



INDUSTRY OUTLOOK

TRUCKING INDUSTRY



OCT 2024 // PREPARED BY GEORGIA MAURICE



Industry Overview

NAVIGATING A COMPLEX LANDSCAPE IN 2024

The Australian trucking industry is currently facing a multifaceted set of challenges, requiring fleet owners and operations managers to stay adaptive and proactive. In this report, we outline the key issues impacting the industry, discuss market conditions, and offer strategic insights to help businesses succeed.

The State of the Market

The Australian trucking industry is under strain, primarily due to several interlinked factors. While demand for freight services remains steady in some sectors like mining and construction, other areas are experiencing significant volatility. The global supply chain disruptions, rising fuel costs, inflation, and a persistent shortage of truck drivers are some of the biggest hurdles companies face.

Key Market Challenges:

1. Driver Shortage
2. Volatile Fuel Prices
3. Tightening Regulations
4. Market Demand Fluctuations
5. Technological Advancements
6. Reduction in Consumer Spending



KEY CHALLENGES

Driver Shortages

The shortage of qualified truck drivers has emerged as one of the most critical challenges in the Australian trucking industry. In a recent survey, the International Road Transport Union revealed that 26 000 drivers were needed to fill gaps in the sector (Evans 2024).

Several factors contribute to this shortage, including an aging workforce, lack of interest from younger generations (Howison 2024), and high turnover rates due to the demanding nature of the job. This means that the qualified ones, sometimes just aren't willing or able to keep working in transport.

As a result, trucking companies face operational delays, reduced capacity, and increased wage demands, which affect profitability.

Volatile Fuel Prices

Fuel is the lifeblood of the trucking industry, and its cost is one of the most significant operational expenses. The volatility of global oil markets has made fuel prices unpredictable, leading to fluctuating expenses for trucking companies. Rising fuel costs has eroded profit margins and forced operators to either absorb the costs or pass them on to customers in the form of higher freight rates.

Market Demand Fluctuations

The trucking industry is highly sensitive to broader economic conditions, and market demand for freight services can fluctuate due to both domestic and global factors. Economic downturns, inflationary pressures, and supply chain disruptions have caused inconsistent freight volumes, affecting operational planning and profitability.

Technological Advancements

Despite the challenges, technology offers promising solutions to improve operational efficiency and reduce costs. Innovations such as autonomous vehicles, telematics, and predictive maintenance systems are becoming more prevalent, allowing trucking companies to enhance productivity and safety. However, the cost of implementing these technologies can be high, and businesses must weigh the benefits against the initial investment.

Reduction in Consumer Spending

Inflation happens when the Consumer Price Index (CPI) rises. CPI measures the cost of household goods. This quarter the CPI sat at 3.8%, sitting above the Reserve Bank's target of 2-3% for inflation (ABS 2024). 'Higher inflation rates erode purchasing power' (Maverick 2024), meaning that consumers have less excess income to spend when inflation is high. This is having a direct impact on the transport industry, as people are spending less, less goods are being moved by trucks.



FORECASTING

Disclaimer: Forecasting any industry, especially one as complex and dynamic as trucking, involves inherent uncertainties. The following forecast is based on current trends and expert opinions, but future events could significantly alter the outlook.

Increased Demand and Growth

Despite the temporary dip in consumer spending, consumer online spend is forecast to rise in the next 5 years (Statista 2024), being a prime contributor to increased freight volumes moved (IBISWorld 2023).

Fuel Prices

To everyone's relief, fuel and diesel prices have dropped in the recent months. This June quarter, according to the ACCC, fuel prices across five large cities saw a decrease of 1.2 cpl, except Canberra which saw an increase of 0.8 cpl (ACCC 2024). These prices are further expected to drop as the price of crude oil drops (RBA 2024) and as the emergence of the electric vehicles decreases the demand for fuel (IBISWorld 2024).

This may result in an increased profit margin for fleet owners. However, fuel costs will still remain volatile due to the fluctuating cost of crude oil, heavily impacted by the ongoing wars in the Ukraine and the Middle East.

Employment

The negative outlook and bad reputation of the trucking industry due to its volatile hours

and low pay will mean that wages are expected to increase in an attempt to attract new drivers, limiting the potential for profit margin growth in that area (IBISWorld 2023).

Electric Vehicles

The increasing adoption of electric vehicles could have a significant impact on the trucking industry. While electric trucks are still in the early stages of development, they could become more common in the future, especially considering the government's 'Driving the Nation' program geared towards renewable energy (energy.gov 2024).

Government Investment

The overall productivity of the Australian economy heavily depends on the transport of goods and produce, prompting the government to prioritise funding for transport efficiency improvements. The Federal Government is currently rolling out national programs such as the Roads of Strategic Importance initiative and the Remote Roads Upgrade Pilot Program (IBISWorld 2023). These initiatives aim to enhance key freight routes and upgrade road infrastructure, which will benefit the trucking industry's operations in the years ahead.

Traffic Congestion

Rising congestion on Australian roads is becoming an increasing concern. Traffic in major cities, particularly near ports, is increasingly hindering the productivity of road freight services (IBISWorld). This growing congestion is likely to heighten competition from the rail freight network, as governments seek ways to alleviate road traffic issues.

TIPS FOR INCREASED PROFIT MARGIN



Disclaimer: The tips and suggestions provided are intended for informational purposes only. Please consult with a financial or business advisor before making any significant changes to your operations.

Addressing Driver Shortages

To mitigate the risk of even more drivers leaving, invest in driver retention. Offer competitive compensation, benefits, and flexible work arrangements to retain drivers. Consider establishing training and development programs to attract new talent and upskill your current workforce. Improving driver satisfaction by prioritising health and safety, reducing time spent on the road, and investing in ergonomically designed vehicles will also make the job more appealing.

Mitigating Fuel Price Volatility

Invest in fuel-efficient trucks or retrofit existing vehicles to improve mileage. Regular maintenance, tire checks, and telematics can also help monitor and optimise fuel use. Where possible, use fuel hedging strategies to lock in prices and protect against future price hikes.

Navigating Regulatory Challenges

Stay informed about upcoming regulations to avoid fines and ensure your fleet remains operational. Investing early in compliant technologies and vehicles can reduce long-

term costs. Use fleet management software to ensure compliance with safety and emissions regulations and to monitor driver hours and vehicle maintenance schedules.

Sales and Marketing

Many trucking companies and fleet owners do not invest much in sales and marketing. They often just rely on word of mouth or their current customer base to keep work flow up. However people are finding that in this economic climate, they need to work for it. It doesn't take much, but you'll start to reap the rewards.

To increase sales and boost marketing efforts, consider building strong customer relationships through loyalty programs, referral incentives, and excellent service. Leveraging social media, particularly LinkedIn or Facebook, to share customer success stories and company updates can enhance your visibility. Consider sending out an email blast to previous customers to remind them that you are around - keep your business front of mind. If you have a website, consider optimising websites for SEO and user experience to make sure potential clients can easily find and engage with your services. If you don't have a website, seriously consider making one, you can use pre-made templates from places like Wix and Squarespace.

Finally, forming partnerships with complementary businesses (if you'd like to pop into Tegral and snap a photo with us, you are more than welcome), attending industry events, and offering limited-time promotions or seasonal discounts can help attract new customers and drive growth.

REFERENCES

Big Rigs. (2024). 'It's causing good drivers to leave and it's a disgrace', 14 May. Available at: <https://bigrigs.com.au/2024/05/14/its-causing-good-drivers-to-leave-and-its-a-disgrace/> (Accessed: 11 October 2024).

News.com.au. (2024). Truck driver shortage threatens empty shelves, higher prices. Available at: <https://www.news.com.au/finance/economy/australian-economy/truck-driver-shortage-threatens-empty-shelves-higher-prices/news-story/000f2eda8547a1db3522f4ebf0db972e> (Accessed: 11 October 2024).

IBIS World. Road Freight Transport in Australia. IBIS World. Available at: <https://www.ibisworld.com> (Accessed: 11 October 2024).

ACCC. (2024). Lower recent petrol prices welcome after prices moved higher in the June quarter. Available at: <https://www.accc.gov.au/media-release/lower-recent-petrol-prices-welcome-after-prices-moved-higher-in-the-june-quarter> (Accessed: 11 October 2024).

Australian Institute of Petroleum (AIP). (2024). National retail diesel prices. Available at: <https://www.aip.com.au/pricing/national-retail-diesel-prices> (Accessed: 11 October 2024).

Australian Bureau of Statistics (ABS). (2024). Consumer price index, Australia, Jun quarter 2024. Available at: <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/jun-quarter-2024> (Accessed: 11 October 2024).

Statista. (2024). B2C e-commerce sales CAGR forecast for selected countries. Available at: <https://www.statista.com/forecasts/220177/b2c-e-commerce-sales-cagr-forecast-for-selected-countries> (Accessed: 11 October 2024).

Reserve Bank of Australia (RBA). (2015). Box C: Implications of Lower Fuel Prices. Available at: <https://www.rba.gov.au/publications/smp/2015/feb/box-c.html> (Accessed: 11 October 2024).

Department of Climate Change, Energy, the Environment and Water. (2024). Electric trucks roll out in Sydney. Available at: <https://www.energy.gov.au/news-media/news/electric-trucks-roll-out-sydney> (Accessed: 11 October 2024).

Contact Us

 1300 159 809

 sales@tegal.com.au

 tegal.com.au

 [LinkedIn](#)