



ARTIO
Australian Road Transport
Industrial Organisation
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AUSTRALIAN ROAD TRANSPORT INDUSTRIAL ORGANISATION

Respect, Respond and Represent

17th March 2014

President Acton
Road Safety Remuneration Tribunal
GPO Box 1994
Melbourne Vic 3000

Dear President

RE: RSRT DRAFT ORDER & SUBMISSIONS ON RATES OF PAY

ARTIO has on many occasions over the previous year taken every opportunity to submit our views on the rates of pay issue through either written submissions or in person. For the purposes of Tribunal's convenience and to provide clarity on its position, ARTIO takes this opportunity to congregate our previous submissions on the rates of pay issue.

Fixed Rate v Costs Model

ARTIO notes that some parties propose a specific fixed or set rate, whereas other parties make reference to rates calculated in accordance with a costs model.

ARTIO submits that a rate should be determined by an identifiable methodology as opposed to the tribunal settling a fixed rate expected to satisfy a task which contains many variables.

ARTIO makes this submission recognising the varying commercial circumstances and the need not to interfere with the exercise of genuine competition in the market place. ARTIO is mindful to be guarded against making any one group of operators/sub-contractors having a commercial advantage over the other. A fixed rate for a single sub-contractor has the ability to be undercut by a larger operator or group of sub-contractors due to buying power and operational flexibility.

ARTIO refers to the recent Australian Trucking Association report- A future Strategy for road supply and charging in Australia, March 2013 – prepared by PricewaterhouseCoopers (PWC). At 2.3 page 16 the report surmises... "The road freight sector is complex and diverse, comprising numerous different vehicle classes, trip types, driving and traffic situations, varying from small operators that are owner-drivers to large rigs and multi-vehicle fleets. The markets in which they operate and the burden of costs they face can be very different, which will dictate their capacity to respond to any road charging reforms".

(Although the report is specific to heavy vehicle road usage charges imposed by regulators on the industry, the Tribunal may obtain further insight into the industry, its scope, operating conditions and challenges by viewing the report - <http://www.truck.net.au/industry-resources/future-strategy-road-supply-and-charging-australia>)

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Given the complex and diverse nature of the industry and considering the particular business/financial circumstances of a particular sub-contractor or owner driver (i.e. their capital investment, costs etc.) along with the market, sector and or geographical location they operate in, ARTIO submits that a one size fits all fixed rate proposal is unviable. Setting a fixed rate will inevitably see a lowest common denominator approach with little negotiation of higher rates and reduce competition. Further, setting a fixed rate implies that this is the rate that is deemed to be viable for all businesses without account for individual business circumstances. ARTIO submits that a RSRO should not be made to assure the viability of businesses that would in the ordinary course fail due to inefficiency, bad business practices and or poor management.

A Cost Model approach will provide a tool for parties to settle on the establishment of a viable freight rate as remuneration for a particular freight task, in a particular industry sector, utilising particular fit for task equipment and in a particular geographical location.

Cost Variables

ARTIO notes there are many cost variables which will affect remuneration, including:

- Type of truck/prime mover & vehicle class
- Type of Freight
- Geographic Location
- Type of trailer and how many
- Backloading opportunities
- Time spent driving, loading, unloading and waiting
- Days and hours of work
- Seasonal and cyclical factors
- Whether an owner driver is tied to a principal, a tow operator and/or works for a number of principal contractors
- Whether work is urban or non-urban; short distance or long distance
- Other legislation or standards that may impact on freight tasks e.g. The Animal Care and Protection, Dangerous goods, Safe Food Handling etc. which also may vary from State to State.

Equipment needs in particular are driven by the characteristics of the freight being transported.

In ARTIO's opinion these variables are by no means exhaustive yet they highlight the complexity of different transport tasks and supply chains. ARTIO submits it is impossible for the Tribunal to set definitive rates that take account of the hundreds of varying possibilities or to set hundreds of different rates to account for each possible freight task characteristic.

Accordingly ARTIO believes that a cost model framework should be developed which enables the parties to input agreed costs on specific areas of a particular freight task in order to arrive at remuneration level which is fair and reasonable to both parties.

Should the Tribunal take the view that it can determine cost inputs, especially related to the selection of particular makes or models of equipment, this may lead to adverse outcomes because either:

- Costs are not covered because a more expensive piece of equipment is required; or
- The rate of return is excessive because less expensive equipment would be satisfactory for that task and as a result the model prices the affected party or parties out of the market.

RSR Orders

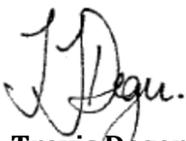
ARTIO submits that in relation to rates of pay within the Road Transport and Distribution and Long Distance Operations Road Safety Remuneration Order 2014 that the following be inserted-

7.5 The Contract for Services payment rates shall be calculated in accordance with a cost model which ensures there is both sufficient reward to the contractor to operate in a safe and lawful manner and taking into account the age of the vehicle being used, the level of capital investment in the vehicle, and the cost of operating a Road Law compliant transport business.

ARTIO's view is that the design of a Cost Model could have application across the road freight industry. Such a Cost Model would underpin a minimum standard contract for service currently outlined within the 2014 Order. A Cost Model approach will provide a tool for parties to settle on the establishment of a viable freight rate as remuneration for a particular freight task, in a particular industry sector, utilising particular fit for task equipment and in a particular geographical location.

The Cost Model should not specify any particular amount for any particular cost variable but in broad terms outline the types of considerations an operator must have regard in setting a viable rate of pay based on their own individual business circumstances.

Nothing in the Order would prevent parties to a contract from establishing and agreeing their own form Cost Model as the basis of establishing an appropriate freight rate.



Travis Degen
IR Advocate
on behalf of ARTIO National Council