Cost Comparison

RFT EXPRESS costs compared to Company costs

Vic Farron

Cost Comparison Table

RFT have produced a table through consultation with our customers, our own running cost, and from published tables. **The table is a set of variables, and is offered as guidance only**. Where possible you should substitute your own figures.

The cost of vehicles varies, with some companies securing better discounts, than others. The tables use a figure of £18,500 for the cost of a new vehicle. [All figures should be net of VAT]
We have used the straight line method of depreciation over a 4 year period. Depending on condition and mileage there could be a residual value after this period. [lease or contract hire vehicles can result in a large balloon payment] With the economy in decline, some companies are extending the working life of their vehicles beyond 4 years.
The way companies calculate and proportion their overheads vary with the size of the company and fleet. Companies with mixed fleets [3.5t up to 44t] will disseminate overheads as a cost per ton. Where as companies with one vehicle, or a fleet with vehicles of a similar payload will average the overheads equally over all their vehicles.

Costs

Whichever way you decide to apportion the costs of your overheads to your vehicles, it is worth pointing out that you must start with your total overheads for each particular site you operate from, these include property costs, management costs, office expenses etc, before you can allocate overheads per vehicle. These costs are reasonably constant, when variations occur, such as increases in lighting, heating, business rates or an increase in driver salary, a recalculation should be made.
In addition to overheads you need to calculate your driver costs. To the driver's gross salary add NI, and pension contributions, as well as holiday pay, and the cost of cover drivers.
Add to these the cost of vehicle insurance, goods in transit insurance, and vehicle road fund licence.
Depreciation should be included at the rate of 25% of purchase price.

And finally your interest on capital deployed. A sample 5% has been used for these tables.
The above figures when calculated, will give you the cost of each vehicle per year before it turns a wheel. This can be reduced to a daily figure by dividing by the number of days the vehicle is liable to be used in a year, or a mileage figure by simply dividing the figures by the mileage. We have taken 240 days [5 days a week for 48 weeks] your figure will be different. This is referred to as the base costs, fixed costs, or time related costs.

Mileage cost

The average mpg varies. For this reason we have used an average of 27 mpg, and a net cost of 85p per litre for diesel [£3.86 per gallon net of VAT] therefore the cost per mile would be 14.3 p.p.m.
A set of 4 Michelin van tyres will cost about £640, with an estimated life of 45,000 miles, the cost per mile of tyres would be £640 ÷ 45000 miles = 1.4p per mile.
Service and repairs will obviously be cheaper in the early years, for this reason we have used an average figure of £2000 per year, which is the equivalent of 4.4p per mile.

Base Costs

Driver costs	18,720	
Depreciation	4,625	Total base cost £29,057
Road Fund Licence	180	
Vehicle Insurance	1,600	
Goods in transit Insurance	320	
Interest on capital	412	
Overheads per vehicle	3,200	
Total Base cost p.a.	29,057	
		£
Daily base cost	121	
Mileage Costs	P.P.M.	
Fuel	14.3	
Service & repairs	4.4	
Tyres	1.4	

Total Mileage costs per mile 20.0

Mileage cost 45,000m £9,000

Total cost per year £38,057

This is the cost of a vehicle travelling one way loaded, and returning empty.

To realistically compare these costs with that of RFT Express, because RFT only charge per loaded mile, you would have to combine your outward bound journey and your return journey, to arrive at the price per loaded mile.

The discounted rate of £1.20 per loaded mile charged by RFT for a dedicated vehicle capable of carrying 3 pallets, would in a year cost [£1.20 x 22500 miles] £27,000.

Saving your company £11,057 per vehicle per year
By using the M1 shuttle, or a contract rate, could increase your savings.

It is expected that during the downturn in the economy, the number of days worked delivering your goods could decline. The cost of your vehicle depreciation will not alter, and possibly your driver costs will not alter, unless alternative profit producing work can be found for your driver
Your vehicle road tax, insurance and goods in transit insurance as well as your other vehicle overheads will stay reasonably constant.
These factors will increase your cost per mile as your mileage decreases.

The RHA has done a more comprehensive survey, the Goods Vehicle Operating Costs 2009 and puts the cost of a 3.5t. van, with a 4 year depreciation , doing 45,000 miles a year, at £42,670.
This will of course increase in 2009, with the proposed increase in fuel duty of 2p a litre, and the re-introduction of the price escalator.

Article by Vic Farron : staff writer for RFT Express