



Notice to Industry

Higher Diesel Fuel Prices Push Up Transport Operating Costs and Inflation

Australia’s monthly Consumer Price Index (CPI) indicator rose 5.2 percent in the 12 months to August 2023 according to the latest data from the Australian Bureau of Statistics (ABS) released on 27 September 2023. This was up from 4.9 percent in July.

Fuel prices were one of the main factors nudging Australian inflation figures higher.



Source: Australian Bureau of Statistics, Monthly CPI indicator rose 5.2% annually to August 2023 27/09/2023

According to the ABS, fuel prices rose 13.9 percent compared to 12 months ago. In monthly terms, fuel prices rose 9.1 percent in August.

Diesel Price & Fuel Excise Rises:

The inflationary impacts from fuel price rises are consistent with the latest fuel price analysis from the Australian Institute of Petroleum (<https://www.aip.com.au/pricing/weekly-prices-reports>).

Most diesel is sold wholesale in Australia (at a “Terminal Gate Price” (TGP)) rather than through retail outlets. So, the TGP price is a good benchmark of the price of fuel used in transport operations, such as container road transport logistics.

The Australian fuel refining and distribution sector is a price taker. Domestic prices are closely linked to international prices. The Singapore benchmark price of diesel (Gasoil 10ppm sulphur) is the key diesel price benchmark for Australia.

Also, there is no retail discounting cycle (i.e. sawtooth pattern) for diesel, given that the wholesale of most diesel is in bulk to commercial / industrial customers, including transport operators.

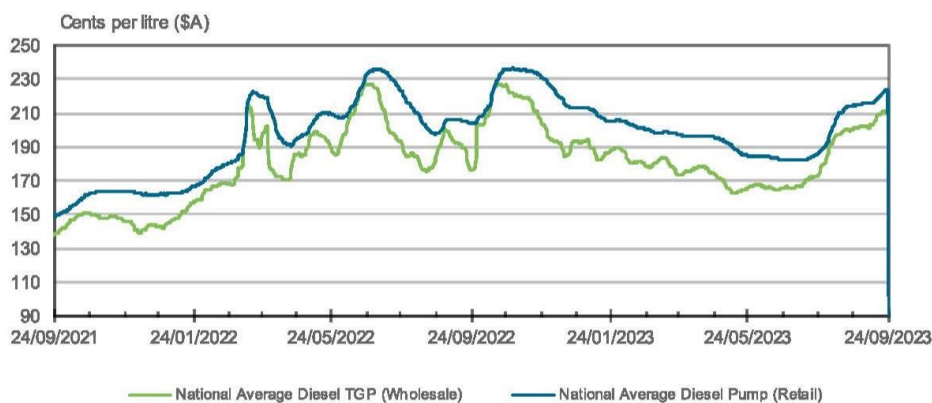
According to the Australian Institute of Petroleum (AIP), the National Average diesel TGP price for the week ending 22 September 2023 was 210.7 cents per litre (cpl). This is **up by 10.60 percent** in 3 months (@ 190.5 cpl) **and by 12.43 percent** from the same period last year (187.4 cpl).

There is a concern from container road transport operators that the price of diesel will rise above the spikes witnessed in mid-2022 and again in late 2022 when the diesel price edged closer to 230 cpl.

Australian Retail Market Trends For Diesel

Figure 5: Comparison Of Australian Pump Price With Australian TGP

Average Retail Diesel Price versus Average Wholesale Diesel Price



In addition, what customers don't see directly are the impacts on the complete cost of diesel fuel imposed on transport operators through the decision of Federal Government to increase fuel excise levied on fuel used in heavy vehicles by 6% per year from July this year (2023) through to July 2026.

This means that from 1 July 2023, container road transport operators have been paying 6% more for fuel excise (known as the Road User Charge levied on fuel used in heavy vehicles operating on public roads).

A further 6% rise is locked into the Federal Budget for both the 2024 and 2025 Financial Years as well.

The 6% increase in fuel excise for heavy vehicles from 1 July 2023 is equivalent to a 1.63 cent per litre increase in the Terminal Gate Price (TGP) of diesel fuel.

The fuel excise rates applied to heavy vehicles are also indexed twice a year – in February and August – based on the upward movement of the consumer price index (CPI).

How are these Fuel Price and Excise Increases Passed onto Customers?

Most container road transport operators levy a Fuel Surcharge on their customers as a separate identifiable line-item on their transport invoices to account for the fluctuations in diesel prices and the other costs of fuel.

Presently, these Fuel Surcharges range between 24 percent to 34 percent on top of the base container cartage rate. The percentage rate depends on factors such as how companies are calculating their fuel usage as a percentage of their overall heavy vehicle operating costs, and the point in the cartage contract with the customer when the Fuel Surcharge was applied.

The level set for Fuel Surcharges is a commercial matter between transport providers and their customers. There is no doubt however that rising diesel fuel prices and additional fuel taxes imposed by the Federal Government are putting pressure on operators to adjust their Fuel Surcharges accordingly.