**Rates and Costs Schedule 2017-18 – Haulage and Harvesting, Plantation Sector**

This Rates and Costs Schedule (Schedule) is published under section 14 of the *Owner Drivers and Forestry Contractors Act 2005*. Under the Act, hirers must give this Schedule to all harvesting contractors at least three business days before the contractor is engaged for a period of at least 30 days; or on the thirtieth, day if the contractors are engaged for a total period of at least 30 days in any three month period.

**This Schedule applies to haulage and harvesting contractors who are harvesting forest products[[1]](#footnote-1) in plantation forests.**

This Schedule is a general guide only. Contractors are strongly advised to seek professional accounting advice relevant to their own situation and discuss all issues with their hirer to ensure there is no misunderstanding concerning payment structures.

Schedules are usually revised annually, and hirers must provide harvesting contractors with any revised Schedule as soon as practicable after it is published.

The Schedule does not set minimum rates that must be paid, but sets out a costing model and example based on typical overhead costs to assist contractors and their hirers to better understand the typical operating costs of a harvesting business. Contractors can then use the Schedule as a guide to plan their own unique cost structures.

**How to use this Schedule**

**Example:** A contractor wants to tender for a forestry contract in the plantation sector, using two medium rubber tyred harvesters and one medium forwarder.

* The contractor refers to **Table 1** and selects the machinery s/he wants to utilise
* The rates chosen should reflect the market rate payable for the product and the needs of the hirer.
* The contractor then multiplies the hourly rate for each piece of machinery by the hours of intended use.
* Having used **Table 1** to select the relevant machinery, it is possible to calculate the daily income required as follows:

|  |  |
| --- | --- |
| Two harvesters @ $289 per hour x eight engine hours per day(2 x $289x 8) | $4 627.62 |
| One forwarder @ $204.40 per hour x ten engine hours per day | $2 044.00 |
| **Daily income** | **$6 671.62** |

* The contract will indicate the tonnage expected to be harvested and loaded, which can then be converted into daily or weekly output.
* Say the volume is 250 tonnes per day.
* **$6 671.62** divided by 250 = **$26.67** per tonne to cut and load onto the truck or landing.
* Go to **Table 2** to apportion your fixed and variable costs.
* Costs should be around 87 per cent of income, depending on how the contract is negotiated.

However, contractors are strongly advised to seek professional accounting advice relevant to their own situation and discuss all issues with their hirer to ensure there is no misunderstanding concerning payment structures.

The indicative rates represented in **Table 1** of this schedule have been developed using prices and rates current as at 1 July 2016. The rates are supported by costing assumptions for harvesting (**Table 2**) and haulage (**Table 3**).

**Table 1** sets out machine wet hire[[2]](#footnote-2) hourly rates for harvesting, forwarding, loading and haulage equipment that may be drawn on to establish particular harvesting systems. The rates are inclusive of all on-costs including labour, overheads, return on capital, management and supervision.

In establishing a rate for a task, it should be borne in mind that production costs are impacted by a number of variables including:

|  |  |
| --- | --- |
| * Volume per hectare
* Tree size, volume and form
* The number of products to be cut and moved to roadside
* Slope of the terrain
* Distance form landing to the centre of the coupe
* Markets
 | * Planting regimes
* Harvesting patterns (third row, fifth row thinnings)
* Harvesting programs (clearfall or thinnings)
* Truck tare weights and log lengths
* Access and environmental issues
* Product segregation
 |

Any of these variables or a combination of them will have an impact on costs. Great care should be taken in using the indicative figures set out in the Schedule, as the overhead cost structure of individual businesses may vary significantly.

For rates inclusive of the costs listed above and an explanation of the methodology used, please refer to the native forest rates and cost schedules. These schedules are helpful for developing rates that are priced per volume or weight.

**Table 1: Forestry Industry Council – Plantation Harvesting Cost Schedules – Charge out rates (July 2017)**

| **Harvest Phase** | **Harvest Input** | **Attributes** | **Machinery cost per engine hour(wet hire)** |
| --- | --- | --- | --- |
| **Equipment(New)** | **Average** | **Equipment(Mid-Life)** |
| Felling | Tracked Feller Buncher | Saw Head | 150 - 225 kW | $239 | $216 | $192 |
| Extraction | Tracked Skidder (Dozer) | Winch | 91 - 120 kW | $173 | $160 | $147 |
| Extraction | Tracked Grapple Skidder | Dozer | 121 - 150 kW | $211 | $193 | $173 |
| Extraction | Tracked Grapple Skidder | Purpose Built | 175 - 225 kW | $239 | $222 | $203 |
| Extraction | Skidder | Winch | 110 - 130 kW | $160 | $148 | $136 |
| Extraction | Skidder | Grapple | 131 - 180 kW | $211 | $180 | $147 |
| Extraction | Shovel | Escavator  | 121 - 150 kW | $158 | $180 | $166 |
| Extraction | Shovel | Purpose Built | 151 - 225 kW | $278 | $248 | $216 |
| Extraction | Forwarder | Small | 12 - 14 t | $192 | $180 | $166 |
| Extraction | Forwarder | Medium | 15 - 18 t | $222 | $204 | $186 |
| Extraction | Cable | Tower | > 300 kW | $228 | $204 | $180 |
| Extraction | Cable | Swing | > 300 kW | $339 | $308 | $278 |
| Extraction | Tailhold | Dozer | 121 - 150 kW | $562 | $491 | $439 |
| Processing | Harvester / Rubber Tyred | Small | 120 - 175 kW | $278 | $254 | $228 |
| Processing | Harvester / Rubber Tyred | Medium | 176 - 225 kW | $322 | $289 | $260 |
| Processing | Harvester / Tracked Base | Small | 20 Equivalent | $203 | $186 | $166 |
| Processing | Harvester / Tracked Base | Medium | 22 Equivalent | $272 | $254 | $235 |
| Processing | Harvester / Tracked Base | Medium | 24 Equivalent | $291 | $267 | $239 |
| Processing | Harvester / Tracked Base | Large | 26 Equivalent | $295 | $278 | $260 |
| Load-out | Excavator | Loader | 19 - 22 t | $147 | $136 | $124 |
| Load-out | Excavator | Loader | 28 - 34 t | $173 | $160 | $147 |
| Load-out | Rubber Tyred Loader | Loader | 91 - 125 kW | $160 | $148 | $136 |
| Load-out | Rubber Tyred Loader | Loader | 126 - 170 kW | $180 | $167 | $155 |
| Support | Support Machine | Dozer | 91 - 120 kW | $146 | $126 | $107 |
| Short-Haul | Truck | Twin Steer | Tri | $148 | $142 | $136 |
| Long-Haul | Truck | B-Double | Tri Tri | $173 | $141 | $110 |

**Table 2: Harvest Schedule Indexation Mechanism**

| **Cost component** | **Fixed or Variable** | **Assumptions** | **Proportion of costsbudgeting** |
| --- | --- | --- | --- |
| **Fuels and Oils** | Variable | Shell Terminal Gate Price (Melbourne) less GST Input Tax Credit less Off Road Use Rebate – Average price at 1 July. | Ground-based: 14.0%Cable: 10.5% |
| **Labour** | Variable | Timber Industry Award 2010 – Level 5 employeeWorkers compensation, Victorian levy rate code A0303K (%) gazetted industry rateLegislated rate for superannuation contributions by employer | Ground-based: 28.0%Cable: 35.0% |
| **Parts, Tyres, Repairs and Maintenance** | Variable | ABS Producer Price Indexes Stage 1, Commodities (Domestic and Imports) Catalogue 6427. | Ground-based: 11.9%Cable: 10.5% |
| **Finance and Insurance** | Variable | ABS Consumer Price Index, Insurance (Miscellaneous) Catalogue 6401 | Ground-based: 11.9%Cable: 10.5% |
| **Administration and Overheads** | Variable | ABS Consumer Price Index, all groups, and all capital cities | Ground-based: 4.2%Cable: 3.5% |
| **Capital component – depreciation** | Variable | Adjusted each year in line with other costs |  30.0% |

**Table 3: Haulage Schedule Indexation Mechanism**

| **Index component** | **Fixed or Variable** | **Assumptions/ Source** | **Starting proportion** |
| --- | --- | --- | --- |
| **Fuels and Oils** | Variable | Shell Terminal Gate Price (Melbourne) less GST Input Tax Credit less Off Road Use Rebate – Average price at 1 July. | 24.5% |
| **Labour** | Variable | Timber Industry Award 2010 – Level 5 employeeWorkers compensation, Victorian levy rate code A0303K (%) gazetted industry rateLegislated rate for superannuation contributions by employer | 23.1% |
| **Parts, Tyres, Repairs and Maintenance** | Variable | ABS Producer Price Indexes Stage 1, Commodities (Domestic and Imports) Catalogue 6427. | 12.6% |
| **Finance and Insurance** | Variable | ABS Consumer Price Index, Insurance (Miscellaneous) Catalogue 6401 | 4.9% |
| **Administration and Overheads** | Variable | ABS Consumer Price Index, all groups, and all capital cities | 4.9% |
| **Capital component – Depreciation** | Variable | Adjusted each year in line with other costs | 30.0% |

1. Harvesting contractor and forest products are defined in the *Owner Drivers and Forestry Contractors Act 2005.* [↑](#footnote-ref-1)
2. ‘Wet hire’ represent rates per hour for the supply of machinery, labour (including on-costs), management and supervision, overheads such as business support and workshop, and are inclusive of a return on the capital and recompense for the effort for undertaking a business. [↑](#footnote-ref-2)