



The Hon. Josh Frydenberg MP
Treasurer of Australia
Federal Member for Kooyong
Deputy Leader of the Liberal Party
Parliament House
P.O. Box 6022
CANBERRA ACT 2600

Dear Treasurer,

17 January 2022

Dear Treasurer,

**BUDGET SUBMISSION:
IAWO - Request for extension of twelve (12) months to the “delivery” timeline.**

Please accept this letter as the Truck Industry Council’s Budget Submission for 2022/2023.

The Instant Asset Write Off (IAWO) initiative created in response to the COVID pandemic has been an enormous success ensuring that the industry was not adversely affected by this crisis. Your pronouncements to buy a truck and for trucking companies to upgrade their fleets have seen operators do just that. Since the commencement of the stimulus packages the industry has experienced strong sales resulting in near record sales for 2021 of 41,404 new vehicles sold (225 vehicles short of the all-time record).

Each one of these new vehicles sold is a safer, cleaner, and greener vehicle than earlier models.

Each one of these sales has ensured that truck distributors have been able to keep Australians employed and in the case of companies manufacturing trucks in Australia has resulted in more Australians being employed to keep up with demand.

The purpose of this submission is twofold:

- to bring to your attention that the benefits of the Government’s initiative are being curtailed by a strong headwind in the form of global and domestic supply chain constraints brought about by COVID; and

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- to seek an extension of twelve (12) months to the “delivery” timeline (only) for orders placed up to and including the 30th June 2023 in order to maximise the benefit and intent of the Government’s IAWO scheme for truck operators, truck OEMs and secondary manufacturers.

COVID as you are aware has created supply chain problems for all industries around the world. Australian truck manufacturers and distributors equally, are experiencing significant challenges within their supply chains both at the primary supply (provision of the new “cab-chassis” truck) and secondary manufacturing (body building and ancillary equipment) stages. Although eighteen months away, Industry has already identified that some orders placed to date, let alone many of future orders to be taken between now and the end of the scheme, will be very difficult to deliver, and thus qualify for “first use”, by the 30th June 2023 because of these current and ongoing, supply chain constraints.

To give perspective to the supply chain problems being faced by truck OEMs, both for Australian manufactured and imported trucks, the following examples are provided which range from the more publicised such as a worldwide shortage of microprocessors to the most basic componentry found in truck building. For example:

- Battery boxes unable to be sourced in Australia;
- Internal and external finishing trim materials availability;
- Resin shortages for components such as, sleeper cabs, roofs and bonnets;
- Wheel nuts and seat belt buckles cannot be sourced;
- Worldwide shortages of transmissions;
- Shortages in bull bars, fifth wheels, fuel tanks, exhaust pipes and mufflers, alloy wheels, mudguards, general metal components, and fluids for production;
- Volatility in prices, cost uncertainty dominates the industry: Semi-conductors are subject to “Dutch Auctions”;
- Stretched overseas and domestic supply chains. Domestic supply chains also face challenges as a result of not being able to recruit staff;
- Shipping constraints, skyrocketing shipping costs, shipping transit times now 100 days up from 40 days;
- OEMs having to air freight parts to complete trucks; hundreds of incomplete trucks sit idle awaiting parts; and
- Australian body building slots (required to complete the majority of trucks sold in Australia, irrespective of their source of origin) unavailable until November 2022 based upon current demand.

In summary, all elements of truck building and delivery are in peak demand and under stress.

The immediate implication for the federal Government is the continued success of the IAWO Scheme. For the reasons outlined above, the problem OEMs have is that for orders currently placed and to be made over the next eighteen months up until the 30th June 2023, ensuring these assets can be claimed as an immediate deduction for businesses in the year the asset is first used as required for eligibility to the IAWO scheme will become problematic.

In order to maximise the benefits and intent of the IAWO scheme the Truck Industry Council seeks your support for this budget submission to extend by twelve (12) months the delivery timeline for orders placed up to and including the 30th June 2023.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. McMullan', with a stylized flourish at the end.

Anthony J McMullan
Chief Executive Officer