

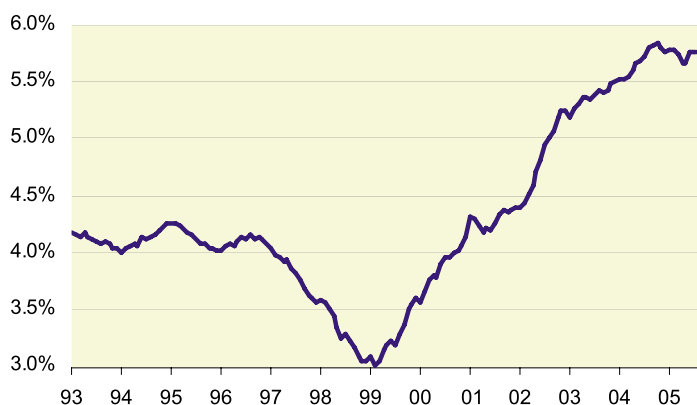
## A MORE MODERN FLEET

Over the past three to five years sales of new trucks have risen rapidly implying some upgrading of the truck fleet. We're talking here about utes right up to big rigs. The fastest growth in sales of brand new trucks has been at the light and very heavy ends of the market. Demand for new light commercials has risen by just over 8%pa since 2000, while sales of very heavy trucks have risen an impressive 10%pa.

Strong growth in sales of new trucks suggests a reasonably aggressive replacement policy unless the new vehicles have simply added to the size of the truck fleet. Certainly the total number of currently registered trucks has increased; that is, the size of the fleet has grown by around 7% (25,800 vehicles) since 2000. Over that same period 117,750 new trucks were sold.

### Upgrading the fleet

new truck sales as % truck fleet



Besides adding to the size of the fleet, new truck sales are also required to meet depreciation, or scrappage of older vehicles. What we have witnessed over the past five years is that sales of new trucks have risen as a percentage of the total fleet from 3% in 1999 to nearly

6% by 2005, implying some increase in the rate of depreciation or scrappage. That in turn suggests the average age of the fleet has declined and the quality of the fleet has improved.

There are a number of arguments that support an upgrading of the truck fleet. These include:

- 1 A boom in farm incomes as commodity prices rose.
  - 2 A high level of building activity has boosted tradesmen's incomes.
- Both these trends have encouraged farmers and tradesmen to replace their old vehicles – they can afford a better class of capital.
- 3 The low cost of new vehicles – relatively low interest rates and a high currency have made new trucks more affordable.
  - 4 Increasing pressure on margins have encouraged truck operators to buy more efficient vehicles to remain competitive.
  - 5 Strong growth in domestic economic activity has put pressure on transport capacity, thereby creating a premium for reliable and efficient transport services.

The one area of the truck market where the quality of capital stock appears to have languished is in the medium category. These are basically two axle trucks used for around town, or short-haul deliveries. Sales of new medium trucks have remained low. Truck operators have tended to purchase used imports, which have accounted for more than three quarter of all first-time registrations. It would seem that the relatively low rates of capacity utilisation of medium trucks persuades many operators to keep the cost of their capital low – hence the popularity of used imports.

The historically higher volume of new light and very heavy truck sales over the past five years points to a more modern and efficient truck fleet than we had in 2000.

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