



Prime Mover Magazine – TIC Article for July 2020 Issue.

COVID 19 Industry Impacts; Risks; Opportunities

The advent of COVID 19 has quite clearly left its mark on the Australian population and the economy. For its part the federal Government has provided strong leadership to mitigate the negatives impacts associated with the pandemic. The federal Opposition for its part has acted constructively with the Government to create a new political order which has seen our politicians work together for the benefit of the nation in this time of great need. The Truck Industry Council (TIC) acknowledges the quick response that saw the Morrison McCormack Government introduce immediate incentives to keep the economy robust as COVID 19 impacted our nation. Of particular interest to truck OEMs were the measures for the freight sector which included increasing the instant asset write off from \$30,000 to \$150,000 until 30 June 2020; and for businesses with a turnover of less than \$500 million an accelerated deduction of 50 per cent of the asset cost in the year of purchase until 30 June 2021.

Feedback from TIC members suggest that the Government's intent to create stimulus whilst sparking the interest of truck purchasers appears to have been limited by customers not willing to make a commitment to buy due to social and economic uncertainty and a tightening of access to funding from finance companies.

At the time of writing sales for the months of March and April have seen a twenty-one percent decrease for each month, when compared to the same time last year. The prospects for May and June are expected to show further declines as existing orders are reconsidered and purchase decisions delayed. The outlook for rest of year can be summed up as "not strong".

Against this immediate backdrop and noting the sales history of the Australian truck fleet the worsening of a longer-term problem – the already high average age of the fleet - will become even more pronounced over the next three to five years. The average age of the Australian Truck Fleet in 2019 was 14.7 years. In the years after the Global Financial Crises (2008 to 2016) the average age of the fleet increased from 13.6 years to 14.9 years as sales stagnated. Higher sales figures for the last three years have only marginally impacted positively the average age of the fleet.

As a result, the Australian truck fleet is not as safe, as productive, or as environmentally friendly as it could be given the advanced technologies now available in today's modern trucks. This should be of concern to the Australian Government. While all the focus of

Government has been correct upon immediate incentives to mitigate COVID 19 impacts upon the economy, the Government must lift its eyes to look beyond the horizon and seize the strategic opportunity that exists over the next couple of years to restructure the nation's truck fleet making it safer, cleaner, greener and more productive. To do so would maximise economic recovery and maintain primary and secondary manufacturing jobs upstream and downstream while renewing the nation's old truck fleet.

The starting position for a post COVID 19 recovery for our sector should address immediate and long-term timelines.

In the immediate sense incentives such as extending the deadline for instant write off provisions to the 31st December 2022 and increasing the amount claimable to \$450,000 are considered by truck OEMs as being invaluable once businesses recommence upon the lifting of COVID 19 restrictions. Given that the International Monetary Fund has predicted the world will be in recession for four years, the extended timeline allows for businesses to make better use of this opportunity given the long lead time required to build and fit out a truck and for businesses to regain confidence which in turn will strengthen the economy.

For long term benefit the Government should be developing an industry wide, defined and scoped fleet renewal strategy that articulates the national priority of having a modern truck fleet employing the latest technologies. TIC's National Truck Plan would inform the development of this strategy.

Both these immediate and long-term initiatives would be vital for creating demand consistent with Industry and Government objectives and in the greater national interest.

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