PROTEUS

WORKBENCH NOTE | PRICING AND RATES

# Are your rate rises right?

Most businesses lift their rates once a year by a single CPI number. It feels fair. It is often wrong. In a changing economy, a fair rise is one you can build, calculate and explain.

**Fair to you. Fair to us. Tied to numbers anyone can check.**

**1. YOUR BASE RATE**
Do you know your real rate, built from what it actually costs you to deliver?

**2. YOUR ANNUAL RISE**
Do you escalate it accurately every year, with the right index for each part?

**3. YOUR JUSTIFICATION**
Can you show your customer why the rate moved, including the years it should not?

## 20 years of CPI. It is not 3 + 3 + 3.

*The 3 + 3 + 3 is an example only: the flat rise many businesses assume. Real years go up and down, and sometimes backwards.*

| June | Index | Change | June | Index | Change |
|---|---|---|---|---|---|
| 2006 | 85.9 | 4.0% | 2016 | 108.6 | 1.0% |
| 2007 | 87.7 | 2.1% | 2017 | 110.7 | 1.9% |
| 2008 | 91.6 | 4.4% | 2018 | 113.0 | 2.1% |
| 2009 | 92.9 | 1.4% | 2019 | 114.8 | 1.6% |
| 2010 | 95.8 | 3.1% | **2020** | **114.4** | **-0.3%** |
| 2011 | 99.2 | 3.5% | 2021 | 118.8 | 3.8% |
| 2012 | 100.4 | 1.2% | **2022** | **126.1** | **6.1%** |
| 2013 | 102.8 | 2.4% | **2023** | **133.7** | **6.0%** |
| 2014 | 105.9 | 3.0% | 2024 | 138.8 | 3.8% |
| 2015 | 107.5 | 1.5% | 2025 | 141.7 | 2.1% |

Yearly moves ran from -0.3% to 6.1%. One year went backwards. Starting index, June 2005: 82.6.

**SAME 20 YEARS, THREE ANSWERS**

| | |
|---|---|
| Assume a flat 3% a year, compounded | **80.6%** |
| Add up the 20 yearly figures | **55.0%** |
| **The real movement, index to index** | **71.5%** |

That is about 2.7% a year, not 3%. Guess high and you overcharge. Add the numbers and you undercharge. Only the index is right.

**THE RIGHT CALCULATION**

New rate = Old rate × (Index now ÷ Index at last review)

## The parts must equal the total. Index each part at its own rate.

A charge-out rate is labour, plant, fuel, materials and overhead. Each one moves differently. Some go down.

| Part of a $120/hr rate | Share | Index it to | Index move | Change |
|---|---|---|---|---|
| Labour | $78.00 | Wage Price Index | +3.4% | +$2.65 |
| Plant and fuel | $18.00 | Fuel price index | **-5.0%** | **-$0.90** |
| Materials and consumables | $12.00 | Producer Price Index | +2.5% | +$0.30 |
| Overhead | $12.00 | CPI | +3.8% | +$0.46 |
| **Built-up rise** | | **New rate $122.51** | | **+2.1%** |
| One CPI number on the lot | | New rate $124.56 | | +3.8% |

*Example figures for illustration only. Your shares and indices come from your own costs and contracts.*

**Right table?** The ABS now runs a monthly CPI on a new base (Sept 2025 = 100). Check which series your contract names.

**Right date?** Index from your last review date to this one. Not calendar year to calendar year by habit.

**Down years?** A fair clause moves both ways. Showing a hold or a drop builds more trust than any rise.

**In writing?** Put the method, the indices and the shares in the contract, so a rise is never a surprise.

## This one sits on the bench. The calculation is where you call us.

We build your rates from your costs, set the escalation method and show you how to explain it to your customers.

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Source: ABS CPI All groups, weighted average of eight capital cities, 30 June index (2011-12 = 100), as published by the ATO. Parts table figures are illustrative only.

*You might only be one improvement away.*