



15 April 2020

The Hon Josh Frydenberg MP
Treasurer
Parliament House
Canberra ACT 2601

Dear Treasurer

Impact of the 30 per cent decline in turnover test in the JobKeeper Payment scheme

Following discussions between the ATA and the coronavirus business liaison unit on Thursday 9 April 2020, I am writing on behalf of the Australian Trucking Association to raise serious concerns about the 30 per cent decline in turnover test in the JobKeeper Payment scheme.

Trucking and the provision of trucking services involve high fixed costs and low margins, because of the cost of keeping modern, reliable trucks and fully equipped depots and workshops.

Median quartile trucking businesses recorded a 2 per cent profit margin in 2016-17 (source: ANZ bank). The average net profit in the motor services industry in 2019 was 0.9 per cent (source: Deloitte Motor Industry Services).

Many businesses in these industries will be in a position where they cannot sustain their operations well before they become eligible for JobKeeper Payments, with the cashflow issues associated with their decline in turnover exacerbated by worsening payment terms.

The table on page 2 was developed by the Queensland Trucking Association based on a representative trucking business with a turnover of \$1 million per month. A trucking business with this level of turnover could be expected to have about 20 trucks (assumed to be under finance) and 42 employees.

This representative business would be unprofitable if its turnover declined 10 per cent, due to its wage and equipment costs. To stay in operation, the business would need to lay off some 5-6 employees and reduce the hours of another 12 employees to 50 per cent. This would be a tragic outcome.

The business would cease to be viable if its turnover declined 15 per cent. It would not be able to retain enough staff to do enough work to meet the financing costs of its fleet.

Impact of turnover reductions on a representative trucking business

		Base case	Base -30%	Base -15%	Base -10%
		(\$)	(\$)	(\$)	(\$)
Costs per month					
Labour	35.61%	356,100	356,100	356,100	356,100
Fuel	23.15%	231,500	162,050	196,775	208,350
Equipment	18.60%	186,000	186,000	186,000	186,000
Repairs and maintenance	7.24%	72,400	50,680	61,540	65,160
Fixed operating costs	8.60%	86,000	86,000	86,000	86,000
Variable operating costs	2.35%	23,500	16,450	19,975	21,150
Taxable profit	4.45%	44,500	0	0	0
Total costs	100.00%	1,000,000	857,280	906,390	922,760
Turnover per month					
Turnover		1,000,000	700,000	850,000	900,000
Shortfall			-157,280	-56,390	-22,760

Source: Queensland Trucking Association

The ATA believes that government policy should not force businesses to close when they are trying to hang on, keep trading and keep as many of their people employed as possible.

We are also very concerned about the impact of business closures on the supply of essential goods.

Trucking businesses transport farm products, groceries, fuel, medical supplies, chemicals and other essential products needed to sustain our economy and society.

The continued operation of trucking businesses transporting these essential products needs to be a national priority.

Accordingly, I ask the Government to:

- amend s 8(5) of the *Coronavirus Economic Response Package (Payments and Benefits) Rules 2020* to allow the commissioner to establish an alternative test for essential service providers such as trucking businesses, so that any essential service provider that stands down staff is automatically eligible for JobKeeper Payments
- alternatively, if it is considered that a turnover reduction test for essential service providers, including trucking, is needed, the test should be aligned with the 15 per cent decline in turnover test for ACNC registered charities.
- ensure that the first and second fortnightly payments under JobKeeper are made as early as possible, using the transitional provisions in s 14(3) of the rules.

The ATA contact for this letter is Bill McKinley, Chief of Staff, on 02 6253 6921 or bill.mckinley@truck.net.au.

Yours sincerely

A handwritten signature in black ink that reads "Ben Maguire". The signature is written in a cursive, flowing style.

Ben Maguire
Chief Executive Officer