

MEDIA RELEASE



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BUSINESS TAX WORKING GROUP PLAN WOULD KEEP OLDER TRUCKS ON THE ROAD

The Business Tax Working Group's proposal to remove the statutory effective life caps on trucks and trailers would make it harder for trucking businesses to upgrade their older trucks to safer and more environmentally friendly models, the Chief Executive of the Australian Trucking Association, Stuart St Clair, said today.

Mr St Clair was releasing the ATA's response to the working group's discussion paper, which proposes \$26 billion in business tax savings to fund a reduction in the company tax rate.

The discussion paper proposes removing the statutory effective life caps on a range of assets, including trucks and trailers. Trucking businesses that do not self-assess the effective lives of their vehicles would be required to depreciate trucks and trailers over 15 years rather than 7½ years for trucks and 10 years for trailers.

Mr St Clair said removing the caps would impose a significant cash flow burden on trucking businesses, despite the proposed cut in the company tax rate.

"The after tax cash flow gap would amount to \$4,163 per year for each typical prime mover," Mr St Clair said.

"This cash flow gap would reduce operators' ability to purchase new trucks and renew their fleets with safer and more environmentally friendly equipment.

"Every new generation of trucks is safer than the last. Safety standards like the requirement for front underrun protection apply to new trucks, not retrospectively to all the vehicles in service. In addition to the mandatory safety standards, many new trucks have safety features that are found in only the most expensive cars, like adaptive cruise control and lane departure warning systems.

"New trucks are also more environmentally friendly. A new truck, bought today, puts out only 25 per cent of the nitrogen oxides and 8.3 per cent of the particulate matter emitted by a new truck bought in 1994.

"Removing the statutory caps on trucks and trailers would slow the rate these features become more common – but only save \$205 million over four years. That's 0.8 per cent of the savings needed to offset the company tax cut.

"It's also a very small amount compared to the annual cost of road accidents in Australia, \$17.85 billion, and the annual cost of motor vehicle pollution, \$2.7 billion.

"There is, in short, a very strong case to retain the existing statutory caps on trucks and trailers," he said.

The ATA submission is available at www.truck.net.au/advocacy/submissions/business-tax-working-group-discussion-paper

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