



Fuel Surcharges in Australian Livestock and Rural Freight

A defensible basis for transparent cost recovery

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About this paper. This paper sets out ALRTA's position on fuel surcharge design for use by members, customers and policymakers.

Position. ALRTA supports fuel surcharges that are transparent, index-based, symmetrical and evidence-based — adjusting freight rates up when fuel rises and down when fuel falls, against a verifiable benchmark and a disclosed methodology.

Executive summary

Fuel surcharges are not arbitrary price increases. Properly designed, they are a cost-recovery mechanism that adjusts freight charges to reflect movements in underlying fuel cost. The key scrutiny question is therefore not whether a surcharge exists, but whether it is derived from a transparent, verifiable and consistently applied methodology. The credibility of any surcharge depends on method, not rhetoric.

A defensible model identifies six things: the base fuel price embedded in the freight rate, the current benchmark, the treatment of fuel tax credits, the fuel-cost weighting, the review frequency, and a genuine rise-and-fall mechanism. Australian Institute of Petroleum (AIP) terminal gate prices are a credible benchmark for that purpose, though contract- or invoice-linked equivalents can also be defensible where they are documented and consistently applied.

1. Why this issue matters

The sharp movement in diesel prices during early 2026 has renewed attention on how fuel surcharges are calculated in the livestock and rural freight sector. ALRTA members have faced questions from customers and stakeholders about whether surcharges are fair, whether they are calculated consistently, and whether they will come down when fuel does. This paper sets out ALRTA's position.

The scale of the recent movement illustrates the point. ACCC weekly monitoring reported average terminal gate diesel prices across the five largest cities rising by about 91 per cent between 20 February and 31 March 2026.¹ The supply-side disruption was serious enough that the ACCC authorised fuel majors to coordinate, subject to conditions, to help ensure domestic fuel supplies.² By mid-April, AIP diesel data indicated that wholesale diesel prices had begun to ease.³ In other

¹ACCC, Weekly fuel price monitoring report – 2 April 2026 (2 April 2026).

²ACCC, ACCC authorises fuel majors to coordinate to ensure fuel supplies, with conditions (20 March 2026).

³Australian Institute of Petroleum, Weekly Diesel Prices Report – Week Ending 19 April 2026 (20 April 2026).

words, the market moved sharply up and then began to move back down — exactly the environment in which a genuine rise-and-fall mechanism proves its worth.

2. The economic case for fuel cost recovery

National heavy vehicle reform discussions have recognised that productivity is shaped not only by regulation, but by broader economic settings. The Kanofski report observed that the largest drivers of heavy vehicle productivity are likely to include infrastructure spending and efficient road pricing, and that productivity reform needs to be coupled with a broader microeconomic reform agenda.⁴ A transparent fuel surcharge is not the same issue as road pricing, but it reflects the same underlying principle: freight pricing frameworks should be economically coherent, transparent and capable of responding to material cost drivers.

In practical terms, fuel is a non-discretionary and globally priced input to the freight task. Where freight rates are set against an assumed baseline fuel price, material movements in diesel can create a mismatch between the agreed rate and the actual cost of performing the task. A transparent fuel surcharge helps manage that volatility without reopening the entire freight rate.

3. What a fuel surcharge is — and what it is not

A fuel surcharge is not a second rate card, and it is not a discretionary margin add-on. It is a variable adjustment applied to an otherwise agreed freight rate to reflect movements in the fuel component of operating cost. Published mechanisms across major transport and logistics operators show what a credible model looks like.

Australia Post states that its fuel surcharge can rise, fall, or not be applied at all depending on fuel movements.⁵ TNT Express describes its domestic fuel surcharge as a transparent charging mechanism reflecting changes in fuel-related costs.⁶ Team Global Express goes further and publishes both the formula it applies and current surcharge tables linked to the AIP national average, refreshed weekly.⁷ That last example — a published formula tied to a verifiable public benchmark — is a strong published illustration of the kind of model ALRTA regards as defensible.

4. The critical concept: the base fuel price

The single most important concept in any surcharge debate is the base fuel price. That is the benchmark fuel price already embedded in the underlying freight rate at the time the rate was last set or reset. It is not today's price minus yesterday's, and it is not automatically the price on the date the contract commenced if the rate has since been reviewed. If the base price is not defined, the surcharge cannot be tested properly. A dispute about fuel surcharge credibility is often, in substance, a dispute about what fuel assumption is already built into the base freight rate.

5. Why AIP terminal gate prices are a legitimate benchmark

AIP terminal gate prices are a strong benchmark for a fuel surcharge mechanism because AIP publishes average terminal gate prices using data from BP Australia, Ampol, Viva Energy Australia and ExxonMobil, and makes historical petrol and diesel TGP data available for download.⁸ Under the Oil Code, a terminal gate price is the wholesale price for a declared petroleum product, and all wholesale suppliers must set and display it each day on a website.⁹

⁴Ken Kanofski, Report to Infrastructure and Transport Ministers Meeting (ITMM): Heavy Vehicle National Law Safety and Productivity Program (Public Release Version, August 2022).

⁵Australia Post, Fuel surcharge (accessed 27 April 2026).

⁶TNT Australia, Fuel Surcharges (accessed 27 April 2026).

⁷Team Global Express, Fuel Surcharge | Current Rates (accessed 27 April 2026).

⁸AIP, Terminal Gate Prices (updated 17 April 2026).

⁹ACCC, Oil Code of Conduct (accessed 27 April 2026).

6. What a benchmark is and is not

It is equally important not to overstate what terminal gate prices do. The ACCC says terminal gate prices are indicative wholesale prices, that few wholesale transactions occur exactly at terminal gate prices, and that actual costs can vary across brands and cities. The sensible conclusion is that AIP TGP is best understood as a transparent benchmark or proxy, not as a perfect reconstruction of every operator's invoice. That supports a balanced ALRTA position: AIP TGP is an acceptable and credible reference point for index-based fuel surcharge models, but contract- or invoice-linked benchmarks can also be defensible where they better reflect an operator's genuine procurement cost and are applied transparently and consistently. The requirement is not that every operator uses the same benchmark, but that the benchmark used is objectively verifiable.¹⁰

7. Why wholesale benchmarks are more appropriate than retail bowser prices

For livestock and rural freight, wholesale-style benchmarks generally make more sense than retail bowser prices. AIP's weekly diesel report notes that most diesel is sold in bulk to commercial and industrial customers, including transport and farming, rather than through consumer retail channels. The same report explains that Australian wholesale diesel prices move closely with Singapore diesel benchmarks under import parity pricing, typically with a short lag from rolling averages.¹¹ Wholesale benchmarks therefore track the commercial fuel market more closely than retail headline prices, which include local retail dynamics and can adjust more slowly than underlying supply.

8. Why the surcharge should be proportionate, not identical, to the fuel price rise

A common error in public commentary is to assume that if diesel rises by a certain percentage, the surcharge should rise by the same percentage. That is not how a proper rise-and-fall model works. A fuel surcharge is designed to recover only the fuel-related share of the total freight task, not the whole freight rate. Team Global Express, for example, publishes a formula that calculates the surcharge by measuring the change between current and base fuel price and then multiplying it by the business unit's fuel-cost weighting. The same principle applies more broadly. If fuel represents only part of the cost base, then a very large movement in diesel can still produce a smaller but economically rational surcharge percentage — and when the diesel price falls, the surcharge falls proportionately too.¹²

9. Fuel tax credits must be treated explicitly

Any methodology that claims to reflect net fuel cost must say clearly how fuel tax credits are handled. For heavy vehicles on public roads, fuel tax credit outcomes are affected by both the fuel duty setting and the road user charge.

The ordinary road user charge is 32.4 cents per litre.¹³ For the temporary relief period commencing 1 April 2026, the Australian Government confirmed that the road user charge had been reduced to zero and eligible heavy vehicle operators would be entitled to a full fuel tax credit of 20.6 cents per litre.¹⁴ The ATO confirmed the same change.¹⁵ The practical implication for any rise-and-fall model is straightforward: if the surcharge is intended to recover net fuel cost, it must be updated when fuel tax credit settings change, in both directions. If it is instead based on gross benchmark fuel prices for simplicity, that should be disclosed openly rather than obscured.

¹⁰ACCC, ACCC calling on industry to explain widely varying fuel prices (13 March 2026).

¹¹AIP, Weekly Diesel Prices Report – Week Ending 19 April 2026 (20 April 2026).

¹²Team Global Express, Fuel Surcharge | Current Rates (accessed 27 April 2026).

¹³National Transport Commission, Road user charges (accessed 27 April 2026).

¹⁴Department of Infrastructure, Transport, Regional Development, Communications and the Arts, Fact sheet: fuel excise relief measures from 1 April 2026 (2 April 2026).

¹⁵Australian Taxation Office, Fuel tax credit rates changed from 1 April 2026 (7 April 2026).

10. What a defensible methodology should contain

A defensible fuel surcharge model should contain, at minimum, six features:

1. A clearly defined base fuel price and base date, linked to the freight rate actually being charged.
2. A clearly identified current benchmark — an AIP city average, the AIP national average, or a documented invoice-based equivalent.
3. An explicit statement of whether the model is gross-of-FTC or net-of-FTC, and if net, how the relevant fuel tax credit is applied.
4. An agreed fuel-cost weighting for the relevant freight task, fleet mix and operating conditions, rather than an unexplained percentage.
5. A stated review frequency and any smoothing or lag rule built into the model.
6. A true rise-and-fall operation under which the surcharge comes down when the benchmark comes down.

11. ALRTA position and implications

ALRTA supports fuel surcharges that are transparent, index-based, symmetrical and evidence-based. AIP terminal gate prices are a credible benchmark for fuel surcharge mechanisms because they are public, verifiable and tied to the wholesale fuel market.¹⁶ At the same time, ALRTA does not claim that AIP TGP is the only acceptable benchmark in every case. The stronger and more defensible position is that the benchmark must be objectively verifiable and consistently applied, whether it is AIP TGP or a properly documented contract- or invoice-linked equivalent.

The proper test of credibility is whether a surcharge is calculated from a disclosed methodology, grounded in verifiable data, and applied in a manner proportionate to actual fuel-cost movement — including falling when fuel falls. In a sector that cannot function without diesel, refusing legitimate cost recovery does not remove the cost from the supply chain; it forces operators to absorb it until service quality, investment or business viability gives way. That is not an outcome in the interests of producers, customers or governments.

Illustrative structure of a defensible surcharge model

The proportional structure below is consistent with the published Team Global Express formula.¹⁷

$$\text{Fuel surcharge \%} = ((\text{Current benchmark fuel price} - \text{Base benchmark fuel price}) \div \text{Base benchmark fuel price}) \times \text{Agreed fuel weighting}$$

Where a net-cost model is used:

$$\text{Net benchmark fuel price} = \text{benchmark diesel price} - \text{applicable fuel tax credit}$$

Worked example. With a base benchmark of 160 cents per litre, a current benchmark of 280 cents per litre, and an agreed fuel weighting of 35 per cent, the surcharge is $((280 - 160) \div 160) \times 0.35 = 26.25$ per cent.

This example assumes a gross benchmark model and does not account for fuel tax credits. Illustrative only — not a prescribed industry rate or weighting. Base prices, current benchmarks and fuel-cost weightings vary by contract, freight task and operating conditions.

¹⁶Australian Institute of Petroleum, Terminal Gate Prices (updated 17 April 2026); ACCC, Oil Code of Conduct (accessed 27 April 2026).

¹⁷Team Global Express, Fuel Surcharge | Current Rates (accessed 27 April 2026).