



Prime Mover Magazine – TIC Article for April 2022 Issue.

## **Don't Miss Out on a New Truck at a Great Price**

In this column last month, I spoke about supply chain issues as they pertained to AdBlue/Diesel Exhaust Fluid stocks at the end of 2021 and how, in that instance while supply was tight, shortages were mainly due to a degree of panic buying driven by misinformation, or attention seeking media headlines, by some organisations.

I detailed that Supply, Demand and Logistics are the three main elements in every supply chain and if any one of these is disrupted the result is most likely widespread disturbance along the whole supply chain. Further, over the past two years, Australians have witnessed these three elements individually, or collectively, impact various supply chains at differing times and to differing degrees.

In the heavy vehicle industry, some of these disruptions have been quite acute. Probably none more so than the well published global computer chip shortage. The scarcity of micro-processor semi-conductors has seen light and heavy vehicle original equipment manufacturers (OEMs) literally wrestling for supply of these precious electronic components, against manufactures of phones, PCs, gaming consoles, even white goods, as many fridges, washing machines, etc, use computer processors to control their functionality these days. A single truck can use as many as 150 of these chips, controlling everything from the engine, brakes, heating and air conditioning, even the electric windows!

In this case the problem is the shortage of supply of these components, primarily due to China reducing production capacity due to the initial downturn in demand from the auto industry when COVID first hit in early 2020. Due to the supply chain inertia and the lower demand for vehicles in the first half of 2020, the shortage did not materialise and effect vehicle delivery times, until later that year, just as the original COVID restrictions started to ease and customers started shopping for new cars and trucks. For various reasons, suppliers in China did not ramp up production of micro-processors as the demand from global auto makers increased. Still today, as we approach the mid point of 2022, supplies of these components remain at historically low levels. Hence the wait for a new trucks and cars, continues. The auto industry had predicted that sufficient supplies would have been re-established by now, however latest forecasts now indicate that the chip shortage will be with us for most of this year.

While the micro-processor semi-conductor shortage is affecting the supply of many new trucks, there are other global material and equipment shortages that continue to slow other parts of a trucks build process. Many body builders are dealing with shortages that they have never experienced previously. These material and equipment supply shortages are delaying the building of bodies and fit-outs, necessary to meet customer requirements and make the truck fit for use in its intended application. Some builds that would take a matter of weeks pre COVID, are now taking months to complete.

Truck Industry Council (TIC) members are very conscious of these delays, both with the original truck's manufacture, but also in the secondary, local, stage of manufacturing required to complete the truck for their customers needs. Truck and major system OEMs, continue to work with their suppliers and overseas parent organisations to sure-up stocks for the Australian market and they are working with local suppliers to ensure that the operations required to complete the truck are tackled in a timely manner. However, there will inevitably be some ongoing delays with new truck deliveries for some time yet.

At the same time, TIC acknowledges the effectiveness of the current federal government COVID incentive package and the positive effect those measures are having on our nation's economic recovery and specifically, in the road transport sector, solid new truck sales renewing Australia's old truck fleet. These incentives are due to end in June 2023, which is unfortunate given the current supply chain issues currently besetting new heavy vehicle purchases. TIC calls upon whichever government wins the 2022 federal election, to extend delivery timelines, beyond the middle of next year, so as to further reduce the age of our nation's truck fleet. Thus increasing the number of trucks on our roads with the latest safety and emission technologies. An outcome that will benefit all Australians.

For those individuals and organisations who are considering purchasing a new truck, I strongly suggest that you place your order sooner, rather than later. As you may have a bit of a wait for your shiny new machine and you don't want to miss out on claiming your share of the government's financial incentives, should they not be extended.

Tony McMullan

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