ATN Business Sense
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Barry Jenner is a Chartered Accountant and Management Consultant specialising in improving the profitability of road transport and associated businesses.

Transport operators know we live in interesting times and the publicly available results of some businesses reveal the challenges faced by the industry.

TNT Australia Pty. Ltd., for the year ended 31st December 2009 reported a loss before income tax of $13m, $6m after tax. That was a turnaround from the previous year with a profit before income tax of $15m which, with an income tax benefit of $37m increased to $52m after tax.

The directors reported that the 2009 results were impacted by a "more rapid decline in customer trading levels and revenues than cost reductions could be implemented." For 2010 the directors are focussing on growth in the international express product sector, "combined with operational process re-engineering based on Lean Six Sigma principles, new infrastructure developments in Perth, Sydney, Darwin and Townsville and continuing tight cost control."

Shares in wholly owned group entities were written down by a provision for impairment of $130m. The hard slog the company has endured over the years is revealed by the accumulated losses mounting to $1,066,668 at 31st December 2009, over a billion dollars! Not good for the Dutch owners, taxpayers.

The Australia Post 2008-09 annual report discloses that Parcels & Logistics delivered 96.4% of large parcels on time and 95.8% of small parcels on time. It had investments totalling $298m in jointly controlled entities: Australian air Express 50%, iPrint Corporate 50%, Star Track Express Holdings 50%, Sai Cheng Logistics International 49% (that means the business is controlled in China, not by Australia Post), Multi Media Logistics 50% and Wetherill Park Partnership 50%.

Australia Post's share of revenues from the jointly controlled entities was $635m with $10.8m profit after tax, a slim 1.7% of revenue. Also, the investments in jointly controlled entities declined from $309.7m to $298.3m mainly due to an actuarial loss on defined benefit plans of $6.8m. Not so good for Australian taxpayers who of course own Australia Post.

By contrast Toll's group profit after tax to sales to 30th June 2009 was 4.29%, two and a half times better that Australia Post. FedEx in the USA had after tax profit in 2009 of 2.1%, down from 5.5% in 2008.

Probably the best transport company in the world, UPS, established in the USA over 100 hundred years ago generated net income in 2009 of $2.2billion on sales of $45.3billion representing 4.85% of revenue. D. Scott Davis, the chairman and CEO wrote in the 2009 annual report: "Even with the pressures of a severe recession, UPS maintained its outstanding financial position. In 2009, the company again generated superior free cash flow, producing $4.1 billion. UPS also held its dividend at 2008 levels, marking 40 years of maintaining or increasing dividend payments, and increased the dividend in the first quarter of 2010."

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The performance of UPS is impressive during what were difficult times. Questions for Australian operators include what do they need to do to get their performance to the level enjoyed by UPS?

For Australia Post, should they bother continuing with their investments in Star Track and Australian air Express? Would they be better off divesting them and perhaps continue with strategic alliances? Food for thought if Australia Post's application to increase postage rates to sixty cents receives final approval.

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