



NTI'S GUIDE TO THE TRUCKING INDUSTRY 2016

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National Transport Insurance

About this guide

With 40 years' experience, National Transport Insurance is Australia's leading truck insurance specialist. We are the experts who understand the industry and we are committed to supporting the vital role of transport operators.

We have produced this guide to provide general information about the latest trends in the trucking industry, Australia-wide. The information has been drawn from a number of reliable sources and has been prepared without bias.

This document is intended for use as a guide only.



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About the Australian Trucking Industry

The trucking industry plays a vital role in the prosperity of Australia. It competes successfully with the rail, sea and air freight industries as a reliable, convenient door-to-door delivery option and carries the bulk of Australia's domestic freight across our vast country.

The trucking industry in Australia is experiencing a period of transition with a 44% decline in the number of owner drivers since 2010 but a 6% increase in vehicle registrations, indicating a shift towards larger vehicle fleets. The national freight task is projected to double by 2030, and as such, the number of heavy vehicles on Australian roads is also set to continue to increase.¹



Australian Industry Snapshot

- More than 500,000 registered trucks²
- Approximately 41,000 businesses³
- More than 250,000 people employed⁴
- More than \$13 billion in annual wages⁵
- Approximately 17,000 million kilometres travelled each year⁶

¹ Centre for Automotive Safety Research, July 2011

² IBISWorld Industry Report 14610, July 2015

³ IBISWorld Industry Report 14610, July 2015

⁴ IBISWorld Industry Report 14610, July 2015

⁵ IBISWorld Industry Report 14610, July 2015

⁶ ABS, Survey of Motor Vehicle Use, 12 months ended 31st October 2014. (ABS cat 9208.0)

Driving the Australian Economy

Like many industries, the trucking industry experienced turbulent times due to the global financial crisis and more recently, the sharp decline in the resources sector. Despite these factors, in the past five years, annual growth has been at a rate of 2.4%⁷.

The long-term outlook remains positive, with industry revenue predicted to continue to grow at a rate of 2.9% over the next five years to reach \$60.2 billion in 2020-21⁸.

The gross total wages and salaries of all employees in the industry is \$13.6 billion⁹.

⁷ IBISWorld Industry Report 14610, July 2015

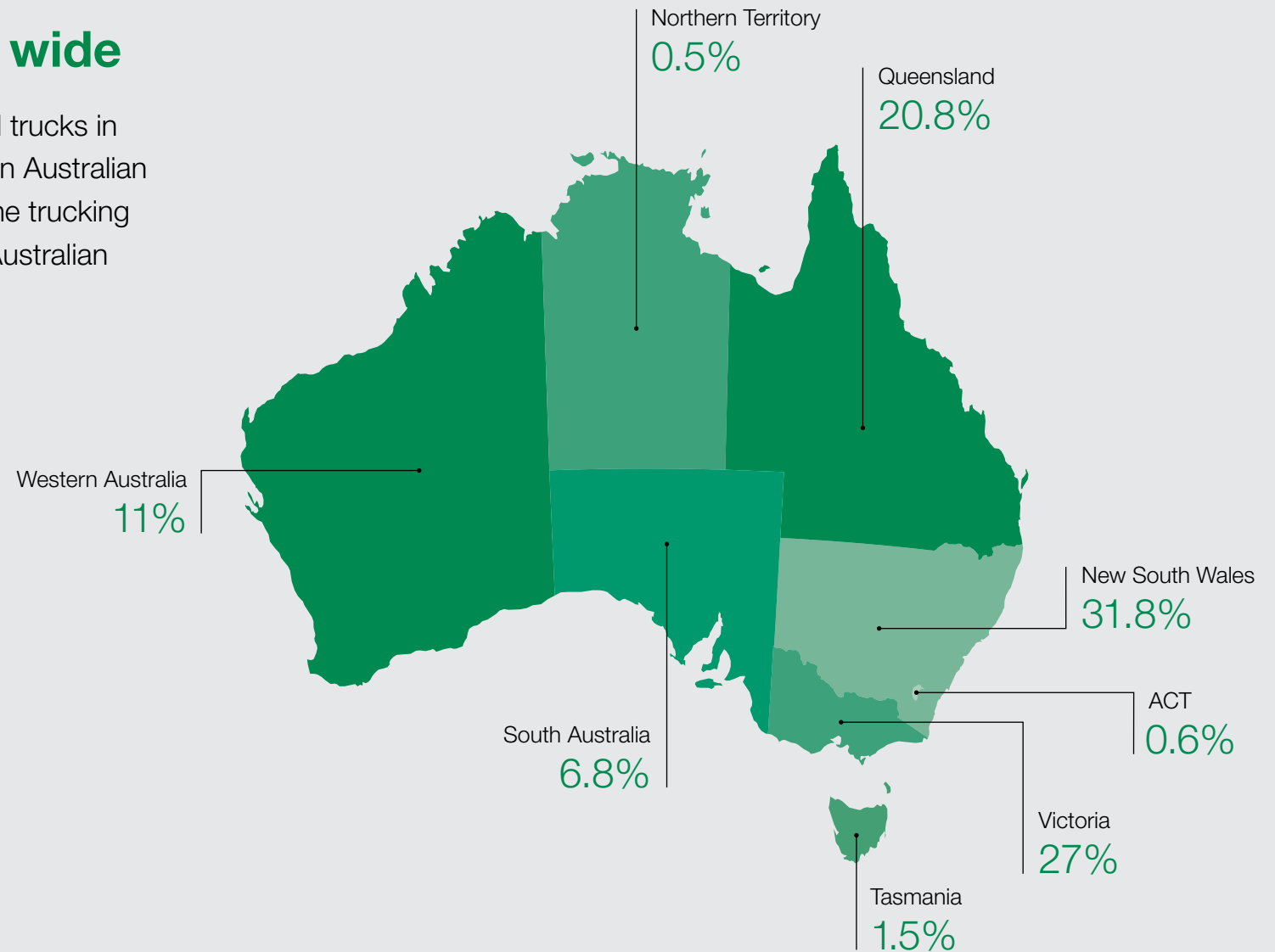
⁸ IBISWorld Industry Report 14610, July 2015

⁹ IBISWorld Industry Report 14610, July 2015



Trucking; it's big business Australia wide

With more than 500,000 registered trucks in Australia, they are an iconic sight on Australian roads. The 41,097 businesses in the trucking industry are located across every Australian state and territory as follows¹⁰:



¹⁰ www.ibisworld.com.au

The operators

There are two types of operators in the Australian trucking industry:

- Hire-and-reward operators – these are transport and logistics businesses that are focused on providing trucking services.
- Ancillary operators – these are businesses whose main activity is something other than transport, but they have truck fleets to transport their own products.

The hire and reward operators have decreased in recent years and represent 45% of the market. The manufacturing (27%) and retail (19%) sectors continue to dominate road freight demand, closely followed by wholesale (13%)¹¹.

Approximately 70% of all operators only have one truck in their fleet and approximately 24% have two to four trucks. Less than 0.5% of all operators have fleets with more than 100 trucks¹².

¹¹ Survey of Motor Vehicle Use – ABS 2012

¹² Australia Trucking Association, 2004, Trucking – Driving Australia's Growth and Prosperity.



The operators (cont)

OWNERS/OPERATORS and SMALL-TO-MEDIUM ENTERPRISES (1-14)

Owner/operator businesses are usually independently owned, and in most cases the business owner is the person responsible for driving and maintaining the vehicle as well as managing the business.

Small-to-medium enterprises are usually small businesses with a specific core competency, such as hauling a certain type of freight.

Both are often family run and staff can be sub-contracted or employed.

MID-SIZED FLEETS (15-49)

Mid-sized fleets are becoming increasingly complex to run. They can be involved in short-haul and long-haul runs and everything in between. In order for mid-sized fleet owners to remain profitable, they must get the administrative, safety and maintenance right as well as the sales and service.

LARGE FLEETS (50-100+)

There are fewer large fleet owners than mid-sized and small fleet owners. However, large fleets haul a disproportionately large amount of Australia's freight. These large businesses are complex to run and need to remain highly competitive if they are to be successful.



x 1-14



x 15-49



x 50-100+

The people

Trucking is a labour-intensive industry and a source of employment for 259,508 people in Australia¹³. The number of people employed is expected to grow further to over 280,000 in the next five years¹⁴.

This is due to increased demand for staff across the sector, including increased demand for drivers.

Meeting this demand is critical to the industry's growth and success. However, while many activities in the trucking industry are heavily regulated, no minimal standards for hiring drivers exist, apart from holding the appropriate vehicle license.

¹³ IBISWorld Industry Report 14610, July 2015.

¹⁴ IBISWorld Industry Report 14610, July 2015.



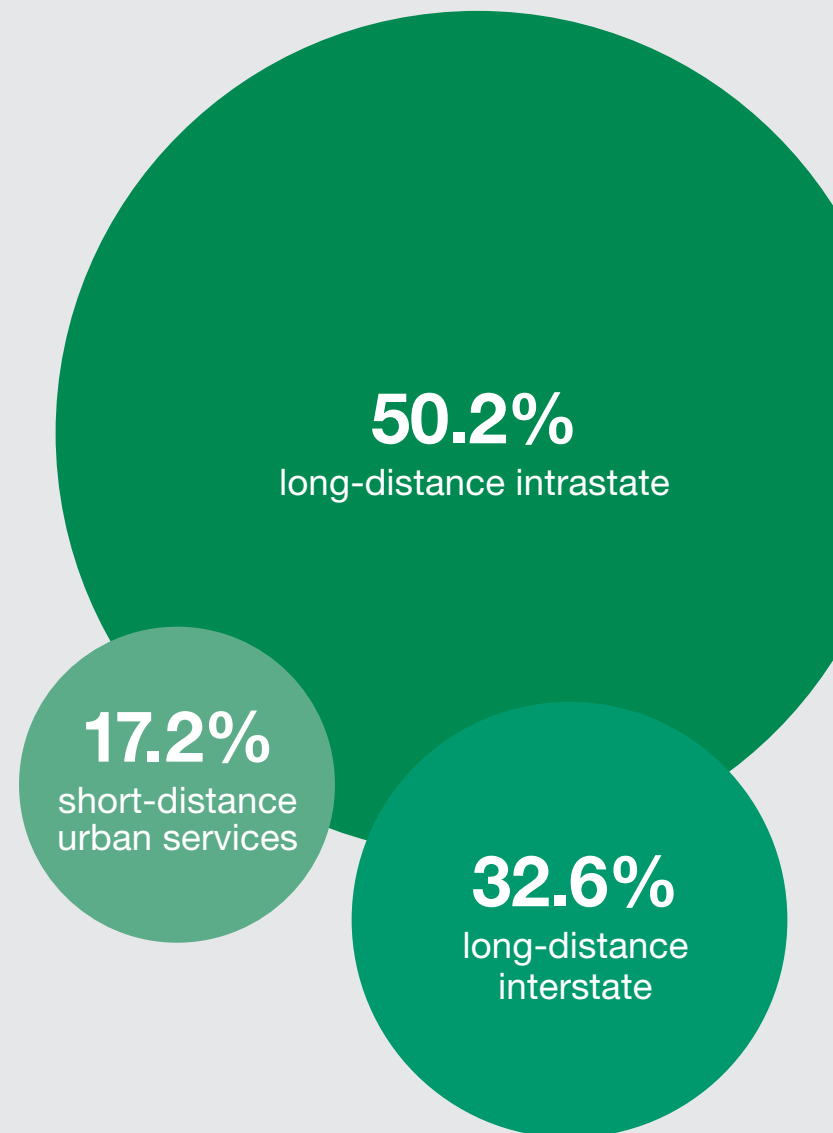
The services

The services provided by the Australian trucking industry can be segmented into:

- long-distance intrastate – 50.2%
- long-distance interstate – 32.6%,
- short-distance urban services – 17.2%¹⁵

Interstate services have been increasing in market share in recent years. Urban services have drastically reduced.

The growth in interstate services has been driven by Sydney ports operating at capacity. Some goods destined for Sydney are landed in Melbourne and travel by road to their final destination. There is also increased road freight volumes between eastern and western states. This trend is expected to continue.



¹⁵ www.ibisworld.com.au

The services (cont)

In urban services, light commercial vehicles are mostly used, collecting goods brought to warehouses and ferrying them across cities to their final destinations.

The longer distances in interstate and intrastate transport require articulated trucks and rigid trucks. Articulated trucks carry 77.3% of all road freight in Australia, despite only accounting for 17% of all registered trucks. Over 70% of the distance travelled by these trucks is outside urban areas within their state of registration or interstate¹⁶.

¹⁶ www.ibisworld.com.au



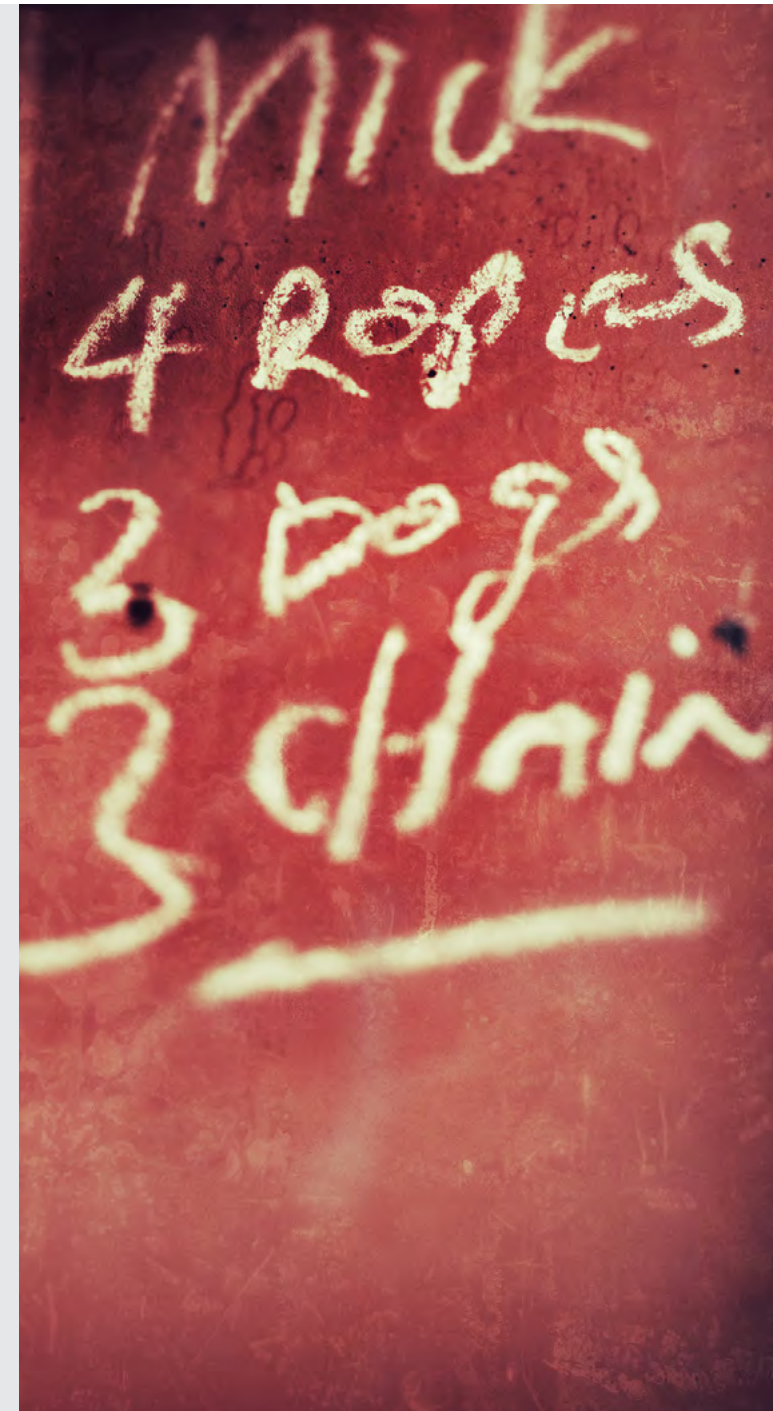
How the trucking industry works

Before freight can be moved from Point A to Point B a relationship must be established between at least two parties – one must have the freight that needs moving (the shipper) and the other must have a means by which to move that freight (the operator) .

OPTIONS TO GET THE FREIGHT MOVING

The shipper can choose to use a load broker, freight forwarder or their business' own internal dispatch department to get their freight moving.

- Load broker – as the name suggests, finds and brokers deals with operators who haul freight.
- Freight forwarder – also known as a hire-and-reward operator, this type of business specialises in moving freight; it's their core business.
- Internal dispatch – also known as an ancillary operator, this type of business has its own freight department but freight movement is not their core business.



How the trucking industry works (cont)

LOADING THE FREIGHT

Each operator's loading and delivery processes are different. Factors like freight type and amount can influence loading and delivery. Requirements for freight movement can vary, including:

- TL – truck load (or full load)
- LTL – less than a truck load
- inter-modal – multiple modes of transport required, e.g. truck, rail, air
- bulk and bulk liquid – unpackaged goods, e.g. grain, minerals, fuel, soil.

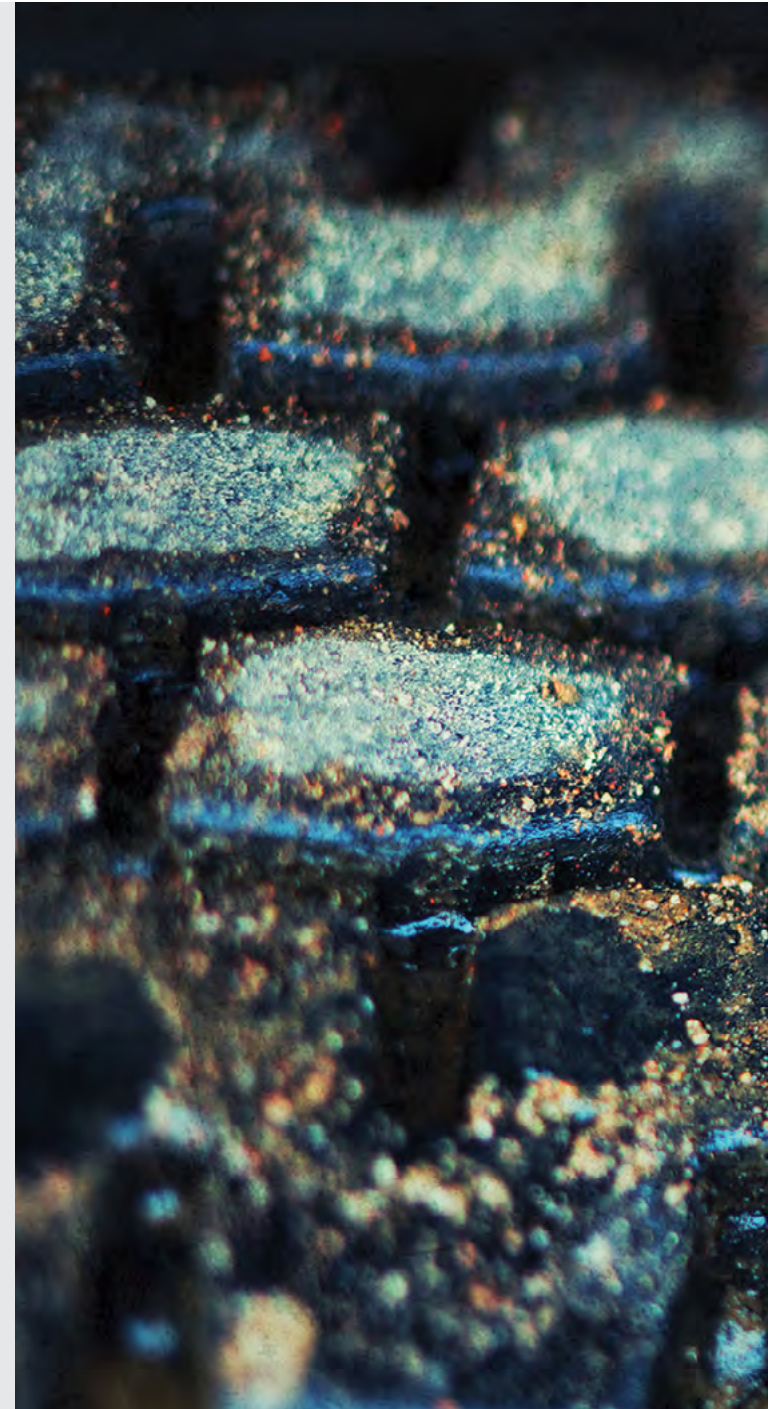


How the trucking industry works (cont)

CONTRACTING AN OPERATOR

Just as there are many different operators, there are many different ways to contract an operator.

- Common – this arrangement is suited to a single shipment and is quoted on a per job basis.
- Contract – once set in place, the contract terms will govern the overall relationship and freight will be moved as required at an agreed rate.
- Subcontracted operators – one operator may subcontract another operator to move the freight; it's common among large long-haul operators who need to subcontract a small trucking company to make the final delivery.
- Third-party logistics operators – these businesses integrate trucking into their manufacturing operations.



How the trucking industry works (cont)

REGULATORY COMPLIANCE

Moving any load in Australia requires compliance with a number of regulations that are concerned with the public's wellbeing, including safety and environmental management.

In Australia, regulations that cover the trucking industry include but are not limited to:

- highway and transportation acts
- labour, safety and criminal codes
- handling of dangerous goods
- fuel taxes.

There are movements in place to combine all existing regulations into one single legislation, with the exception of licensing. This will be the Heavy Vehicle National Law. The first step was to establish the National Heavy Vehicle Register (NHVR) three years ago. This has already harmonised some regulations to a single, national standard, which has benefitted the industry by reducing compliance costs¹⁷.

¹⁷ IBISWorld Industry Report 14610, July 2015



Globalisation

There is an increasing trend of globalisation in the industry. A number of major players in the industry have been building international operations, particularly in Asia, in order to deliver door-to-door services across Australia and the Asia-Pacific region. Over the past five years, it has become increasingly important for operators to be a part of these global supply chains with customers demanding an integration of services. The acquisition of the industry's largest player Toll Holdings by Japan Post in May 2015 is characteristic of this increasing level of globalisation within the industry.¹⁸

¹⁸ IBISWorld Industry Report 14610, July 2015



What concerns those in the trucking industry?

RISING COSTS

Regardless of whether an operator is running one truck or 101 trucks, rising costs impact on their bottom line and their ability to remain competitive. Fuel costs are one of the biggest cost concerns for operators. When the world price of crude oil rises, so too does the cost of diesel in Australia. When the cost of crude oil soared to \$160US a barrel in 2003 to 2008, expenditure on fuel increased to between 45% and 50% of revenue and forced the introduction of a fuel surcharge¹⁹.

Whilst there was some reprieve when world crude oil prices plummeted to historically low levels in 2014-15, prices are expected to rise again²⁰. The majority of industry operators are small operators (operating two trucks or fewer). These operators are likely to be the most affected. The smaller end of the market is extremely competitive, with most businesses unable to pass on any increased costs due to price competition.

¹⁹ www.ibisworld.com.au

²⁰ IBISWorld Industry Report 14610, July 2015



What concerns those in the trucking industry? (cont)

Other costs include wages, the cost of compliance and vehicle running costs, such as maintenance and repair, insurance and registration. Wages have increased as a share of industry revenue over the past five years²¹. The industry has struggled to compete with other areas of transport for new recruits, particularly as the resources sector has been booming. The average wage is trending upwards as a result.

SAFETY

Despite the public's perception, safety is paramount to those who work in the trucking industry in Australia. No driver or operator wants to cause damage to property or the environment, or harm to people.

In fact, truck drivers are amongst the most highly-trained drivers on the road today in Australia. They pride themselves on their ability to get their job done safely. Everything they do is undertaken with the utmost care and concern for the wellbeing of themselves and the general public.

The safety record of Australian truck drivers is outstanding, particularly when you consider the many millions of kilometres are travelled annually.

²¹ IBISWorld Industry Report 14610, July 2015



What concerns those in the trucking industry? (cont)

WAGES AND SKILLS SHORTAGE

Increased regulation and labour supply issues are likely to place increased pressure on the average industry wage over the next five years. With the rapidly ageing workforce, the transport industry is struggling to attract new employees. Currently, skills shortages exist across many industry services, with increased licensing and training requirements making the recruitment of drivers more difficult, while the proportion of owner-operator businesses making the transfer of skills more complicated²².

ENVIRONMENT

The industry has been increasing the size and load factor of its vehicles to improve productivity. The larger trucks are more fuel-efficient per load and make fewer trips to carry the same volume of freight. The added benefit is that they are also better for the environment by reducing carbon emissions and traffic congestion. However, many local councils have banned the passage of 'super trucks' in response to community concerns, and much of Australia's road network is unsuitable for such large vehicles, which is an area of concern for the industry²³.

²² IBISWorld Industry Report 14610, July 2015

²³ IBISWorld Industry Report 14610, July 2015



What concerns those in the trucking industry? (cont)

POLICY AND LEGISLATION

Given the high levels of regulation within the trucking industry, many different policies and different pieces of legislation govern how trucking operators do business in Australia. Changes to policy and legislation can impact on an operator's ability to remain profitable and their business to remain viable. For example, the pricing of road access impacts the bottom line of all operators.

Legislation in Australia also dictates the amount of time drivers can spend behind the wheel, as well as their time on and off duty. This legislation impacts on each operator's planning, pricing and delivery.

The National Heavy Vehicle Register (NHVR) was established in 2013 as Australia's independent regulator for all vehicles over 4.5 tonnes. This has harmonised some regulations to a single, national standard, which has benefitted the industry by reducing compliance costs – a trend that is expected to continue over the next five years²⁴.

²⁴ IBISWorld Industry Report 14610, July 2015



What concerns those in the trucking industry? (cont)

FLUCTUATIONS IN DEMAND

Manufacturing, agriculture, retail and wholesale trades are heavy users of the trucking industry. Fortunately, this diversified range protects the trucking industry from substantial downturns. However, during economic downturns, poor performance in these industries flows through to operators. Changes in agricultural output, like those seen in recent years as the result of the drought and the downturn in the resources sector, are other examples of a major impact on the trucking industry.

Fortunately, improving economic conditions in the aftermath of the global financial crisis, coupled with rising levels of merchandise trade and demand from wholesale trade, have driven industry growth in recent years. Receding drought conditions have also underpinned fast growth from the agriculture segment²⁵.

²⁵ IBISWorld Industry Report 14610, July 2015



What concerns those in the trucking industry? (cont)

INSURANCE

Insurance is an essential expense for all trucking operators. However, it seems that like everything else, insurance premiums continue to rise. It's also a case of buyer beware as not all insurers offer the best value for money when it comes to trucking insurance.

Many different factors can drive insurance premiums higher, including:

- The rising cost of accident claims.
- The rising cost of equipment replacement and repair.
- The rising cost of healthcare for injured drivers.
- The rising cost of reinsurance for insurance underwriters.



What concerns those in the trucking industry? (cont)

STATE OF THE ROADS

The state of the road network is a growing concern for operators. Congestion in cities is increasingly limiting the industry's productivity, especially in port areas. The industry should benefit from the upgrades and expansions to general cargo ports that are currently in progress in Sydney, Melbourne and Brisbane. However, congestion and bottlenecks in related freight infrastructure and transport systems could reduce these gains. On interstate and intrastate routes, road quality will continue to determine how efficiently industry participants can travel between destinations²⁶.

EQUIPMENT

More than half a million trucks operate on Australian roads. The trucks that are driven today are more sophisticated and better able to meet the demands of the Australian marketplace than ever before; in many cases, they are also more expensive.

Client and driver expectations are forcing operators to keep pace with change and turnover their truck fleet sooner rather than later. Minimisation of environmental impact is also a factor for operators in upgrading to newer and cleaner equipment.

²⁶ IBISWorld Industry Report 14610, July 2015



Further Tools & Guides



OCCUPATIONS
GUIDE



DRIVER ACCEPTANCE
GUIDE



DISTANCE
CALCULATOR



Common trucking-industry terms

3PL operators	Third party (outsourced) logistics operators who integrate trucking into the operations of manufacturers.
Agitator	A bowl fitted to the rear of a standard rigid truck, used to transport and mix concrete from a batching plant to a construction site.
Ancillary operators	Businesses whose main activity is something other than transport but they have truck fleets to transport their own products. Also known as internal dispatch.
Articulated truck	A vehicle with a pivot joint between sections of the vehicle, allowing a sharper turning circle.
B-double	An articulated vehicle with a second semi-trailer attached to the rear of the first semi-trailer by means of a turntable.
Bogie driver	A prime mover or truck with two drive axles at the back. A 6x4 or, if twin steer, 8x4 vehicle.
Bulk cargo	Unpackaged goods such as wood chips, sand or gravel.
Bulk liquid	Bulk liquid goods such as milk, fuel or chemicals.
Cab-over or Cab Over Engine (COE)	A truck with the cab mounted directly above the engine and front axle.
Combination vehicle	A truck towing one or more trailers.
Converter Dolly or Dolly	A unit designed to convert a semi-trailer to a dog trailer.
Curtainsider or Tautliner tight lengthwise by a ratchet.	A van-type body with curtain sides that are held down by straps attached to the tie-rail and pulled
Dog	A device used to tension chains when securing loads.

Common trucking-industry terms

Dog Trailer	A trailer with two axle groups, the front group being steered by the drawbar coupled to the towing vehicle.
Excavator	A vehicle consisting of an articulated arm, bucket and cab mounted on a pivot.
Flat Top	A truck, trailer, or semi-trailer that has a flat goods-carrying area without sides.
Freight forwarder	A business that specialises in moving freight; it's their core business. Also known as hire-and-reward operators.
Frig Pan	A refrigerated pantechonicon or van, with the body often now made of fibre reinforced plastic (FRP) and usually having a diesel-powered refrigeration unit at the front.
Gates	Frames used at the front, sides and rear of the load-carrying platform to contain the load.
Hire-and-reward operators	Transport and logistics businesses that are focused on providing trucking services.
Inter-modal	When multiple modes of transport are required such as truck, rail and air.
Internal dispatch	When a business arranges delivery of its cargo internally. Also known as ancillary operators.
Jinker	A trailer designed to transport long logs.
Load broker	Brokers who find and broker deals with operators who haul freight.
LTL	Less than truck load.
Pantechonicon, Pantech or Pan	A completely enclosed van body on a rigid vehicle or semi-trailer, such as a furniture van.
Pig Trailer	A trailer with one axle group, or single axle, near the middle of its load-carrying surface, and connected to the towing vehicle by a drawbar.

Common trucking-industry terms

Prime Mover	A short-wheelbased truck used to tow a semi-trailer.
Rigid Motor Vehicle	A vehicle without a trailer.
Road Train	Either a truck hauling two or more trailers, or a prime mover hauling one or more semi-trailers connected by dollies.
Semi or Semi-Trailer	A semi-trailer has one axle group at the rear and is designed so that the front is supported by the prime mover which is used to tow it.
Skeletal or Skel Trailer	A trailer or semi-trailer that has no tray but has attachments fitted to the frame for the carrying of goods (eg. twist locks for containers, or bolsters for logs or timber).
Stock Crate	A truck or trailer body built for carrying livestock.
Table Top	A Truck with a flat bed or tray body.
Tipper, Tip-Truck or Tip-Trailer	A truck or trailer that can discharge its load by tilting the cargo body.
Triple Tri-Axle or Triple	A combination of a prime mover, semi-trailer and two trailers. A three trailer road train.
Turntable	A device for coupling a prime mover to a semi-trailer. The three basic types are greasy plate, ball race and fixed.
TL	Truck load (or full load)

Online resources

Industry Associations

Australian Trucking Association (ATA):	http://www.atatruck.net.au
Road Freight New South Wales:	http://www.roadfreightnsw.com.au
Australian Livestock and Rural Transporters Association (ALRTA):	http://www.alrta.org.au
Livestock and Bulk Carriers Association (LBCA):	http://www.lbca.org.au
Livestock and Rural Transporters Association of Queensland (LTAQ):	http://www.lrtaq.com.au
Livestock and Rural Transporters Association of South Australia (LTASA):	http://www.lrtasa.com.au
Livestock Transporters Association of Victoria (LTAV):	http://www.ltav.com.au
Livestock and Rural Transport Association of Western Australia (LRTAWA):	http://www.lrtawa.org.au
National Road Transport Operators Association (NatRoad):	http://www.natroad.com.au
Northern Territory Road Transport Association (NTRTA):	http://ntrta.asn.au
Queensland Trucking Association (QTA):	http://www.qta.com.au
South Australian Road Transport Association (SARTA):	http://www.sarta.org.au
Western Australian Road Transport Association (WARTA):	http://www.warta.com.au

Online resources

Victorian Transport Association (VTA):	http://www.vta.com.au
Chartered Institute of Logistics and Transport (CILTA):	http://www.cilta.com.au
Transport Women Australia Limited:	http://www.transportwomen.com.au
Australian Transport Safety Bureau:	http://www.atsb.gov.au
Australian Government Department of Infrastructure and Transport:	http://www.infrastructure.gov.au
National Transport Commission:	http://www.ntc.gov.au
National Heavy Vehicle Regulator Project:	http://www.ahvr.gov.au
TruckSafe Industry Accreditation Program:	http://www.trucksafe.com.au

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