is performed by an existing crew member.
Terrain and yield	<ul style="list-style-type: none"> ● flat to undulating terrain. ● a snigging distance up to 350 metres. ● a yield of 600–1,000 m³ of total product per hectare.
Volume	35,000 m ³ is harvested annually under a five year contract.
Wages	Assumes owner manager is employed by the business as manager/logging team leader on a salary of \$90,000 p.a., four person crew, paid at \$65,000 p.a. (plus on-costs).
Weeks per year	Harvesting can occur 46 weeks per year, and there is minimal time lost for wet weather, coupe shifts and protests.

B Operating Costs

Note: All costs are exclusive of GST

Cost items Assumptions used in the example		Example: typical cost per year	Your costs: \$	variations in this cost item
<p>1. Equipment – Harvester (new) Excavator 1 (new) Excavator 2 (3 years old) Skidder (2 years old) Vehicles Dozer (over 10 years old) Based on annual volume of 35,000 m³ under a five year contract.</p>	<p>\$ 550,000 250,000 120,000 200,000 100,000 60,000 total capital value \$1.28 million</p>	N/A		<ul style="list-style-type: none"> • This figure is based on a mechanical harvesting operation harvesting 35,000 m³ per year, using a mixture of new and older/ second hand equipment over a five year contract. A smaller operation will require a different equipment mix. • The operating costs of particular equipment will vary with the age and condition of the equipment. • The equipment mix will be different for a hand falling operation. The same crew will be required, but there will be no harvester. • Assumes support vehicle/s used exclusively for business use.
<p>2. Finance</p> <ul style="list-style-type: none"> • Hire purchase and loan repayments for equipment listed in item 1 above. • Based on \$735,000 of the total equipment costs of 1.28 million being financed with the balance being the owner's own funds invested, and assumes 5 year finance contract, 9% interest, \$0 residual. 		\$190,833		<ul style="list-style-type: none"> • Assumes interest is charged at 9% per annum. Interest rates may vary over time. • If a greater (or lesser) proportion of the capital investment is borrowed, finance cost will be higher (or lower) accordingly.
<p>3. Repairs and Maintenance</p> <ul style="list-style-type: none"> • Includes costs of parts and labour based on trade qualified fitter. 		\$50,000		<ul style="list-style-type: none"> • Based on a mixture of new and older equipment. Contractors with less reliable equipment may incur greater maintenance costs and may also experience delays or losses of production. • Major repairs may be treated as a depreciation expense and written off over several years. • Assume that basic machine oil and grease servicing carried out by crew.

<p>4. Labour</p> <ul style="list-style-type: none"> • Four person crew (owner manager plus three workers). Based on an annual base salary for machine operator of \$65,000 per year, inclusive of all leave, holidays and penalty rates. • Crew working a single shift, 2,000 engine hours per year, 45 engine hours per week = 60 hours on site per week inc. lunch breaks, working 235 days per year. In addition, on-costs of superannuation (9%) and Work Cover (at 8.6%) travel costs (inc. fuel and oil) are included. • Manager /logging team leader (LTL) employed at \$90,000 per year. 									<ul style="list-style-type: none"> • Labour costs are based on typical rates paid in the industry in 2006. Generally piece rates are paid of \$2 to \$2.50 per m³, or \$60–\$75,000 per year depending upon volume. • Labour costs may vary in particular regions or with trial arrangements. Employee costs may increase or decrease over time depending on market factors (eg a labour shortage). • Work Cover premium is assumed at the industry basic rate of 8.6%. Contractors may be subject to a significantly higher premium depending on their claims history. • Payment for the owner/manager’s labour will vary significantly based on market factors – see section D below. • Some crews employ an extra person, often in a training role to work on a landing manually preparing and grading logs, but not operating a machine.
	Wage	Super	W/Cover	Other on-costs					
	\$	9%	8.6%	\$					
worker 1	65,000	5,850	5,590	800					
worker 2	65,000	5,850	5,590	800					
worker 2	65,000	5,850	5,590	800					
LTL/manager	90,000	8,100	7,740	800					
TOTALS	<i>285,000</i>	<i>25,650</i>	<i>24,510</i>	<i>3,200</i>	\$338,360				
				\$338,360					

<p>5. Fuel and Lubricants</p> <ul style="list-style-type: none"> ● Based on consumption of 60,780 litres of fuel per year. ● Based on retail diesel fuel cost (terminal gate price), net of tax rebates and net of GST of \$0.7649 per litre (as at 1 November 2006). 	\$46,490		<ul style="list-style-type: none"> ● Rises and falls in the cost of fuel have an impact upon the costs of the business. ● Fuel consumption may vary significantly from 1.7 to 4.0 litres per m³ depending upon the equipment used, terrain, yield slope, soil type and product (see below).
<p>6. Floatwork</p> <ul style="list-style-type: none"> ● Assumes movement of four pieces of machinery between locations 6 times per annum at an average time of 3 hours each, at \$120 per hour. 	\$8,640		<ul style="list-style-type: none"> ● This cost may be higher or lower depending upon the number of locations. ● Additional float costs may be incurred if there is a need for further movements (e.g weather, protest action).
<p>7. Insurance</p> <ul style="list-style-type: none"> ● Comprehensive- vehicles and equipment (value \$1.28 million) (\$11,720). ● Loss of business earnings/loss of profits (\$7,600). ● Public liability (for \$10 million) (\$3,330). 	\$22,200		<ul style="list-style-type: none"> ● This cost is based on the typical insurance policies in place for the equipment above. ● Insurance costs may vary depending upon the age of the vehicle or equipment insured, the provider, any excess payable and claims history. ● In the case of loss of business earnings insurances, the cost will vary with the individual's age and health history, the amount of income insured and the period of benefits.
<p>8. Occupational Health and Safety</p> <ul style="list-style-type: none"> ● Maintenance of safety systems and training. ● Cost of personal protective equipment. (\$450 per worker per year). 	\$2,400		<ul style="list-style-type: none"> ● Changes to OHS regulations or improvement responses to external OHS System audits may increase costs.

<p>9. Administration</p> <ul style="list-style-type: none"> ● Management of business records (eg employee records, invoices, payments, invoices, banking) and other management/administration tasks (\$27,300 based on 21 hours per week at \$25/hr). ● Use of accountant/bookkeeper to prepare Business Activity Statements, tax and company returns and audits (\$4,000). 	\$31,300		<ul style="list-style-type: none"> ● Cost may vary depending on whether bookkeeping is outsourced or undertaken by the business and on the complexity of accounts. ● This example is based on a business that is already up and running, and does not take into account the costs of starting a business (eg registering a company).
<p>10. Other overheads</p> <ul style="list-style-type: none"> ● Bank charges (\$1,000) ● Telephone and power (\$6,250) ● Training, consultants, memberships (\$1,200) ● Office expenses (\$2,500) ● Sundries (\$13,300) 	\$24,250		<ul style="list-style-type: none"> ● Mobile phone charges will vary significantly depending on level of use and the service provider. ● Other costs: Accommodation and other costs should be allowed for where relevant. <p>Costs will vary with the size of the business (eg number of employees) and the service providers.</p>
TOTAL ANNUAL COSTS	\$714,473		
COST PER M³ (assuming on 35,000 m³)	\$20.41 per m ³		

C Factors Influencing Total Operating Costs

The costs of operating a particular native forest harvesting business are influenced by a number of factors:

Variable	Impact
Efficiency and productivity	<p>The Schedule is based on a typical harvesting business using reasonably up-to-date technical and business practices. However, the forestry industry is constantly evolving, and all participants in the supply chain must be looking for new harvesting and business methods to generate savings in overhead costs.</p> <p>Given the highly competitive nature of the timber industry, hirers expect harvesting contractors to work in cooperation with the hirer to continually improve their methods and achieve optimum planning and operations, and to generate shared cost savings and improved efficiency by adapting to new methods and technologies.</p>
Climate and Weather	<p>The number of days per year in which harvesting is able to occur will affect the contractor's operating costs. Where fewer days are worked, the contractor will generally have a reduced volume over which their fixed (annualised) costs can be spread, or need more or better equipment to harvest the same contracted volume over a shorter period.</p>
Yield	<p>This Schedule is based on a yield of 600–1,000 m³ total product per hectare. Lower yield can impact on cost by increasing fuel usage and slowing production. Differences in yield could lead to variations in total costs of between 5%–10%.</p>
Terrain: Distance to landings	<p>The costs in this Schedule have been based on flat to undulating terrain and a snigging distance up to 350 metres. Increased snigging distance will increase fuel usage and slow production and increase repair and maintenance costs. Differences in terrain and distance to landings could lead to variations in total costs of between 5%–10%.</p>
Terrain: Slope and soil type	<p>This may increase fuel usage and maintenance costs resulting in an overall increase in the operating costs of the machinery of up to 30% for a coupe that predominantly has slopes in excess of 20–25 degrees. More specialised equipment or operators may reduce cost increase for slope.</p>
Products to be harvested: Piece size and form	<p>Generally will be covered by taking into consideration coupe yield. Small trees can be very hard to bark and time consuming to handle, resulting in a significant drop in production, increased fuel, wage and repair costs. Large trees over 80cm diameter may not be able to be felled using mechanical harvesters and require hand falling.</p>

Guaranteed volume	This Schedule is based on a guaranteed contract volume of 35,000 m ³ a year and a typical equipment mix for that volume. Where a smaller volume is harvested, a different equipment and labour mix will be required, and different operating costs will result. Further, when considering the cost per cubic metre, there will be a lower volume over which to spread the business's fixed (annual costs). These factors will result in a different profit margin. In general terms, this means that the capital costs of investment in equipment can be spread over a higher volume, resulting in a lower per cubic metre operating cost.
Contract terms	If the contract term and base volume are secure, the contractor's fixed (annual) costs, including depreciation of plant and equipment, can be secured over the period of the contract. Shorter contract terms (less than the useful life of the equipment), or uncertain contract volumes, will involve a higher cost to harvest, as the fixed costs cannot be spread over the longer contract period/base volume. In addition, higher finance costs may result if the contract period/base volume is less secure.
Hand Falling	Costs for a crew operating with 100% hand falling will be significantly different. This kind of operation will have a reduced capacity (estimated at 20–25,000 m ³ for a 3 person crew and 30–35,000 m ³ for a 4 person crew) and will require a different equipment mix, thus incurring different finance, repairs, insurance and fuel costs.

D Payment for the Business Owner's Labour

This Schedule incorporates a salary of \$90,000 for the owner manager's work in managing the business and acting as logging team leader. However, the owner may take payment for their labour in the form of a wage, profits, trust distributions, dividends or a combination of these, depending on their accountant's advice.

However, the amount the owner/manager could expect to receive for their own labour will vary with the size and complexity of the harvesting operation, the expertise and performance of the manager, and may vary between regions. The return is also likely to vary over time with changes in market conditions and demand for the skills. Rates in Victoria in 2006 for a logging team leader vary between \$75,000 to \$95,000 plus on-costs. A highly experienced logging team leader/business manager could expect to earn up to \$120,000 per year plus on-costs.

The work of the owner/manager is assumed to include the following tasks:

- Supervising and training harvesting crews.
- Coordinating wood flows, including truck scheduling.
- Coupe planning, including roading, landing location and coupe boundary trails.
- Coupe rehabilitation.
- Liaising with forest grower/manager.
- Managing safety management system including hazard identification (daily), fatigue management, safe work systems, tool box meetings, coupe visitor compliance, coupe safety audits (operational and desk top) and documentation of all of the above.
- Fire management, fire fighting compliance.
- Managing the operation as per the forest coupe plan.
- Responding to protest action.
- Operate equipment.

E Return on the Contractor's Investment

Harvesting contractors can reasonably expect to receive an amount over and above their efficient operating costs and payment for their own labour, being a reward for their risk and investment, that is, a profit.

The amount that is a reasonable return on investment will vary widely in all the circumstances, and may vary over time as market conditions change. Factors that influence what is a reasonable return on investment include:

- a) the amount of the capital investment in the vehicle or equipment;
- b) the level of commercial risk assumed by the contractor;
- c) the security and certainty of the arrangements;
- d) whether the vehicle or equipment provided by the contractor can readily be used to provide services to other persons;
- e) whether the vehicle or equipment is also used for personal use;
- f) the efficiency and productivity of the contractor; and
- g) the market for the services.

Native forest harvesting businesses typically set a target for return on investment of between 10 and 15 per cent of their capital invested in the business (being the amount of the contractor's own funds invested, net of any debt to a lender).

The profit margin of a harvesting business has a significant impact upon the capacity of the contractor to obtain finance, to invest in plant and equipment and to cope financially with unexpected losses of production, for example, losses due to breakdowns, protests or weather events.

Owner Drivers and Forestry Contractors Act 2005
FORESTRY INDUSTRY COUNCIL – RATES AND COSTS SCHEDULE
Haulage – Single Shift Jinker – Native Forests

This Schedule is a general guide only. Contractors are strongly advised to seek professional accounting advice relevant to their own situation and discuss all issues with their hirer to ensure there is no misunderstanding concerning payment structures.

A Introduction – How to Use this Schedule

This Schedule applies to haulage contractors transporting forest products¹ sourced from native forests using a prime mover and jinker in a single shift (up to 12 hours per day) operation².

This Rates and Costs Schedule (“Schedule”) is published under section 14 of the **Owner Drivers and Forestry Contractors Act 2005** (Vic.). Under the Act, this Schedule must be given by hirers to any haulage contractor to whom it applies within 45 days of the Act commencing (that is, by 15 January 2007), and then to new haulage contractors three days prior to engagement. This Schedule will be revised at least annually, and hirers must provide haulage contractors with any such revised Schedule as soon as practicable after it is published.

The Schedule does not set minimum rates that must be paid, but sets out a costing model and example based on typical overhead costs to assist contractors and their hirers to better understand the typical operating costs of a haulage business. The Schedule can then be used by contractors as a guide to plan their own unique costs.

The Schedule includes an explanation of the assumptions used and the factors that will cause costs to vary. The costs of the individual business will be significantly different if, for example:

- the age, current capital value (or both) of the vehicle is less or more than the figures used;
- other finance arrangements apply (for example, the vehicle is fully owned or is subject to a loan);
- more or fewer hours are worked each year; or
- the length of the season, road conditions or distances travelled are different.

Because of these potential variations, great care should be taken in using the indicative figures set out in the Schedule, as the operating costs of individual business may vary significantly.

The Schedule is based on the following assumptions about the type of haulage operation.

1 “Haulage contractor” and “forest products” are defined in the **Owner Drivers and Forestry Contractors Act 2005**.

2 Hirers are required to provide haulage contractors with the Schedule that most closely relates to the vehicle and type of operation.

Subject	Assumptions
Hours and kilometres	Haulage occurs 46 weeks (230 days) per year, over one 12 hour shift per day (including loading and unloading times). Total hours worked per year – 2,760. Assumes 85,775 kilometres travelled per year.
Vehicle	Based on a bogie drive prime mover and tri-axle jinker subject to a lease arrangement, over a 5 year lease term with a 30% residual, with a comparison interest rate of 9% per year.
Terrain and road conditions	The costs in this Schedule have been based on the typical vehicle life, maintenance costs, wear and tear and tyre consumption of a vehicle travelling: <ul style="list-style-type: none"> ● a higher proportion of travel in short haul (<100km) than in long haul (>100km); and ● on both sealed and unsealed roads.
Wages	The Schedule assumes that the owner/ manager is employed by the business.
Fuel	Based on retail diesel fuel cost (terminal gate price), net of fuel tax rebate and net of GST of \$0.95 per litre (as at 1 November 2006). Assumes fuel consumption of 1.8 km per litre.

B Operating Costs

Note: All costs are exclusive of GST

Cost items Assumptions used in the example					<i>Example: typical cost per year</i>	<i>Your costs: \$</i>	variations in this cost item
1. Equipment – Truck (bogie drive) Jinker (tri-axle) Vehicle		Current Value \$250,000 \$100,000 \$40,000 total \$390,000					<ul style="list-style-type: none"> Assumes interest is charged at 9% per annum. Interest rates may vary over time. Note that if the business owns the vehicle outright, or has a loan, the cost structure will be different with depreciation as the relevant cost rather than lease payments. Assumes support vehicle is used exclusively for business use.
2. Finance <ul style="list-style-type: none"> Hire purchase and loan repayments for term of 5 years, interest of 9% p.a. and 30% residual value. 					\$81,856		
3. Labour <ul style="list-style-type: none"> Owner is employed by the business on a wage, all-inclusive of sick leave, annual leave, public holidays, penalty rates and long service leave. Superannuation (9%) and WorkCover premiums (industry average rate of 4.698%). Based on one 12 hour shift per day, 230 days per year (total 2,760 hours per year). 					\$74,838		<ul style="list-style-type: none"> Labour costs are based on market rates in the industry in 2006. Labour costs may vary in particular regions or with different industrial arrangements. Labour costs may increase or decrease over time. WorkCover premium is assumed at the industry rate of 4.698%. Contractors may be subject to a significantly higher premium based on their claims history. Assumes owner is employed by the business as driver/manager, at a salary of \$65,820 per year plus on-costs. The payment for the owner's labour will vary based on market factors – see the discussion in Section D below.
	Wage	Super	W/Cover	Total			
	\$	\$	\$	\$			
Driver	65,820	5,923	3,092	74,838			

<p>4. Repairs and Maintenance</p> <ul style="list-style-type: none"> Assumes annual tyre cost of \$11,900, based on annual travel of 85,775 km per year. Assumes \$42,000 for scheduled servicing, repairs and maintenance. 	\$53,900		<ul style="list-style-type: none"> Contractors with older or less reliable vehicles may incur greater maintenance costs and may also have periods of no income during repairs. The operating costs of a particular vehicle will vary with the age and condition of that vehicle.
<p>5. OHS/Fatigue Management</p> <ul style="list-style-type: none"> Maintenance of safety systems. Cost of personal protective equipment and clothing (\$450 per person per year). 	\$1,050		<ul style="list-style-type: none"> Changes to regulation or industry best practice may increase costs.
<p>6. Fuel and Lubricants</p> <ul style="list-style-type: none"> Based on retail diesel fuel cost (terminal gate price), net of fuel tax rebate and net of GST, of \$0.95 per litre (as at 1 November 2006). Based on consumption rate of 1.8km/litre, assumes average annual consumption of 47,650 litres to travel 85,775km (\$45,265) Lubricants at \$2,000/year. 	\$47,265		<ul style="list-style-type: none"> Rises and falls in the cost of fuel have an impact upon the costs of the business. Fuel consumption varies significantly depending on the vehicle's age and condition, the class / gradient of roads, and whether trips are short or long haul.

<p>7. Insurance</p> <p>a) Comprehensive, public liability, third party</p> <ul style="list-style-type: none"> ● Based on operator over the age of 25, has at least 5 years experience and no claims history. ● Public liability cover (up to \$10 million). <p>b) Insurance – loss of business earnings</p>	<p>\$6,450</p> <p>\$2,000</p>		<ul style="list-style-type: none"> ● Rates may be higher for interstate trucks. ● Vehicle insurance costs may vary depending upon the age of the vehicle insured, the provider, any excess payable and claims and claims history. ● The cost of loss of business earnings insurance will vary significantly with the individual's age and health history, the amount of income insured and the period of benefits.
<p>8. Registration, permits and TAC fees</p> <p>Vehicle registration fee of \$3,781 and TAC charge of \$875 (net of GST).</p> <p>Assumes annual payment, garaged in low risk area.</p>	<p>\$4,658</p>		<ul style="list-style-type: none"> ● These fees are current as at 1 December 2006 but may change. Additional licences may be payable for certain types operations (eg interstate, oversize). Additional administration of charges may apply to registration fees if they are paid in instalments. ● TAC charges will be higher if the vehicle is garaged in a medium or high risk area.
<p>9. Administration and sundries</p> <ul style="list-style-type: none"> ● 3 hours per week paid administration (\$60 per week, \$3,120 a year) ● Accountant is used for BAS, tax and company returns, audits (\$2,000) ● Phone charges (\$3,380) ● Bank charges (\$1,150) ● Home office expenses (\$700) ● Professional memberships, consultants and training (\$800) ● Sundry expenses (tools, yard rent etc) (\$500) 	<p>\$11,650</p>		<p>Accounting/bookkeeping fees may be lower if the business prepares its own BAS and accounts.</p> <p>Mobile phone charges will vary significantly depending on level of use and the service provider.</p> <p>Other costs: Accommodation and other costs should be allowed for where relevant.</p> <p>This example is based on a business that is already up and running, and does not take into account the costs of starting a business (eg registering a company, purchasing a computer).</p>
<p>TOTAL ANNUAL COST</p>	<p>\$283,667</p>		
<p>Cost per hour assuming 2,760 hours/year</p> <p>Cost per km assuming 85,775 km/year</p>	<p>\$102.78/hour</p> <p>\$3.30/km</p>		

D Factors Influencing the Total Operating Costs

The costs of operating a particular forestry haulage business are influenced by a number of factors:

Variable	Impact
Environment – Days per year	The number of days and total kilometres travelled per year in which haulage occurs will affect the contractor's operating costs. Fewer work days means that the business's fixed costs are spread over a shorter period, increasing the total cost per hour/kilometre of running the business. More work days per year allows the business's fixed costs to be spread over a longer period, decreasing the total cost per hour.
Terrain and road conditions	A higher proportion of low standard forest roads increases tyre costs and repairs to suspension systems, while a better standard of road will reduce these costs.
Contract term	If the contract term is secure, the contractor's fixed (annual) costs, including finance costs /depreciation, can be secured over the period of the contract and a better finance arrangement obtained. Shorter contract term (less than the useful life of the vehicle) may involve a higher cost, as the fixed/annualised costs cannot be spread over the longer contract period/ number of kilometres. In addition, higher finance costs may be incurred if the contract is less secure.

E Payment for the Business Owner's Labour

The Schedule assumes that the business uses a company structure and employs the owner of the business as a driver and pays a wage. However, the owner may take payment for their labour in the form of a wage, profits, trust distributions, dividends or a combination of these, depending on their accountant's advice.

The Schedule assumes the owner/manager drives the vehicle for one 12 hour shift per day (including loading and unloading time) at a base wage of \$65,820 year (plus superannuation and WorkCover).

The wages that are typically paid to employee drivers are a useful guide to the market for the labour services of driving a vehicle. Set out below are rates that would typically be paid for driving a vehicle if this work was performed by an employee rather than a contractor. These rates will vary over time, and should be used as a general guide only. Unions, industry associations, newspaper job advertisements and other haulage contractors are sources of advice about the going rates in your area.

In the general freight industry, employee drivers are generally paid a per hour rate, usually based on an industrial award or agreement. The base and casual hourly rates paid in the general transport industry under the Transport Workers Award 1998 (Victorian common rule award) are set out in the table below. Typically in Victoria, employers pay up to 15% higher than the minimum award rate for an experienced driver.

	base rate per hour (1)	casual hourly rate (2) <i>(includes all payments for leave, public holidays etc)</i>	overtime rate etc) (3) <i>For the first 2 hours over 8 per day or 38 hours per week</i>	overtime rate (3) <i>For hours worked over 10 per day or 48 hours per week</i>
Award hourly rates (4)	\$15.67	\$19.59	\$23.51	\$31.34

Notes:

- 1 **“Base rates”** are paid to full time employees, who typically also get four weeks paid annual leave, ten days paid personal/sick leave a year and shift and penalty rates (for example, an extra 50% loading for overtime or night work).
- 2 **“Casual rates”** include an additional 25% loading on the base rate. This is compensation for not receiving the paid holidays, personal/ sick leave or public holidays that employees enjoy.
- 3 **“Overtime rates”** are generally paid for hours worked in excess of 38 hours a week. Typically a 50% loading applies for the first two hours of overtime per day or up to 48 hours per week and then a 100% penalty for hours thereafter.
- 4 **“Award hourly rates”**. These rates apply under the Transport Workers Award 1998 (Victorian common rule award) for drivers of a Prime Mover (Bogie Drive). The hourly rates above are accurate as at 1 December 2006, but are varied from time to time by the Australian Fair Pay Commission. You can find information about the most recently published minimum employee rates by visiting www.wagenet.gov.au or contacting your association or union.

In the Victorian native forestry industry, employee drivers are generally paid on the basis of piece rate based on 20 to 22% of truck earnings, rather than on an hourly rate. As at December 2006, rates paid to employee drivers in the forestry industry generally range between \$55,000 to \$65,000 per year, inclusive of all annual leave, sick leave and public holidays. This works out as an hourly flat rate of between \$20 to \$24 per hour (for a 12 hour shift, 46 weeks per year, 2,760 hours).

F Return on the Contractor’s Investment

Haulage contractors can reasonably expect to receive an amount over and above their efficient operating costs and their own labour as a reward for their risk and investment. The amount that is a reasonable return on investment will vary widely in all the circumstances, and may vary over time as market conditions change. Factors that influence what is a reasonable return on investment include:

- a) the amount of the capital investment in the vehicle or equipment;
- b) the level of commercial risk assumed by the contractor;
- c) the security and certainty of the arrangements;
- d) whether the vehicle or equipment provided by the contractor can readily be used to provide services to other persons;
- e) whether the vehicle or equipment is also used for personal use;
- f) the efficiency and productivity of the contractor; and
- g) the market for the services.

Forestry haulage businesses (native forests) typically set a target for return on investment of between 10 and 15 per cent of their total capital investment in the business (being the amount of the contractor’s own funds invested, net of any debt to a lender).

The profit margin of a haulage business has a significant impact upon the capacity of the contractor to obtain finance and to invest in vehicles and equipment and to cope with unexpected losses of production, for example, losses due to protests or weather events.

Owner Drivers and Forestry Contractors Act 2005
FORESTRY INDUSTRY COUNCIL – RATES AND COSTS SCHEDULE
 Haulage – Double shift Jinker – Native Forests

This Schedule is a general guide only. Contractors are strongly advised to seek professional accounting advice relevant to their own situation and discuss all issues with their hirer to ensure there is no misunderstanding concerning payment structures

A Introduction – How to Use this Schedule

This Schedule applies to haulage contractors transporting forest products¹ sourced from native forests using a prime mover and jinker in a double shift (between 12 and 24 hours per day) operation.²

This Rates and Costs Schedule (“Schedule”) is published under section 14 of the **Owner Drivers and Forestry Contractors Act 2005** (Vic.). Under the Act, this Schedule must be given by hirers to any haulage contractor to whom it applies within 45 days of the Act commencing (that is, by 15 January 2007), and then to new haulage contractors three days prior to engagement. This Schedule will be revised at least annually, and hirers must provide haulage contractors with any such revised Schedule as soon as practicable after it is published.

The Schedule does not set minimum rates that must be paid, but sets out a costing model and example based on typical overhead costs to assist contractors and their hirers to better understand the typical operating costs of a haulage business. The Schedule can then be used by contractors as a guide to plan their own unique costs.

The Schedule includes an explanation of the assumptions used and the factors that will cause costs to vary. The costs of the individual business will be significantly different if, for example:

- the age, current capital value (or both) of the vehicle is less or more than the figures used;
- other finance arrangements apply (for example, the vehicle is fully owned or is subject to a loan);
- more or fewer hours are worked each year; or
- the length of the season, road conditions or distances travelled are different.

Because of these potential variations, great care should be taken in using the indicative figures set out in the Schedule, as the operating costs of individual business may vary significantly.

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1. “Haulage contractor” and “forest products” are defined in the **Owner Drivers and Forestry Contractors Act 2005**.
 2. Hirers are required to provide haulage contractors with the Schedule that most closely relates to the vehicle and type of operation.

The Schedule is based on the following assumptions about the type of haulage operation.

Subject	Assumptions
Hours and kilometres	<p>Haulage occurs 46 weeks (230 days) per year, over two 12 hour shifts per day (including loading and unloading times). Total hours per year– 5,520.</p> <p>Assumes 210,000 kilometres travelled per year.</p>
Vehicle	<p>Based on a bogie drive prime mover and tri-axle jinker subject to a lease arrangement, over a 4 year lease term with a 30% residual, with a comparison interest rate of 9% per annum.</p>
Terrain and road conditions	<p>The costs in this Schedule have been based on the typical vehicle life, maintenance costs, wear and tear and tyre consumption of a vehicle travelling:</p> <ul style="list-style-type: none"> ● a higher proportion of travel in long haul (>100km) than in short haul (<100km); and ● on both sealed and unsealed roads.
Wages	<p>The Schedule assumes that the owner/manager is employed by the business.</p>
Fuel	<p>Based on retail diesel fuel cost (terminal gate price), net of fuel tax rebate and net of GST of \$0.95 per litre (as at 1 November 2006). Assumes fuel consumption of 1.8 km per litre.</p>

B Operating Costs

Note: All costs are exclusive of GST

Cost items Assumptions used in the example					<i>Example: typical cost per year</i>	<i>Your costs: \$</i>	variations in this cost item
1. Equipment – Truck (bogie drive) Jinker (tri-axle) Vehicle		Current Value \$250,000 \$100,000 \$40,000 total \$390,000					<ul style="list-style-type: none"> Assumes interest is charged at 9% per annum. Interest rates may vary over time. Note that if the business owns the vehicle outright, or has a loan, the cost structure will be different with depreciation as the relevant cost rather than lease payments. Assumes support vehicle is used exclusively for business use.
2. Finance <ul style="list-style-type: none"> Hire purchase and loan repayments for term of 4 years, interest of 9% p.a. and 30% residual value. 							
3. Labour <ul style="list-style-type: none"> Owner driver is employed by the business plus an additional night-shift driver. Figures are all-inclusive of sick leave, annual leave, public holidays, penalty rates and long service leave. Superannuation (9%) and WorkCover premiums (industry average rate of 4.698%). Based on two 12 hour shifts per day, 230 days per year (total 5,200 hours per year). 							<ul style="list-style-type: none"> Labour costs are based on market rates in the industry in 2006. Labour costs may vary in particular regions or with different industrial arrangements. Labour costs may increase or decrease over time. WorkCover premium is assumed at the industry rate of 4.698%. Contractors may be subject to a significantly higher premium based on their claims history. Assumes owner is employed by the business as driver/manager, at a salary of \$65,820 per year plus on-costs. The payment for the owner's labour will vary based on market factors – see the discussion in Section D below.
Driver	Wage \$	Super \$	W/Cover \$	Total \$			
1	65,820	5,923	3,092	74,838			
2	65,820	5,923	3,092	74,838			
					\$149,676		

<p>4. Repairs and Maintenance</p> <ul style="list-style-type: none"> Assumes annual tyre cost of \$29,870, based on annual travel of 210,000 km per year. Assumes \$59,850 for scheduled servicing, repairs and maintenance 	\$89,450		<ul style="list-style-type: none"> Contractors with older or less reliable vehicles may incur greater maintenance costs and may also have periods of no income during repairs. The operating costs of a particular vehicle will vary with the age and condition of that vehicle.
<p>5. OHS/Fatigue Management</p> <ul style="list-style-type: none"> Maintenance of safety systems. Cost of personal protective equipment and clothing (\$450 per person per year). 	\$1,500		<ul style="list-style-type: none"> Changes to regulation or industry best practice may increase costs.
<p>6. Fuel and Lubricants</p> <ul style="list-style-type: none"> Based on retail diesel fuel cost (terminal gate price), net of fuel tax rebate and net of GST, of \$0.95 per litre (as at 1 November 2006). Based on consumption rate of 1.8km/litre, assumes average annual consumption of 124,440 litres to travel 210,000 km (cost \$118,220). Lubricants at \$3,500/year. 	\$123,120		<ul style="list-style-type: none"> Rises and falls in the cost of fuel have an impact upon the costs of the business. Fuel consumption varies significantly depending on the vehicle's age and condition, the class/gradient of roads, and whether trips are short or long haul.
<p>7. Insurance</p> <p>a) Comprehensive, public liability, third party</p> <ul style="list-style-type: none"> Based on operator over the age of 25, has at least 5 years experience and no claims history. Public liability cover (up to \$10 million) <p>b) Insurance – loss of business earnings</p>	\$6,450	\$3,410	<ul style="list-style-type: none"> Rates may be higher for interstate trucks. Vehicle insurance costs may vary depending upon the age of the vehicle insured, the provider, any excess payable and claims and claims history. The cost of loss of business earnings insurance will vary significantly with the individual's age and health history, the amount of income insured and the period of benefits.

<p>8. Registration, permits and TAC fees Vehicle registration fee of \$3,781 and TAC charge of \$875 (net of GST). Assumes annual payment, garaged in low risk area.</p>	\$4,658		<ul style="list-style-type: none"> ● These fees are current as at 1 December 2006 but may change. Additional licences may be payable for certain types operations (eg interstate, oversize). Additional administration charges of may apply to registration fees if they are paid in instalments. ● TAC charges will be higher if the vehicle is garaged in a medium or high risk area.
<p>9. Administration and sundries</p> <ul style="list-style-type: none"> ● 6 hours per week paid administration (\$120 per week, \$6,240 a year) ● Accountant is used for BAS, tax and company returns, audits (\$2,000) ● Phone charges (\$8,800) ● Bank charges (\$1,150) ● Home office expenses (\$700) ● Professional memberships, consultants and training (\$800) ● Sundry expenses (tools, yard rent etc) (\$500) 	\$17,190		<p>Accounting/bookkeeping fees may be lower if the business prepares its own BAS and accounts. Mobile phone charges will vary significantly depending on level of use and the service provider. Other costs: Accommodation and other costs should be allowed for where relevant. This example is based on a business that is already up and running, and does not take into account the costs of starting a business (eg registering a company, purchasing a computer).</p>
TOTAL ANNUAL COST	\$491,401		
<p>Cost per hour assuming 5,520 hours /year Cost per km assuming 210,000 km/year</p>	<p>\$89.02/hour \$2.34/km</p>		

D Factors Influencing the Total Operating Costs

The costs of operating a particular forestry haulage business are influenced by a number of factors:

Variable	Impact
Environment – Days per year	The number of days and total kilometres travelled per year will affect the contractor's operating costs. Fewer work days means that the business's fixed costs are spread over a shorter period, increasing the total cost per hour/kilometre of running the business. More work days per year allows the business's fixed costs to be spread over a longer period, decreasing the total cost per hour.
Terrain and road conditions	A higher proportion of low standard forest roads increases tyre costs and repairs to suspension systems, while a better standard of road will reduce these costs.
Contract term	If the contract term is secure, the contractor's fixed (annual) costs, including finance costs /depreciation, can be secured over the period of the contract and a better finance arrangement obtained. Shorter contract term (less than the useful life of the vehicle) may involve a higher cost, as the fixed/annualised costs cannot be spread over the longer contract period/ number of kilometres. In addition, higher finance costs may be incurred if the contract is less secure.

E Payment for the Business Owner's Labour

The Schedule assumes that the business uses a company structure and employs the owner of the business as a driver, and pays a wage. However, the owner may take payment for their labour in the form of a wage, profits, trust distributions, dividends or a combination of these, depending on their accountant's advice.

The Schedule assumes the owner /manager drives the vehicle for one 12 hour shift per day, with an employee driver working a second 12 hour shift, with both drivers paid a base wage of \$65,820 year (plus superannuation and WorkCover).

The wages that are typically paid to employee drivers are a useful guide to the market for the labour services of driving a vehicle. Set out below are rates that would typically be paid for driving a vehicle if this work was performed by an employee rather than a contractor. These rates will vary over time, and should be used as a general guide only. Unions, industry associations, newspaper job advertisements and other haulage contractors are sources of advice about the going rates in your area.

In the general freight industry, employee drivers are generally paid a per hour rate, usually based on an industrial award or agreement. The base and casual hourly rates paid in the general transport industry under the Transport Workers Award 1998 (Victorian common rule award) are set out in the table below. Typically in Victoria, employers pay up to 15% higher than the minimum award rate for an experienced driver.

	base rate per hour (1)	casual hourly rate (2) <i>(includes all payments for leave, public holidays etc)</i>	overtime rate (3) <i>For the first 2 hours over 8 per day or 38 hours per week</i>	overtime rate (3) <i>For hours worked over 10 per day or 48 hours per week</i>
Award hourly rates (4)	\$15.67	\$19.59	\$23.51	\$31.34

Notes:

- 1 **“Base rates”** are paid to full time employees, who typically also get four weeks paid annual leave, ten days paid personal/sick leave a year and shift and penalty rates (for example, an extra 50% loading for overtime or night work).
- 2 **“Casual rates”** include an additional 25% loading on the base rate. This is compensation for not receiving the paid holidays, personal/ sick leave or public holidays that employees enjoy.
- 3 **“Overtime rates”** are generally paid for hours worked in excess of 38 hours a week. Typically a 50% loading applies for the first two hours of overtime per day or up to 48 hours per week and then a 100% penalty for hours thereafter.
- 4 **“Award hourly rates”**. These rates apply under the Transport Workers Award 1998 (Victorian common rule award) for drivers of a Prime Mover (Bogie Drive). The hourly rates above are accurate as at 1 December 2006, but are varied from time to time by the Australian Fair Pay Commission. You can find information about the most recently published minimum employee rates by visiting www.wagenet.gov.au or contacting your association or union.

In the Victorian native forestry industry, employee drivers are generally paid on the basis of piece rate based on 20 to 22% of truck earnings, rather than on an hourly rate. As at December 2006, rates paid to employee drivers in the forestry industry generally range between \$55,000 to \$65,000 per year, inclusive of all annual leave, sick leave and public holidays. This works out as an hourly flat rate of between \$20 to \$24 per hour (for a 12 hour shift, 46 weeks per year, 2,760 hours per driver).

F Return on the Contractor’s Investment

Haulage contractors can reasonably expect to receive an amount over and above their efficient operating costs and their own labour as a reward for their risk and investment. The amount that is a reasonable return on investment will vary widely in all the circumstances, and may vary over time as market conditions change. Factors that influence what is a reasonable return on investment include:

- a) the amount of the capital investment in the vehicle or equipment;
- b) the level of commercial risk assumed by the contractor;
- c) the security and certainty of the arrangements;
- d) whether the vehicle or equipment provided by the contractor can readily be used to provide services to other persons;
- e) whether the vehicle or equipment is also used for personal use;
- f) the efficiency and productivity of the contractor; and
- g) the market for the services.

Forestry haulage businesses (native forests) typically set a target for return on investment of between 10 and 15 per cent of their total capital investment in the business (being the amount of the contractor’s own funds invested, net of any debt to a lender).

The profit margin of a haulage business has a significant impact upon the capacity of the contractor to obtain finance and to invest in vehicles and equipment and to cope with unexpected losses of production, for example, losses due to protests or weather events.

Owner Drivers and Forestry Contractors Act 2005
FORESTRY INDUSTRY COUNCIL – RATES AND COSTS SCHEDULE
Haulage – Double Shift Quad Dog – Native Forests

This Schedule is a general guide only. Contractors are strongly advised to seek professional accounting advice relevant to their own situation and discuss all issues with their hirer to ensure there is no misunderstanding concerning payment structures

A Introduction – How to Use this Schedule

This Schedule applies to haulage contractors transporting forest products¹ sourced from native forests using a prime mover and quad dog in a double shift (between 12 and 24 hours per day) operation.²

This Rates and Costs Schedule (“Schedule”) is published under section 14 of the **Owner Drivers and Forestry Contractors Act 2005** (Vic.). Under the Act, this Schedule must be given by hirers to any haulage contractor to whom it applies within 45 days of the Act commencing (that is, by 15 January 2007), and then to new haulage contractors three days prior to engagement. This Schedule will be revised at least annually, and hirers must provide haulage contractors with any such revised Schedule as soon as practicable after it is published.

The Schedule does not set minimum rates that must be paid, but sets out a costing model and example based on typical overhead costs to assist contractors and their hirers to better understand the typical operating costs of a haulage business. The Schedule can then be used by contractors as a guide to plan their own unique costs.

The Schedule includes an explanation of the assumptions used and the factors that will cause costs to vary. The costs of the individual business will be significantly different if, for example:

- the age, current capital value (or both) of the vehicle is less or more than the figures used;
- other finance arrangements apply (for example, the vehicle is fully owned or is subject to a loan);
- more or fewer hours are worked each year; or
- the length of the season, road conditions or distances travelled are different.

Because of these potential variations, great care should be taken in using the indicative figures set out in the Schedule, as the operating costs of individual business may vary significantly.

1 “Haulage contractor” and “forest products” are defined in the **Owner Drivers and Forestry Contractors Act 2005**.

2 Hirers are required to provide haulage contractors with the Schedule that most closely relates to the vehicle and type of operation.

The Schedule is based on the following assumptions about the type of haulage operation.

Subject	Assumptions
Hours and kilometres	Haulage occurs 46 weeks (230 days) per year, over two 12 hour shifts per day (including loading and unloading times). Total hours per year – 5,520. Assumes 210,000 kilometres travelled per year.
Vehicle	Based on a bogie drive prime mover and four-axle quad dog subject to a lease arrangement, over a 4 year lease term with a 30 % residual, with a comparison interest rate of 9% per year.
Terrain and road conditions	The costs in this Schedule have been based on the typical vehicle life, maintenance costs, wear and tear and tyre consumption of a vehicle travelling: <ul style="list-style-type: none"> ● a higher proportion in long haul (>100km) than in short haul (<100km); and ● on both sealed and unsealed roads.
Wages	The Schedule assumes that the owner/manager is employed by the business.
Fuel	Based on retail diesel fuel cost (terminal gate price), net of fuel tax rebate and net of GST of \$0.95 per litre (as at 1 November 2006). Assumes fuel consumption of 1.8 km per litre.

B Operating Costs

Note: All costs are exclusive of GST

Cost items Assumptions used in the example					<i>Example: typical cost per year</i>	<i>Your costs: \$</i>	variations in this cost item
1. Equipment		Current Capital Value					<ul style="list-style-type: none"> Assumes interest is charged at 9% per annum. Interest rates may vary over time. Note that if the business owns the vehicle outright, or has a loan, the cost structure will be different with depreciation as the relevant cost rather than lease payments. Assumes support vehicle is used exclusively for business use.
Truck		\$250,000					
Quad dog		\$100,000					
Vehicle		\$40,000					
		total \$440,000					
2. Finance					\$108,248		
<ul style="list-style-type: none"> Hire purchase and loan repayments for term of 4 years, interest of 9% p.a. and 30% residual value. 							
3. Labour					\$149,676		<ul style="list-style-type: none"> Labour costs are based on market rates in the industry in 2006. Labour costs may vary in particular regions or with different industrial arrangements. Labour costs may increase or decrease over time. WorkCover premium is assumed at the industry rate of 4.698%. Contractors may be subject to a significantly higher premium based on their claims history. Assumes owner is employed by the business as driver/manager, at a salary of \$65,820 per year plus on-costs. The payment for the owner's labour will vary based on market factors—see the discussion in Section D below.
<ul style="list-style-type: none"> Owner is employed, plus an additional night shift driver. Figures are all-inclusive of sick leave, annual leave, public holidays, penalty rates and long service leave. Superannuation (9%) and WorkCover premiums (industry average rate of 4.698%). Based on two 12 hour shift per day, 230 days per year (total 5,5200 hours per year) 							
Driver	Wage	Super	W/Cover	Total			
	\$	\$	\$	\$			
1	65,820	5,923	3,092	74,838			
2	65,820	5,923	3,092	74,838			

<p>4. Repairs and Maintenance</p> <ul style="list-style-type: none"> Assumes annual tyre cost of \$22,180, based on annual travel of 210,000 km per year. Based on \$32,100 for scheduled servicing, repairs and maintenance inclusive of parts and labour 	\$54,280		<ul style="list-style-type: none"> Contractors with older or less reliable vehicles may incur greater maintenance costs and may also have periods of no income during repairs. The operating costs of a particular vehicle will vary with the age and condition of that vehicle.
<p>5. OHS/Fatigue Management</p> <ul style="list-style-type: none"> Maintenance of safety systems. Cost of personal protective equipment and clothing (\$450 per person per year). 	\$1,500		<ul style="list-style-type: none"> Changes to regulation or industry best practice may increase costs.
<p>6. Fuel and Lubricants</p> <ul style="list-style-type: none"> Based on retail diesel fuel cost net of fuel tax rebate and net of GST, of \$0.95 per litre (as at 1 November 2006). Assumes consumption rate of 1.8km/litre, of fuel average annual consumption of 102,200 litres to travel 210,000 km (cost \$97,100). Lubricants at \$3,500/year. 	\$100,600		<ul style="list-style-type: none"> Rises and falls in the cost of fuel have an impact upon the costs of the business. Fuel consumption varies significantly depending on the vehicle's age and condition, the class/gradient of roads, and whether trips are short or long haul.
<p>7. Insurance</p> <p>a) Comprehensive, public liability, third party</p> <ul style="list-style-type: none"> Based on operator over the age of 25, has at least 5 years experience and no claims history. Public liability cover (up to \$10 million). <p>b) Insurance – loss of business earnings</p>	\$7,200 \$3,620		<ul style="list-style-type: none"> Rates may be higher for interstate trucks. Vehicle insurance costs may vary depending upon the age of vehicle insured, the provider, any excess payable and claims and claims history. The cost of loss of business earnings insurance will vary significantly with the individual's age and health history, the amount of income insured and the period of benefits.

<p>8. Registration, permits and TAC fees Vehicle registration fee of \$3,781 and TAC charge of \$875 (net of GST). Assumes annual payment, garaged in low risk area.</p>	\$5,236		<ul style="list-style-type: none"> ● These fees are current as at 1 December 2006 but may change. Additional licences may be payable for certain types of operations (eg interstate, oversize). Additional administration charges may apply to registration fees if they are paid in instalments. ● TAC charges will be higher if the vehicle is garaged in a medium or high risk area.
<p>9. Administration and sundries</p> <ul style="list-style-type: none"> ● 6 hours per week paid administration (\$120 per week, \$6,240 a year) ● Accountant is used for BAS, tax and company returns, audits (\$2,000) ● Phone charges (\$5,800) ● Bank charges (\$1,150) ● Home office expenses (\$700) ● Professional memberships, consultants and training (\$800) ● Sundry expenses (tools, yard rent etc) (\$500) 	\$17,190		<p>Accounting/bookkeeping fees may be lower if the business prepares its own BAS and accounts. Mobile phone charges will vary significantly depending on level of use and the service provider. Other costs: Accommodation and other costs should be allowed for where relevant. This example is based on a business that is already up and running, and does not take into account the costs of starting a business (eg registering a company, purchasing a computer).</p>
TOTAL ANNUAL COST	\$447,500		
<p>Cost per hour assuming 5,520 hours/year Cost per km assuming 210,000 km/year</p>	<p>\$81.08/hour \$2.13/km</p>		

D Factors Influencing the Total Operating Costs

The costs of operating a particular forestry haulage business are influenced by a number of factors:

Variable	Impact
Environment – Days per year	The number of days and total kilometres travelled per year in which haulage occurs will affect the contractor's operating costs. Fewer work days means that the business's fixed costs are spread over a shorter period, increasing the total cost per hour/kilometre of running the business. More work days per year allows the business's fixed costs to be spread over a longer period, decreasing the total cost per hour.
Terrain and road conditions	A higher proportion of low standard forest roads increases tyre costs and repairs to suspension systems, while a better standard of road will reduce these costs.
Contract term	If the contract term is secure, the contractor's fixed (annual) costs, including finance costs/depreciation, can be secured over the period of the contract and a better finance arrangement obtained. Shorter contract term (less than the useful life of the vehicle) may involve a higher cost, as the fixed/annualised costs cannot be spread over the longer contract period/ number of kilometres. In addition, higher finance costs may be incurred if the contract is less secure.

E Payment for the Business Owner's Labour

The Schedule assumes that the business uses a company structure and employs the owner of the business as a driver and pays a wage. However, the owner may take payment for their labour in the form of a wage, profits, trust distributions, dividends or a combination of these, depending on their accountant's advice.

The Schedule assumes the owner /manager drives the vehicle for one 12 hour shift per day, with an employee driver working a second 12 hour shift, with both drivers paid a base wage of \$65,820 year (plus superannuation and WorkCover).

Because a haulage contractor is a business (and not an employee) the hirer is not legally obliged to pay a minimum wage or rate of pay for the services. However, the wages that are typically paid to employee drivers are a useful guide to the market for the labour services of driving a vehicle.

Set out below are rates that would typically be paid for driving a vehicle if this work was performed by an employee rather than a contractor. These rates will vary over time, and should be used as a general guide only. Unions, industry associations, newspaper job advertisements and other haulage contractors are a source of advice about the going rates in your area.

In the general freight industry, employee drivers are generally paid a per hour rate, usually based on an industrial award or agreement. The base and casual hourly rates paid in the general transport industry under the Transport Workers Award 1998 (Victorian common rule award) are set out in the table below. Typically in Victoria, employers pay up to 15% higher than the minimum award rate for an experienced driver.

	base rate per hour (1)	casual hourly rate (2) <i>(includes all payments for leave, public holidays etc)</i>	overtime rate (3) <i>For the first 2 hours over 8 per day or 38 hours per week</i>	overtime rate (3) <i>For hours worked over 10 per day or 48 hours per week</i>
Award hourly rates (4)	\$15.67	\$19.59	\$23.51	\$31.34

Notes:

- 1 **“Base rates”** are paid to full time employees, who typically also get four weeks paid annual leave, ten days paid personal/sick leave a year and shift and penalty rates (for example, an extra 50% loading for overtime or night work).
- 2 **“Casual rates”** include an additional 25% loading on the base rate. This is compensation for not receiving the paid holidays, personal/ sick leave or public holidays that employees enjoy.
- 3 **“Overtime rates”** are generally paid for hours worked in excess of 38 hours a week. Typically a 50% loading applies for the first two hours of overtime per day or up to 48 hours per week and then a 100% penalty for hours thereafter.
- 4 **“Award hourly rates”**. These rates apply under the Transport Workers Award 1998 (Victorian common rule award) for drivers of a Prime Mover (Bogie Drive). The hourly rates above are accurate as at 1 December 2006, but are varied from time to time by the Australian Fair Pay Commission. You can find information about the most recently published minimum employee rates by visiting www.wagenet.gov.au or contacting your association or union.

In the Victorian native forestry industry, employee drivers are generally paid on the basis of piece rate based on 20 to 22% of truck earnings, rather than on an hourly rate. As at December 2006, rates paid to employee drivers in the forest industry generally range between \$55,000 to \$65,000 per year, inclusive of all annual leave, sick leave and public holidays. This works out as an hourly flat rate of between \$20 to \$24 per hour (for a 12 hour shift, 46 weeks per year, 2,760 hours per driver).

F Return on the Contractor’s Investment

Haulage contractors can reasonably expect to receive an amount over and above their efficient operating costs and their own labour as a reward for their risk and investment. The amount that is a reasonable return on investment will vary widely in all the circumstances, and may vary over time as market conditions change. Factors that influence what is a reasonable return on investment include:

- a) the amount of the capital investment in the vehicle or equipment;
- b) the level of commercial risk assumed by the contractor;
- c) the security and certainty of the arrangements;
- d) whether the vehicle or equipment provided by the contractor can readily be used to provide services to other persons;
- e) whether the vehicle or equipment is also used for personal use;
- f) the efficiency and productivity of the contractor; and
- g) the market for the services.

Forestry haulage businesses (native forests) typically set a target for return on investment of between 10 and 15 per cent of their total capital investment in the business (being the amount of the contractor’s own funds invested, net of any debt to a lender).

The profit margin of a haulage business has a significant impact upon the capacity of the contractor to obtain finance and to invest in vehicles and equipment and to cope with unexpected losses of production, for example, losses due to protests or weather events.

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