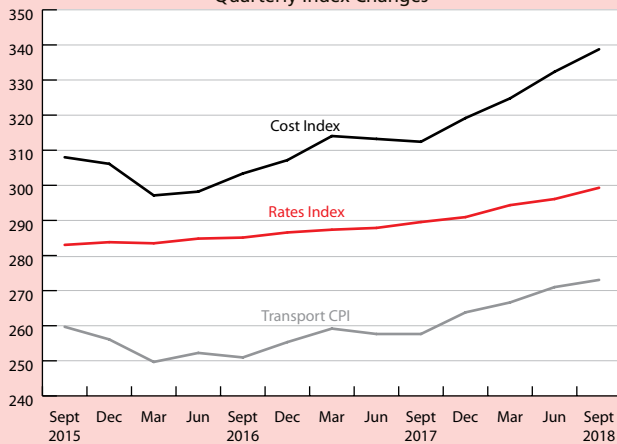
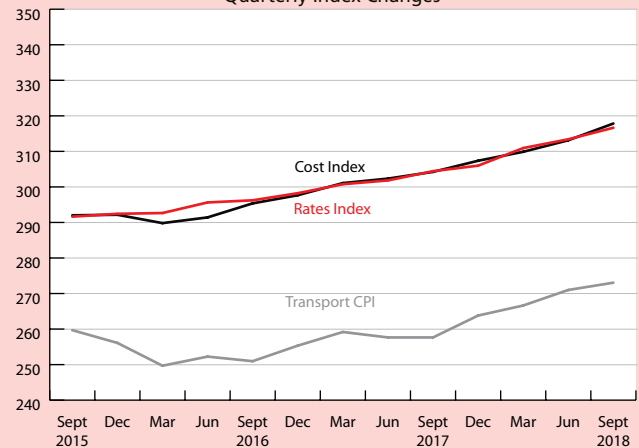


TransEco Linehaul Cost Movements
Quarterly Index Changes



TransEco Shorthaul Cost Movements
Quarterly Index Changes



Comment

- Over the year diesel prices rose by some 24% post GST and Fuel Credits.
- Diesel prices are now close to the high September 2014 level.
- The Fair Work Australia national wage increase of 3.5% for low paid workers came into effect on the 1st July 2018 and was incorporated into the TransEco index in the September 2018 quarter in full.
- Transport CPI rose by 0.7% over the quarter and by 5.9% over the year, this was again largely due to higher fuel prices.
- The ABS Producer Price index for road rose by 1.1% over the quarter and by 3.3% for the year.
- Annual changes in the total TransEco cost index were 8.4% for linehaul and 4.4% for shorthaul carriers.
- Quarterly cost changes for linehaul were 1.9% and 1.5% for shorthaul operators. Linehaul costs are impacted more by diesel prices fluctuations, compared to shorthaul operators who are more sensitive to labour cost increases.
- Surveyed tyres costs rose by a fraction of a percent over the quarter but on a three year per annum basis prices rose by slightly over 1.2% for linehaul operations and by 1.5% per annum annually for shorthaul activity.
- Registration charges for shorthaul and linehaul operators saw general decreases in the order of -0.1% to -0.7% being activated on 1 July 2018 for a basket of linehaul and shorthaul vehicles respectively.
- Registration changes are levied in four instalments in the TransEco index over the four quarters of the financial year.
- The heavy vehicle Road User Charge remained at 25.8 cents per litre and have been incorporated in the post GST, fuel credits calculation.
- As diesel fuel excise increased on the 1st August the diesel fuel credit was raised to offset this increase.
- The TransEco linehaul fleet mix comprises 50% B-Doubles and 50% single articulated vehicles. Road trains are not included in the linehaul mix with the exception of a 20% share of the registration index.
- Driver labour costs on a three-year, compounded annual basis, increased by 2.9% per annum for linehaul and 2.7% for shorthaul operators.
- Administrative labour costs increased by 2.3% for shorthaul and linehaul operations on a three year per annum compounded average basis.
- Three year per annum compounded, average maintenance costs rose by 2.6% for linehaul and 2.4% shorthaul operations.
- Comprehensive insurance rates, even for claim free operators, have so far risen by 3% over the last 12 months.
- The Australian dollar, over the last 12 months, has continued to fall against the US dollar, the Yen and the Euro.
- From September 2017 quarter, TransEco began to report on movements in toll charges and results are presented in an optional table on Page 5 of this report.

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Cost Segments

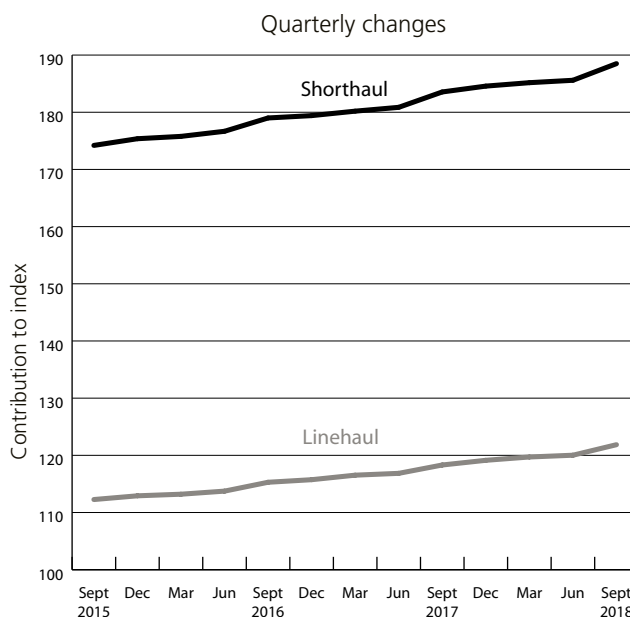
Labour: Driver and Administration

Linehaul and shorthaul driver costs rose by approximately 2.9% and 2.7% respectively over the year, similar to the three year growth rate. Administrative costs on a three year per annum basis have increased by approximately 2.6% per annum for linehaul and 2.4% per annum for shorthaul administration.

The 3.5% national wage increase became effective as from the 1st July 2018. This followed the 3.3% increase in July 2017. The minimum wage increase is still higher than TransEco's three year driver trends for linehaul and shorthaul which remain less than 3% per annum.

The full Fair Work Commission increase is taken into account, in the immediate September TransEco quarter after the implementation date of the 1st July 2018. The national wage increase is not levied in four quarterly instalments as is the case for registration, as many operators pay their vehicle registrations throughout the year when it becomes due.

The national wage case decision is part of the TransEco labour index which is comprised of five labour indices.



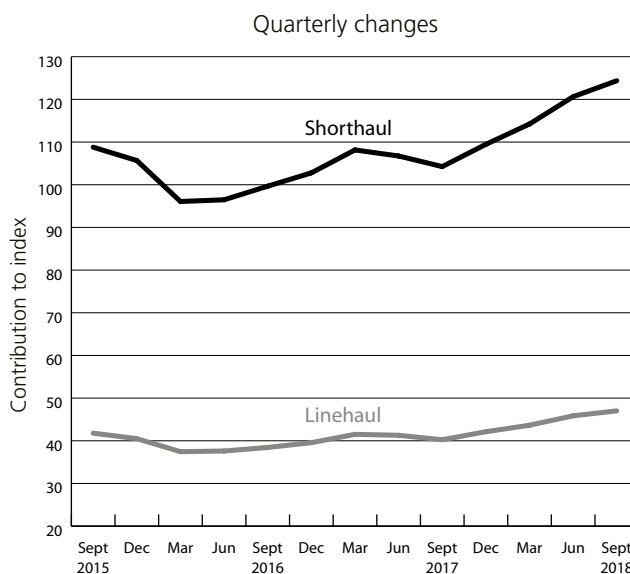
Fuel and Tyres

Annual fuel prices, on a post GST and post Diesel Fuel Credits basis, jumped by 24.7% and 23.3% for linehaul and shorthaul operators respectively over the year.

Slight differences can occur as linehaul operations are more dependent on bulk diesel fuel purchases at the end of the month in the quarter whilst shorthaul operators often incur some urban retail purchases earlier in each of the months in the quarter.

The National Road Transport Commission's Road User Charge (RUC) has been set at 25.8 cents per litre for 2018-19 and for 2019-20, down from 26.14 cents per litre. TransEco takes account of any changes in the RUC and Diesel Fuel Credit Scheme in the immediate quarter when changes occur. Diesel fuel excise rose on 1 August 2018 but this was offset by an increase in the diesel fuel credit being raised to 15.4 cents/litre at the same time.

Surveyed truck tyre prices moved by less than one per cent over the quarter, but on a three year per annum basis prices have risen by about 1.5% to 1.2% per annum for shorthaul and linehaul operations respectively.



Vehicle Maintenance

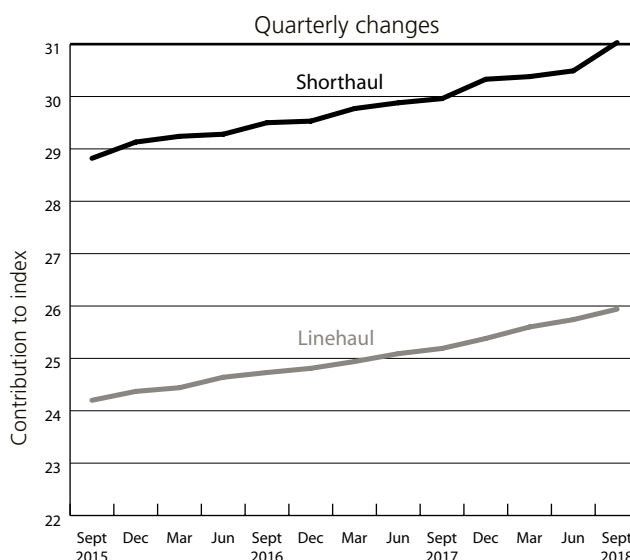
Maintenance costs rose over the 12 months by 3.3% for linehaul and 2.9% for shorthaul operators. On a three year per annum basis, which flattens out some observed quarterly observed cost spikes for some operators the maintenance index is still running at around 2.5% per annum for linehaul and shorthaul operators.

Over the year, the A\$ has continued to fall against the major currencies by between 6% and 8% for the year to September. This has put price pressure on imported spares and major maintenance parts. This will also add to capital expenditure on top of the large demand replacement being seen over the last few quarters.

The cut in the cash rate by the Reserve Bank of Australia by 0.25 basis points in August 2016 to 1.50% helped drive the currency down. Market expectations for any increases in interest rates seem to be on hold perhaps even throughout the rest of 2018, and even well into 2019.

Exchange rate changes – 12 month Period.

	Sep 17	Sep 18	% Change
\$A/US\$	0.7830	0.7222	-7.8%
\$A/Y	88.32	82.98	-6.1%
Euro	0.6658	0.6200	-6.9%
SDR	0.5553	0.5151	-7.3%
TWI	66.2	62.2	-6.1%

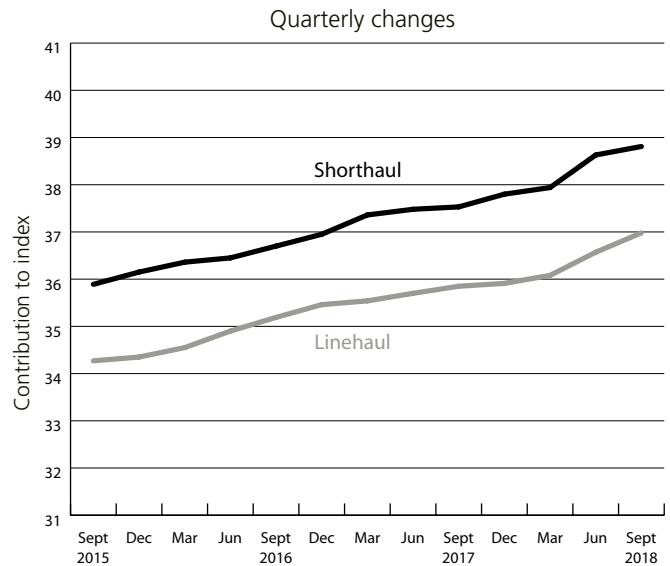


Vehicle Capital Costs

The capital cost index for the average compounding three year per annum rate was 3.6% for linehaul and for shorthaul operators. The annual increases for linehaul vehicles was also 3.4% for linehaul and 3.2% for shorthaul vehicles. However, some new models exceeded these values.

Road Transport GDP of -0.5% for the 12 months to September 2018 year on year is much weaker than the 2.8% National GDP.

However, truck sales continued to be strong owing to replacement cycles and some pent up demand.



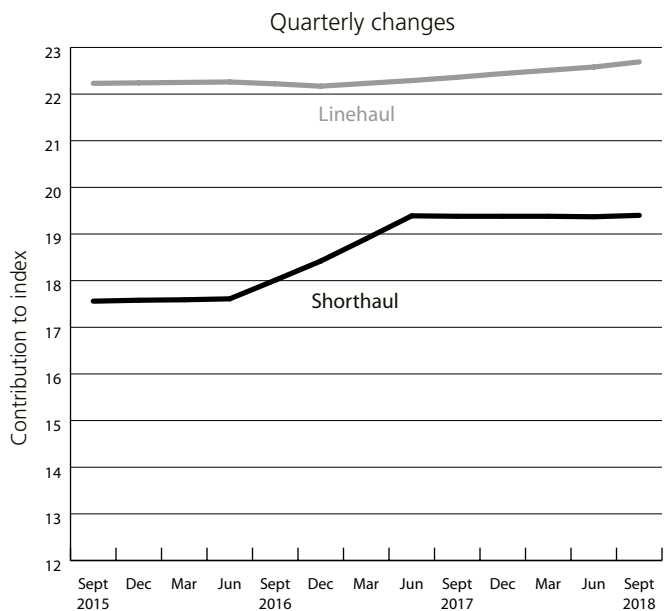
Registration and Insurances

Heavy vehicle registration charges for 2018/19, which are set by the National Transport Commission (NTC) saw a decrease of between -0.1% and -0.7% for a basket of linehaul and shorthaul vehicles respectively. This was in part due to a dropping off of road freight activity and kilometres.

This continued non-escalation of registration charges, and the increasing the diesel fuel rebate does not sit well with all State and Territory Treasurers. Hence a review is being undertaken of the current road charges PAYGO model.

Comprehensive truck insurance premia, at the national level, has increased by 3% so far over the last twelve months and this is expected to continue over the next year. In some cases even higher increases will be experienced especially for non claim free operators.

TransEco continues to carefully watch this market as there are different quotations coming from different States for different truck configurations, hauling specific 'accident prone' commodities. Market rates can range from 1.5 cents/km to 8 cents/km depending on the commodity and the operator's accident history. Many B-Double linehaul operators may pay in a mid- range of these prices depending on each specific operating circumstance.



ACTIVITY OUTLOOK

September 2018

Over the last nine years road freight's actual Laden Business Kilometres (LBkms) has on average changed by +2.4% per annum. However, several of the last few years have seen lower annual growth rates for LBkms, and as road freight GDP is continuing to be weak.

FORECASTS

1. Laden Business Kilometres (Million Kilometres)	EOFY Sep 18	EOFY Sep 19	Growth %p.a
	28,379	28,764	+1.0% p,a

HISTORICAL TRANSPORT DATA

2. GDP (P) for Road Transport (\$ Million) Quarterly (Seasonally Adjusted)	Sep Qtr 17 on	Sep Qtr 18	% change
	\$6,011.0	\$5,892.0	-2.0%

3. GDP(P) for change Road Transport (\$ Million) Prior 12m (Seasonally Adjusted)

	12m to Sep Qtr 17 on	12m to Sep Qtr 18	% change
	\$23,964.0	\$23,881.0	-0.5%

4 GDP (P) for Change Road Transport (\$ Million) Quarter on Quarter Index Number

Jun Qtr 2018	Sep Qtr 18	% change
5942.0	5,892.0	-0.9%

4. ABS Producer PPI for Road Transport Index Number

Sep Qtr 17on	Sep Qtr 18	% change
107.5	111.0	+3.25%

The 12 months to September 2017 compared to the 12 months to September 2018 for Road Transport GDP result saw a 0.5% decrease well below the national GDP growth of 2.8% seasonally adjusted for the 12 months. The September quarter in 2018 compared to the same quarter in 2017 was down 2.0%.

TransEco Road Freight Cost Indices

Linehaul Cost Changes

(Index base 100 = December 1984)

Contribution to total index

Quarter	Driver	Admin	Fuel	Tyres	Main-tenance	Capital	Insurance	Rego	Total Transport Index	CPI	Rates Index(*)
Sep-15	75.83	36.44	86.25	22.54	28.82	35.89	13.85	8.38	308.00	259.69	283.03
Dec-15	76.46	36.47	83.13	22.54	29.13	36.15	13.85	8.39	306.12	256.10	283.80
Mar-16	76.70	36.50	73.65	22.42	29.24	36.36	13.85	8.40	297.12	249.68	283.4
Jun-16	77.12	36.63	74.17	22.29	29.28	36.45	13.85	8.41	298.20	252.25	284.82
Sep-16	78.02	37.27	77.35	22.31	29.50	36.70	13.85	8.37	303.36	250.96	285.11
Dec-16	78.22	37.52	80.46	22.31	29.53	36.95	13.85	8.32	307.17	255.33	286.57
Mar-17	78.91	37.62	85.09	23.06	29.77	37.36	13.95	8.28	314.04	259.18	287.36
Jun-17	79.10	37.75	83.39	23.34	29.88	37.48	14.06	8.23	313.22	257.64	287.86
Sep-17	80.20	38.12	80.96	23.28	29.96	37.53	14.16	8.20	312.41	257.64	289.54
Dec-17	80.72	38.41	86.17	23.30	30.33	37.80	14.27	8.17	319.16	263.80	290.94
Mar-18	81.12	38.59	90.93	23.30	30.38	37.94	14.38	8.13	324.77	266.63	294.35
Jun-18	81.31	38.71	97.30	23.32	30.49	38.63	14.48	8.10	332.35	271.00	296.09
Sep-18	82.54	39.32	100.99	23.38	31.03	38.81	14.59	8.10	338.76	273.05	299.30

Percentage Change (quarter on quarter)

3 year ave	2.87%	2.57%	5.40%	1.23%	2.49%	2.64%	1.76%	-1.12%	3.22%	1.69%	1.88%
1 year ave	2.93%	3.14%	24.73%	0.44%	3.57%	3.42%	3.03%	-1.23%	8.44%	5.98%	3.37%
Qtr change	1.52%	1.56%	3.79%	0.26%	1.76%	0.47%	0.75%	-0.03%	1.93%	0.76%	1.09%

Notes: All data reflect the effects of ANTS. (*)Based on the average of observed freight rate escalators.

Shorthaul Cost Changes

(Index base 100 = December 1984)

Contribution to total index

Quarter	Driver	Admin	Fuel	Tyres	Main-tenance	Capital	Insurance	Rego	Total Transport Index	CPI	Rates Index(*)
Sep-15	144.71	29.49	30.49	11.30	24.20	34.27	6.24	11.32	292.01	259.69	291.63
Dec-15	145.63	29.74	29.17	11.33	24.37	34.35	6.24	11.34	292.16	256.10	292.43
Mar-16	145.97	29.81	26.18	11.26	24.44	34.55	6.24	11.36	289.81	249.68	292.65
Jun-16	146.74	29.93	26.40	11.20	24.64	34.90	6.24	11.38	291.42	252.25	295.63
Sep-16	148.73	30.27	27.23	11.21	24.73	35.19	6.24	11.78	295.37	250.96	296.23
Dec-16	148.98	30.43	28.35	11.21	24.81	35.46	6.24	12.19	297.66	255.33	298.23
Mar-17	149.74	30.45	29.92	11.59	24.94	35.54	6.28	12.61	301.08	259.18	300.76
Jun-17	150.27	30.59	29.56	11.73	25.09	35.70	6.33	13.06	302.33	257.64	301.83
Sep-17	152.67	30.88	28.55	11.70	25.19	35.85	6.38	13.01	304.23	257.64	304.43
Dec-17	153.54	31.03	30.41	11.71	25.38	35.91	6.43	12.95	307.36	263.80	305.98
Mar-18	154.00	31.17	31.94	11.71	25.60	36.08	6.47	12.90	309.88	266.63	310.93
Jun-18	154.27	31.33	34.14	11.72	25.74	36.57	6.52	12.85	313.13	271.00	313.40
Sep-18	156.84	31.66	35.21	11.81	25.94	36.98	6.57	12.83	317.84	273.05	316.65

Percentage Change (quarter on quarter)

3 year ave	2.72%	2.40%	4.91%	1.49%	2.35%	2.57%	1.76%	4.25%	2.87%	1.69%	2.78%
1 year ave	2.73%	2.55%	23.31%	0.93%	2.97%	3.16%	3.03%	-1.36%	4.47%	5.98%	4.01%
Qtr change	1.67%	1.07%	3.14%	0.75%	0.79%	1.14%	0.75%	-0.18%	1.50%	0.76%	1.04%

Notes: All data reflect the effects of ANTS. (*)Based on the average of observed freight rate escalators.

Linehaul Cost Changes

(Index base 100 = December 1984) Linehaul Index With Tolls incorporated from Sept. 2011

Contribution to total index

Quarter	Driver	Admin	Fuel	Tyres	Main-tenance	Capital	Insurance	Rego	Tolls	Total Index	TCPI	Rates Index(*)
Sep-15	75.00	36.04	85.29	22.29	28.51	35.49	13.70	8.29	3.67	308.27	259.69	283.03
Dec-15	75.61	36.07	82.21	22.29	28.81	35.75	13.70	8.30	3.71	306.45	256.10	283.68
Mar-16	75.85	36.10	72.84	22.17	28.92	35.96	13.70	8.31	3.74	297.58	249.68	283.48
Jun-16	76.26	36.22	73.35	22.05	28.95	36.05	13.70	8.32	3.78	298.69	252.25	284.82
Sep-16	77.16	36.86	76.49	22.07	29.17	36.29	13.70	8.28	3.82	303.83	250.96	285.11
Dec-16	77.36	37.11	79.57	22.07	29.20	36.55	13.70	8.23	3.88	307.66	255.33	286.57
Mar-17	78.04	37.21	84.15	22.81	29.44	36.95	13.80	8.19	3.94	314.51	259.18	287.36
Jun-17	78.23	37.33	82.47	23.08	29.55	37.06	13.90	8.14	5.44	315.20	257.64	287.86
Sep-17	79.31	37.70	80.07	23.02	29.63	37.11	14.01	8.11	5.50	314.47	257.64	289.54
Dec-17	79.83	37.99	85.22	23.04	29.99	37.38	14.11	8.08	5.54	321.18	263.80	290.94
Mar-18	80.22	38.16	89.93	23.04	30.04	37.52	14.22	8.04	5.59	326.77	266.63	294.35
Jun-18	80.41	38.28	96.23	23.06	30.16	38.20	14.32	8.01	5.62	334.31	271.00	296.09
Sep-18	81.63	38.88	99.87	23.13	30.69	38.38	14.43	8.01	5.65	340.68	273.05	299.30

Percentage Change (quarter on quarter)

3 year ave	2.87%	2.57%	5.40%	1.23%	2.49%	2.64%	1.76%	-1.12%	15.51%	3.39%	1.69%	1.88%
1 year ave	2.93%	3.14%	24.73%	0.44%	3.57%	3.42%	3.03%	-1.23%	2.70%	8.33%	5.98%	3.37%
Qtr change	1.52%	1.56%	3.79%	0.26%	1.76%	0.47%	0.75%	-0.03%	0.54%	1.91%	0.76%	1.09%

Notes: All data reflect the effects of ANTS. (*)Based on the average of observed freight rate escalators.

Shorthaul Cost Changes

(Index base 100 = December 1984) Linehaul Index With Tolls incorporated from Sept. 2011

Contribution to total index

Quarter	Driver	Admin	Fuel	Tyres	Main-tenance	Capital	Insurance	Rego	Tolls	Total Index	TCPI	Rates Index(*)
Sep-15	143.13	29.16	30.16	11.17	23.93	33.90	6.17	11.20	3.45	292.27	259.69	291.63
Dec-15	144.04	29.41	28.85	11.20	24.10	33.97	6.17	11.22	3.49	292.45	256.10	292.43
Mar-16	144.37	29.48	25.90	11.14	24.17	34.17	6.17	11.23	3.52	290.15	249.68	292.65
Jun-16	145.13	29.61	26.11	11.08	24.37	34.52	6.17	11.25	3.55	291.79	252.25	295.63
Sep-16	147.10	29.94	26.93	11.09	24.45	34.80	6.17	11.64	3.59	295.73	250.96	296.23
Dec-16	147.35	30.10	28.04	11.09	24.54	35.08	6.17	12.05	3.65	298.05	255.33	298.23
Mar-17	148.11	30.11	29.59	11.46	24.67	35.15	6.21	12.48	3.70	301.49	259.18	300.76
Jun-17	148.62	30.26	29.24	11.60	24.81	35.31	6.26	12.91	5.11	304.14	257.64	301.83
Sep-17	151.00	30.54	28.24	11.57	24.92	35.46	6.31	12.86	5.18	306.08	257.64	304.43
Dec-17	151.86	30.69	30.08	11.58	25.10	35.52	6.36	12.81	5.21	309.21	263.80	305.98
Mar-18	152.32	30.83	31.48	11.58	25.32	35.68	6.40	12.76	5.22	311.60	266.63	310.93
Jun-18	152.58	30.99	33.76	11.59	25.46	36.17	6.45	12.71	5.25	314.95	271.00	313.40
Sep-18	155.12	31.32	34.82	11.68	25.66	36.58	6.50	12.69	5.28	319.64	273.05	316.65

Percentage Change (quarter on quarter)

3 year ave	2.72%	2.40%	4.91%	1.49%	2.35%	2.57%	1.76%	4.25%	15.24%	3.03%	1.69%	2.78%
1 year ave	2.73%	2.55%	23.31%	0.93%	2.97%	3.16%	3.03%	-1.36%	1.98%	4.43%	5.98%	4.01%
Qtr change	1.67%	1.07%	3.14%	0.75%	0.79%	1.14%	0.75%	-0.18%	0.56%	1.49%	0.76%	1.04%

Notes: All data reflect the effects of ANTS. (*)Based on the average of observed freight rate escalators.

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