



19 March 2020

The Hon Josh Frydenberg MP
Treasurer of Australia
Parliament House
Canberra ACT 2600

Dear Treasurer

1. Introduction

The Australian Trucking Association and its member associations collectively represent the 50,000 businesses and 200,000 people in the Australian trucking industry. Together, the ATA and its members are committed to safety, professionalism and viability.

Following the ATA's advice to Treasury on 18 March 2020, I am writing to document our advice about the impact of the coronavirus on trucking operators and our recommendations for additional government economic measures.

2. Impact of the coronavirus on the trucking industry

The coronavirus epidemic has caused a dramatic reduction in business for container operators at Australia's ports, who report drops in volume of 70 to 80 per cent. Interstate freight, which is already low, has plummeted in the last few weeks.

Trucking businesses have responded by asking permanent staff to take leave and by reducing the hours of contractors and casual employees.

On the other hand, grocery and fuel related supply chains have seen much greater activity than normal. Online grocery deliveries on weekdays has doubled.

Trucking businesses in these sectors are recruiting casual staff and sourcing additional vehicles.

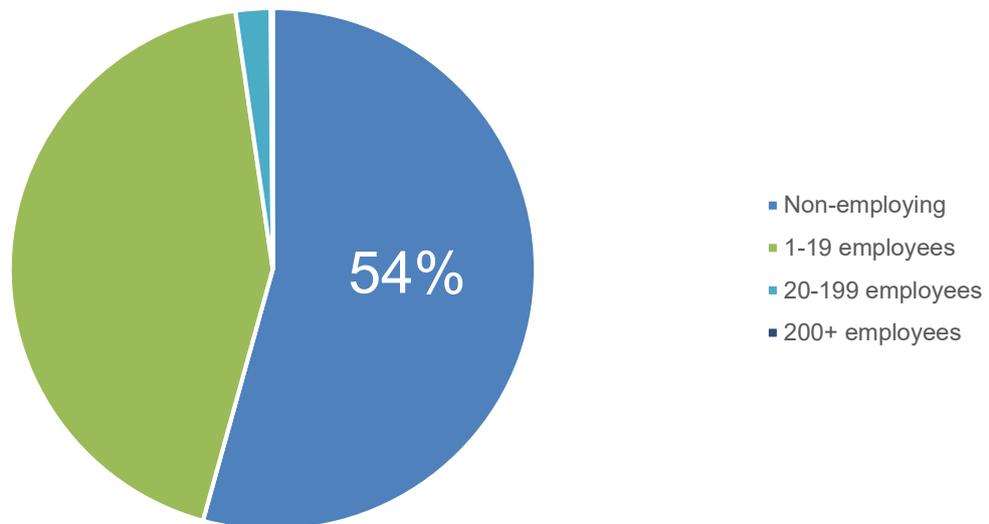
3. Recommendations for the second economic package

a. Owner drivers

The ATA's immediate concern is the impact of the epidemic on truck owner drivers: sole proprietors, business partners or directors of companies with no employees.

As the figure shows, these 28,900 non-employing businesses make up 54 per cent of the trucking industry.

Road freight businesses by employment size, Australia, June 2019



Source: ABS Cat 8165.0

Owner drivers are not eligible for assistance under the Boosting Cashflow for Employers measure. They are not employees, so have no access to paid sick leave.

The ATA recommends that owner drivers and other sole proprietors/non-employing businesses should be eligible for financial assistance, including an equivalent of paid sick leave.

b. Business investment package

The ATA has welcomed the Government's business investment measures. They will lift investment in trucks and trailers, including Australian made equipment.

After consultations with our members, we recommend that:

- **the threshold for the instant asset write-off should be increased from \$150,000 to \$450,000 for Australian made equipment.** The increase in the threshold would enable trucking businesses to apply the write off to the purchase of prime movers as well as light and medium trucks and trailers. Its application to Australian made products would support our domestic manufacturing industry.
- **the delivery timeframe for equipment purchased and written off under the instant asset write-off should be extended from 30 June 2020 to 31 December 2020.** The current uncertainty is impeding business's ability to make early financial commitments or make cash investments. In any case, heavy trucks and trailers are customised to the purchaser's specifications.

c. Australian Government guarantee for equipment lending

Financing equipment is a major cost for small and medium trucking businesses. In our industry, new assets are funded by the commercial banks and OE financiers, with many customers preferring the support that OE financiers provide through the cycle.

The Government's business investment package – particularly with the addition of the ATA recommendations in section 3b – and the current low interest rates will have a dramatic effect on the ability of business to upgrade to new equipment.

A remaining barrier to these purchasing decisions, however, is the uncertainty created by the epidemic.

Accordingly, the ATA recommends that the **Australian Government consider guaranteeing small/medium business equipment loan repayments for the next twelve months.**

d. Road user charge and potential charge increases

The trucking industry pays for its use of the road system through a road user charge on fuel, administered under the *Fuel Tax Act 2006* (Cth) and very large registration charges. The road user charge is currently 25.8 cents per litre.

As a short term measure to support the cashflow of trucking operators, **the ATA recommends that the Government reduce the road user charge to zero for the June quarter.**

Separately, transport ministers are considering increasing the road user charge and state heavy vehicle registration charges by 2.5 per cent from 1 July 2020.

The ATA has previously submitted that now is not the time to increase charges.

We recommend that the proposed charges increase be deferred until 1 July 2021.

e. Payroll tax

ATA members have consistently identified payroll tax as one of the key financial impediments they will face in the coming months.

Although the ATA recognises that payroll taxes are the responsibility of the states, we consider that governments should unite, through the National Cabinet process, to **provide businesses with consistent and generous payroll tax exemptions to maintain employment.**

ATA member associations in each state are ready to provide input to state governments on the additional payroll tax exemptions that industry will require.

4. ATA contact

The ATA contact for this letter is Bill McKinley, Chief of Staff, on bill.mckinley@truck.net.au or 02 6253 6900.

Yours sincerely

A handwritten signature in black ink that reads "Ben Maguire". The signature is stylized, with the first name "Ben" written in a large, bold, cursive font, and the last name "Maguire" written in a smaller, more fluid cursive font to the right.

Ben Maguire
Chief Executive Officer