QUEENSLAND TRUCKING ASSOCIATION
A.B.N. 64 009 963 053

30th November 2005

Mr Andrew Fraser MP
Chair
Impact of Petrol Pricing Select Committee
Level 6
Parliamentary Annexe
George Street
BRISBANE QLD 4000

Attention: Robert Hansen

Dear Andrew

QTA Submissions to Impact of Petrol Pricing Select Committee

Thank you for the opportunity to verbally present to the Select Committee on your final day of Public Hearings Monday 28th November 2005.

During my Submissions I briefly canvassed a range of issues including:

- The immediate impact of fuel price spikes in 2005 on the trucking industry.
- The ability of the trucking industry to impose fuel levies in addition to the base freight rate.
- The benefits of the Queensland Government not imposing a fuel tax by the maintenance of the Fuel Subsidy Scheme.
- National Transport Commission recommendations to the ATC on Third Heavy Vehicle Charges Determination (Registration charges and Fuel Excise charges).
- The use of alternative fuels, in particular ethanol, with diesel, by the heavy vehicle industry.

Importantly the economic benefits delivered by the trucking industry to the State of Queensland can only be sustained if our industry is provided with the opportunity to operate efficiently, viably and safely. There can be drawn links between efficiency measures, road safety and workplace health & safety outcomes and the long term viability/profitability of an operator large or small.

Critical to the success of any trucking business large or small is the individual application of appropriate business skills. Any comments made in my submission, or the attachments, are not meant to replace the need for the application of business skills nor to advocate an agrarian socialist view which might argue that there should be established some "minimum freight rate".

Transport Industry House
96 Cleveland Street
Stones Corner Q 4120

PO Box 325
Stones Corner Q 4120

Phone: 07 3394 4388
Fax: 07 3397 9324
E-Mail: admin@qta.com.au

The reality for the road freight industry is that it is not homogeneous in its profile, in the task undertaken, the equipment used nor the freight rate necessary to maintain viability and appropriate return on investment.

Currently the "truck fleet" registered with Queensland Transport totals approximately 76,000 vehicles. Of this total approximately 60,000 are rigid trucks with a gross vehicle mass in excess of 4.5 tonnes, approximately 10,000 are prime mover/semi-trailer combinations and approximately 6,000 are B-Double/Road Train combinations.

In an endeavour to assist your deliberations I have attached a number of documents which seek to address the Terms of Reference established by Queensland Parliament. The level of detail provided will vary.

Attachments

A. Queensland Trucking Association (QTA) Ltd profile – This document identifies the structure and services of QTA Ltd.

B. Profile of QTA Ltd Executive Director – This document identifies the Organisations/Government Departments to which QTA Ltd through its Executive Director has direct participation.

C. A schedule of "examples" of recent Fuel Price increases on trucking businesses/operators – including one methodology for the establishment of fuel price levies

D. Trucking – Driving Australia's Growth and Prosperity - ACIL Tasman Report (August 2004) - – This document provides a wide range of data associated with the economic contribution of the Trucking Industry in delivering the freight task, the industry environmental performance, the industry safety performance, the industry profile and a commentary on a range of regulatory issues including competitive neutrality between road and rail.

E. Submissions to the National Transport Commission's Review of Third Heavy Vehicle Charges Determination – This document outlines the industry argument opposing the National Transport Commission's recommendation (included in the papers) to significantly increase registration charges for multiple combination vehicles (State Revenue) and to increase the Fuel Excise paid by 2.1cpl (Federal Revenue). It should be noted that Ministers (ATC) will determine this outcome by out of session vote in March 2006.

F. Industry Submission to the Commonwealth Government's Bio Fuels Taskforce – June 2005 – This document is an examination of the industry position on the use of Bio Fuels and Diesohol (a blend of diesel and ethanol).

G. Industry Submission to the Commonwealth Government on the introduction of Euro 4/ Euro 5 Emission Standards and their impact on fuel efficiency – This document provides considerable detail on the introduction of, and the industry reaction to, the adoption of Euro 4 and Euro 5 Emission Standards for heavy vehicles. Reference is made to the impact on vehicle performance and the difficulty in the maintenance of the Emission Standard.

H. A statement on the necessity for the retention by the Queensland Government for its existing Fuel Subsidy Scheme

I. A statement in relation to the impact of the inadequacy of current levels of Road funding including comment on the recently signed AusLink Agreement

J. A statement in relation to the ACCC's involvement in the regulation of the Fuel refining/retailing industry.

Conclusion

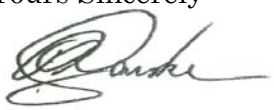
I trust that all of the information provided is of some assistance to the Committee in its deliberations. In short while it is easy to say that increases in fuel prices of the type experienced during the last 18 months places significant burden on Road Transport Operators, and necessitates the application of fuel surcharges over and above freight rates, there remains in my view significant difficulty in controlling the externalities which impact on the world supply market.

Mandating ethanol for the heavy vehicle industry, indeed the wider trucking industry is not a solution where diesel is currently the fuel source.

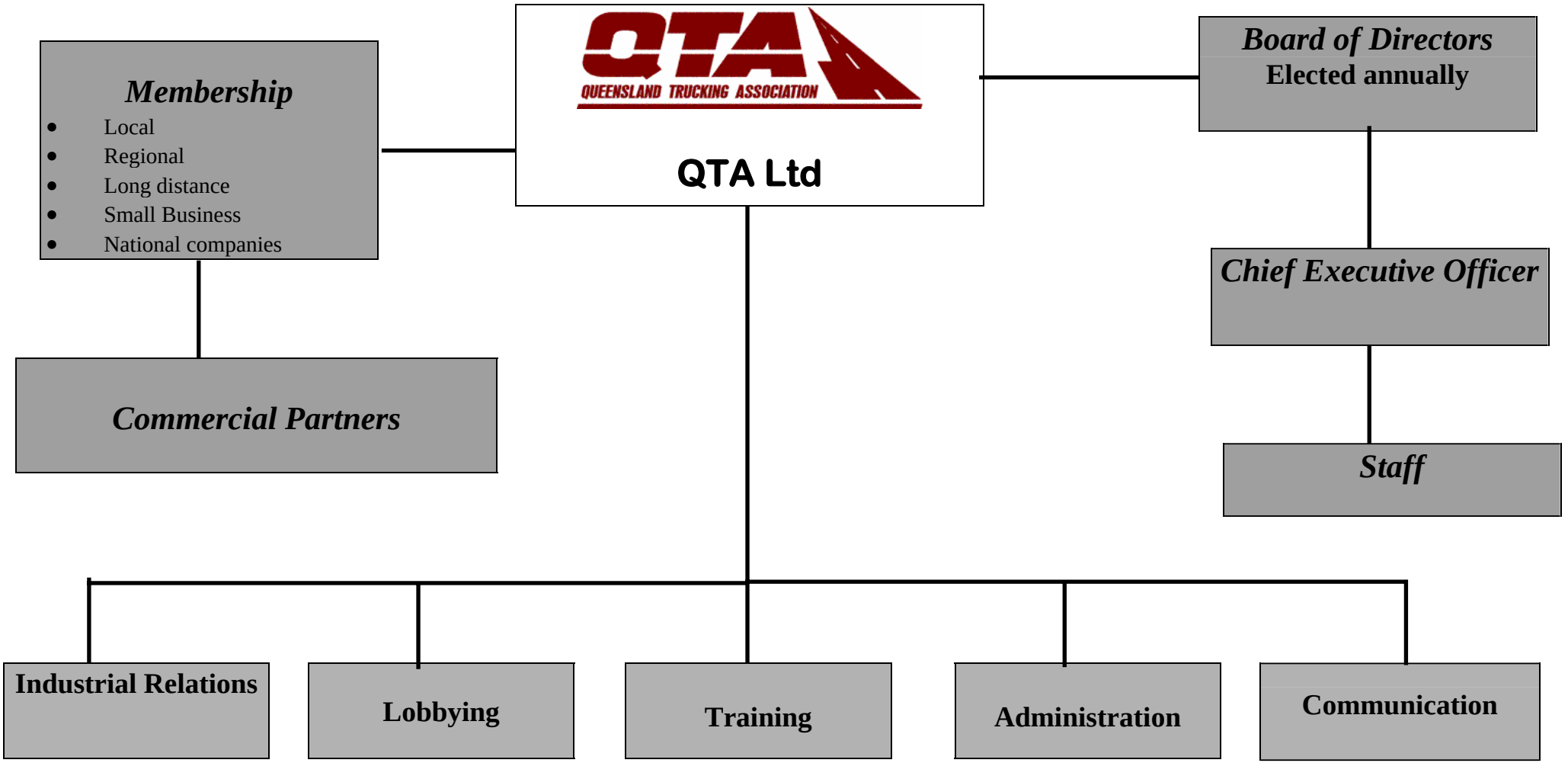
The most significant contribution that the Queensland Government can make to easing the impact of fuel price increases is the maintenance of our "no fuel tax" State through the maintenance of the Fuel Subsidy Scheme.

I am happy to provide any further explanation where it might be considered necessary.

Yours Sincerely



Peter Garske
Executive Director


QUEENSLAND TRUCKING ASSOCIATION
QTA Ltd
Membership
Local
Regional
Long distance
Small Business
National companies
Commercial Partners
Board of Directors
Elected annually
Chief Executive Officer
Staff
Industrial Relations
Lobbying
Training
Administration
Communication

Membership

Industrial Relations

- Awards Service
- OH & S
- Enterprise Bargaining Advice
- Workplace Relations
- WorkCover
- Advocacy in Tribunals
- Negotiation

Member Services

- TruckSafe Accreditation
- Truck Wear (TTC)
- Costing Formula
- Membership Liaison
- Regional Meetings
- Freight Carriers Meetings
- Waterfront Carriers Group
- Rail/Road users Group
- Excess Dimension Group

Lobbying

- State & Federal Government
- Local Authorities
- Government Agencies
- Associations
- Representation on Government Committees

Training

- Industry Specific
- OH & S
- Dangerous Goods
- Licensing
- Risk Management
- Management
- Regulatory Licensing
- Accreditation

Administration

- QTA Secretariat
- Crane Industry Association of QLD
- Qld Trucking Council

Communication

- Transporter newsletter
- Internet
- Market Research
- Advertising

Queensland Trucking Association
Chief Executive Officer – Peter Garske

QTA LTD
- Chief Executive Officer
- Company Secretary

Trucking Council of Queensland
- Secretary

Australian Trucking Association Ltd
- General Council Member
- Safety KRA
- Environment KRA
- Taxes, Charges and Roads KRA
- National Headquarters Management Committee
- Technology Working Group
- Training and Careers Council

Transport & Logistics Careers Forum
- Committee Member

Superannuation (Industry Fund) Trustee Board ($1.5 Billion Under Management)
- TWUSF Director
- TIF Director
- TSS Ltd Director
- Colonial Agricultural Company Ltd Director (9th Largest Cattle Holding in Australia – 45 percent owned by Transport Investment Fund)

QRTA Industrial Organisation of Employers - (State Registered Union)
- Secretary

ARTIO Qld Branch – (Federally Registered Union)
- Secretary

Queensland Transport
- Member – Ministerial Transport Planning Advisory Committee
- Member Road Freight Industry Council
- Safer Roads Sooner Advisory Committee
- Queensland Road Safety Committee
- Queensland Drug Driving Prevention Working Group

Department of Main Roads

- Road Infrastructure Consultation
- Black Spots Funding Reference Committee (Federal Government)

Division of Workplace Health & Safety

- Member of Board Workplace Health & Safety (Qld)
- Chairman Transport and Storage Sector Standing Committee

Brisbane City Council

- Accessible City Advisory Committee
- Various Project Briefing Groups

Other Consultation Committees/Groups

- Port of Brisbane Corporation
- Qld Police – State Traffic Support Branch
- WorkCover Authority
- EPA

28th November 2005

QTA Submissions to Impact of Petrol Pricing Select Committee

Attachment C

The following are examples of information provided to the Queensland Trucking Association from Operators in our industry who run fleets of significant size, in relation to the impact of fuel price increases.

Example 1:

From 5/5/03 to today (2 year contracts) price increase in fuel 41.05cpl = 53.9% increase

From 1/7/04 to today (current years contracts) price increase 31.33cpl or 36.43% increase

From 1/10/04 to today price increase 20.33cpl or 20.98% increase

For long distance operators fuel was traditionally somewhere between 30-35% of the total cost.

Example 2:

We have had a fuel levy in place since 1.6.04 when our buying price for diesel reached 87.5 cpl (incl. GST). The rise in fuel prices from our last rate review until that time made a levy of 4.5% justifiable.

The levy is reviewed monthly by comparing the buying price at the 15th of the previous month with the benchmark price of 87.5 cpl and modifying the levy by the % difference.

We currently have a levy of 6.13%.

Example 3:

With the introduction of GST in July 2000 we were involved in an excercise with the ACCC to justify how we adjusted our prices to reflect the various tax changes at that time. As part of our calculations we established that fuel represented approximately 25% of our total linehaul cost. Our charge to customers includes an admin and profit component so, when it became necessary to apply a fuel surcharge we assumed that fuel represented 21% of our total charge to customers for full loads. Much of our business is less than full load, including a substantial Pickup and Delivery component. Therefore for consignments under 10 tonnes we apply half the full load surcharge. Rate reviews since July 2000 have excluded the fuel price component, which we have recovered through a surcharge.

Our base fuel price is the bulk price charged to us in Sydney by BP, net of Energy Credit and GST.

Attachment C continued

The actual surcharge is determined at the end of the previous month and remains unchanged for a month. It is based on a combination of data from the past few weeks and any feel we may have for trends. In practice we have generally under-recovered, though it is our intention to breakeven.

We pass the surcharge on to any subbies we use.

ATN-PKF Truck Operating Cost Index

Industry acknowledges the usefulness of the Operating Cost Index referred to above published by Australian Transport News – Publishing Services Australia.

The cost model identifies a 5.8% operating cost increase from July to September 2005.

The June quarter increase was 3.3%.

Trucking – Driving Australia's Growth and Prosperity

A report prepared for the Australian Trucking Association

August 2004

ACIL Tasman

Economics Policy Strategy

ACIL Tasman Pty Ltd
ABN 68 102 652 148

Internet www.aciltasman.com.au

Melbourne
Level 6, 224-236 Queen Street
Melbourne VIC 3000
Telephone (+61 3) 9600 3144
Facsimile (+61 3) 9600 3155
Email melbourne@aciltasman.com.au

Canberra
103-105 Northbourne Avenue
Turner ACT 2612
GPO Box 1322
Canberra ACT 2601
Telephone (+61 2) 6249 8055
Facsimile (+61 2) 6257 4170
(+61 2) 6249 7455
Email canberra@aciltasman.com.au

Brisbane
Level 15, 127 Creek Street
Brisbane QLD 4000
GPO Box 32
Brisbane QLD 4001
Telephone (+61 7) 3236 3966
Facsimile (+61 7) 3236 3499
Email brisbane@aciltasman.com.au

Sydney
PO Box 170
Northbridge NSW 1560
Telephone (+61 2) 9958 6644
Facsimile (+61 2) 8080 8142
Email sydney@aciltasman.com.au

Perth
Level 12, 191 St Georges Terrace
Perth WA 6000
PO Box 7035
Cloisters Square
Perth WA 6850
Telephone (+61 8) 9485 0300
Facsimile (+61 8) 9485 0500
Email perth@aciltasman.com.au

Darwin
2/23 Paspaley Place
Cullen Bay NT 0820
GPO Box 1000
Darwin NT 0801
Telephone (+61 8) 8981 2101
Facsimile (+61 8) 8981 2702
Email darwin@aciltasman.com.au

China
7th Floor, Office Building C
East Lake Villas
35 Dongzhimenwai Main Street
Beijing, 100027, P.R. China
Telephone (+86 10) 6467 9428
Facsimile (+86 10) 8451 1106
Email beijing@aciltasman.com.au

Malaysia
Suite 19-11-2, Level 11, UOA Centre
No. 19 Jalan Pinang
50450 Kuala Lumpur
Telephone (+60 3) 2161 9703
Facsimile (+60 3) 2161 9720
Email kuala.lumpur@aciltasman.com.au

For information on this report

Please contact: Denise Ironfield

Telephone (02) 6249 8055
Mobile 0419 249 621
Email d.ironfield@aciltasman.com.au

Foreword

From the Chairman of the Australian Trucking Association

Trucking – Driving Australia's Growth and Prosperity provides key information on Australia's trucking industry.

The trucking industry's vital role in delivering Australia's ever growing freight task; its environmental and safety performance; and current issues impacting upon its performance are overviewed in this very important report. Using the latest available statistics, the report demonstrates what many may already know – the industry plays a critical role in terms of promoting and supporting economic growth and prosperity.

The Australian trucking industry is a modern and hard working industry with a proven track record of reliable and efficient service delivery that impacts on all facets of our economy and society. Australia's huge land mass and dispersed population means that the industry covers more kilometres and carries more freight per capita than any other trucking industry around the world.

Coupled with the industry's extremely impressive safety and environmental performance, the industry lays claim to being a progressive and concerned corporate citizen aiming for world's best practice.

Through the support of its members and member organisations, the mission of the Australian Trucking Association is to 'unite and represent a safe and professional Australian trucking industry' from the owner-driver to the national transport operator. Current safety statistics reveal that relative to the number of kilometres travelled, crash incidents involving heavy trucks continue to fall. Further, and through initiatives such as the adoption of world's best diesel fuel quality standards and diesel vehicle emission standards for new vehicles, the level of pollutant emissions from heavy trucks also continue to fall.

Whilst the industry's performance in terms of addressing the community's demand for higher environmental and safety standards continues to improve, we will not be complacent - the freight task is expected to double within the next 15 years and this will place enormous pressures on the industry to maintain improvements in our performance.

Against this, we simply cannot lose sight of the importance of pursuing reforms that continually promote and improve the capacity of this industry to do what it does best – moving freight efficiently and effectively.

I commend this report to the Australian public and trust that it provides a succinct overview of the trucking industry and our role in driving Australia's growth and prosperity.

Ross Fraser
ATA Chairman

Contents

Figures

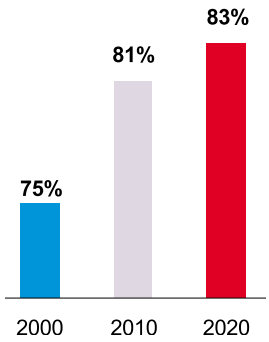
Tables

Key points

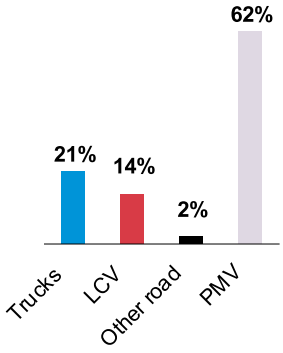
- Transport is especially important in Australia because of its huge land mass and small population. Compared with most other countries Australia has unusually high freight levels and roads length per capita.
- Trucks are especially important because roads cover much more of Australia than do railways or ports (Australia has some 810,052 km of roads and 44,262 km of rail track).
- Australia's truck fleet travels around 12,505 million km and transports some 1,549 million tonnes of freight per year.
- Trucks provide nearly all urban freight transport and are the only mode available in many country areas. Only about 15% of road freight is contestable by rail. Even where other modes (rail, sea or air) are used for part of the journey, trucks provide the connection at one or both ends. Trucks are, and will remain, an integral cog in Australia's domestic and international trade and commerce.
- The road freight task has tended to grow much faster than national income. In 2020 it is expected to be twice the present level.
- Most road freight is undertaken by hire and reward transport companies (including subcontractors), but most trucks are in fleets which are ancillary to other businesses.
- Trucking is relatively employment intensive. There are over 160,000 truck drivers, and many others involved in the industry — eg administrators, mechanics, managers. Total employment in hire and reward transport firms alone (including subcontractors, but not counting the ancillary sector) is over 180,000.
- The hire and reward and ancillary trucking industry (excluding storage and logistics) contributed approximately 3.4% of Australia's GDP in 2002-03.
- Real road freight rates have been declining for decades due to improved trucks, roads, information technology, logistics management and competition. Fuel efficiency and labour productivity have both steadily improved.
- Trucks account for only 21% of Australia's greenhouse gas emissions by road vehicles and account for 2.6% of total greenhouse gas emissions.
- Greenhouse gas emissions from heavy vehicles on a billion tonne-kilometre basis are forecast to decline by approximately 30% over the next 20 years.
- Relative to the freight task, emissions have been steadily declining due to better engines and greater use of larger trucks.
- Truck engine emission and diesel fuel standards are steadily tightening in order to further reduce pollutant emissions. These standards produce smokeless emissions.

Trucks are an integral cog in Australia's domestic and international trade and commerce

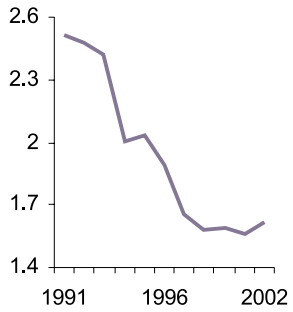
Road's share of non-bulk freight transport



Trucks generate a relatively small proportion of road transport greenhouse emissions



Fatal crashes per billion tonne km



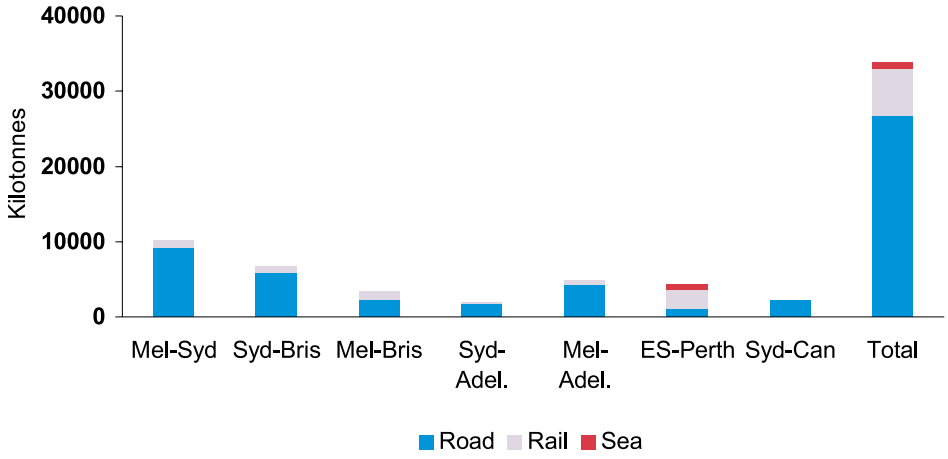
- Trucks' noise levels are also declining — modern engines are much quieter than those of a decade ago.
- There has been a sharp decline in the number of fatal articulated truck accidents per billion tonne-kilometres of operation.
- Australia's road safety record is good compared with most OECD countries, especially considering the high proportion of undivided roads.
- 10% of Australia's road deaths involve large trucks. When they are involved, the truck driver is not usually responsible.
- The industry has supported the rationalisation of inconsistent state road transport regulations. It is concerned that recently the balance between safety and environmental regulation and productivity reform has been lost.
- The industry is cooperating with the current move to performance based vehicle standards, which should allow it to further improve its productivity. It is also cooperating with developing chain of responsibility regulation, which aims to improve safety by involving all parties in the freight supply chain.
- Improved roads have helped the trucking industry improve its productivity. The Auslink program will see further improvement. However many worthwhile road upgrades will still not be undertaken, or will be delayed for many years.
- Roads are mainly provided by governments but are not "free". Trucks pay more than their share of allocated road costs through registration fees and fuel excise.
- The trucking industry supports a national transport plan including all modes, including rail. It favours fair competition. However, for much freight (eg bulk minerals, urban delivery) road and rail do not compete. The trucking industry may be a competitor of railways, a part owner and an inter-modal collaborator.

Trucking industry's vital role in the freight task

Trucks play a major role in moving the nation's freight

The trucking industry plays the major role in the transport of Australia's non-bulk freight.[1] It transports nearly 80% of all the non-bulk freight carried in Australia's seven major transport corridors (see Figure 1)[2].

Figure 1 **Non-bulk freight transported in major freight corridors by mode (2004)**



Data source: BTRE (2003b)

Trucks are often the only mode, and they serve the other modes

Australia's truck fleet travels around 12,505 million km and transports some 1,549 million tonnes of freight per year.[3] Trucks provide nearly all urban freight transport and are the only mode available in many country areas. Only about 15% of road freight is contestable by rail.[4] Even where other modes (rail, sea or air) are used for part of the journey, trucks provide the connection at one or both ends.

Trucking adds substantially to GDP and employment

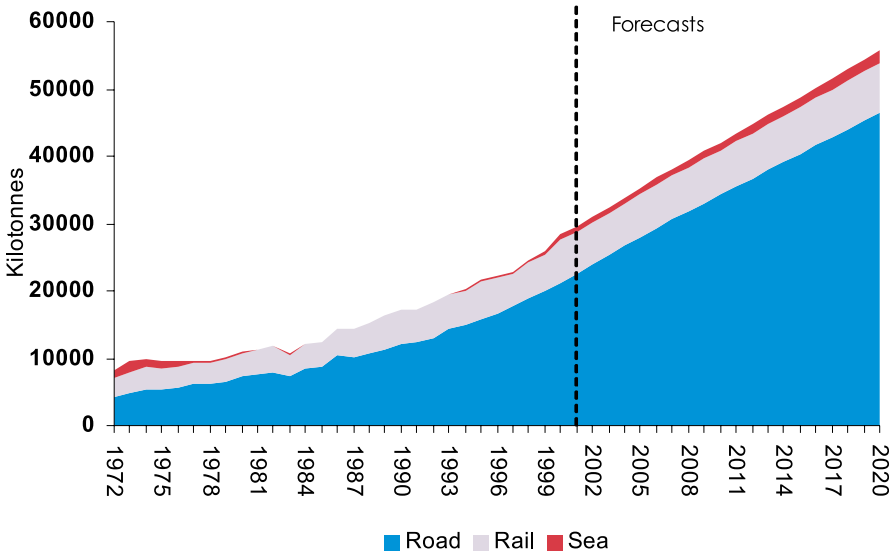
To supply these services trucking operators are supported by their suppliers who provide trucks, equipment, fuel, tyres, vehicle repairs, communication services and the like. Trucking activity therefore generates demand for a range of goods and services, which in turn indirectly generates value added (the building block of Gross Domestic Product) and employment.

Road freight used to grow twice as fast as the economy, and is still growing 1.5 times as fast[5]. If this relationship continues, road freight flows in 2020 will be twice their 2000 levels.

1 Bulk freight is defined as minerals, unbagged grain etc
2 Bureau of Transport and Regional Economics (BTRE) (2003) estimate for 2004
3 Australian Bureau of Statistics 2003
4 BTRE (2003a)
5 BTRE (2003a), 1990 - 2000 inter-capital non-bulk freight flows. The lower, but still substantial growth rate, may reflect increased role of services in the economy and increased imports (through ports close to major markets) consequent on reduced protection of manufacturing.

Road freight will continue to grow, and is likely to double within 20 years.

Figure 2 **Non-bulk freight transported by mode 1972-2001 and projections to 2020**

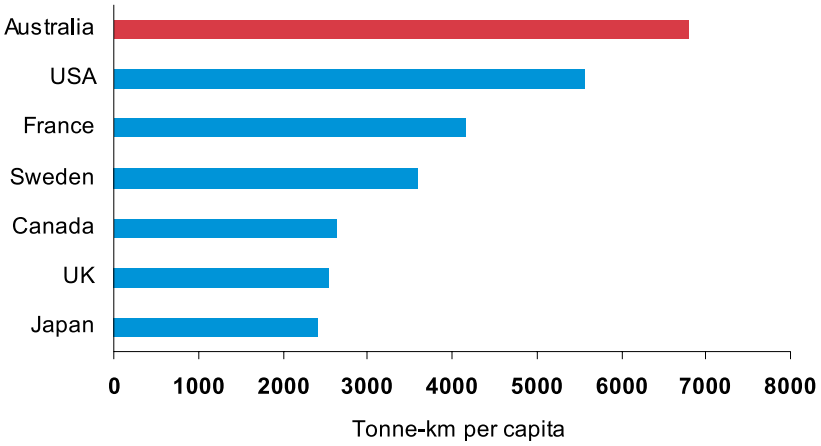


Data source: BTRE (2003b)

Australia naturally uses trucks more than countries with higher population density

Australians rely on trucks more than most other economies because they suit our geography and population density.

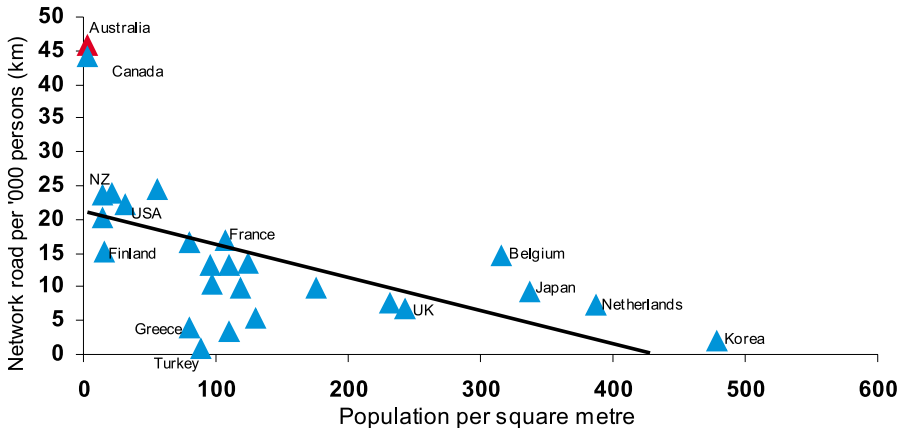
Figure 3 **Road freight tonne-km per capita (2000)**



Data source: Austroads (2003).

Australia's (and Canada's) per capita road length is much greater than any other country in the OECD, even more than one would expect from our low population density (see Figure 4).

Figure 4 **Road network length and population (2002)**



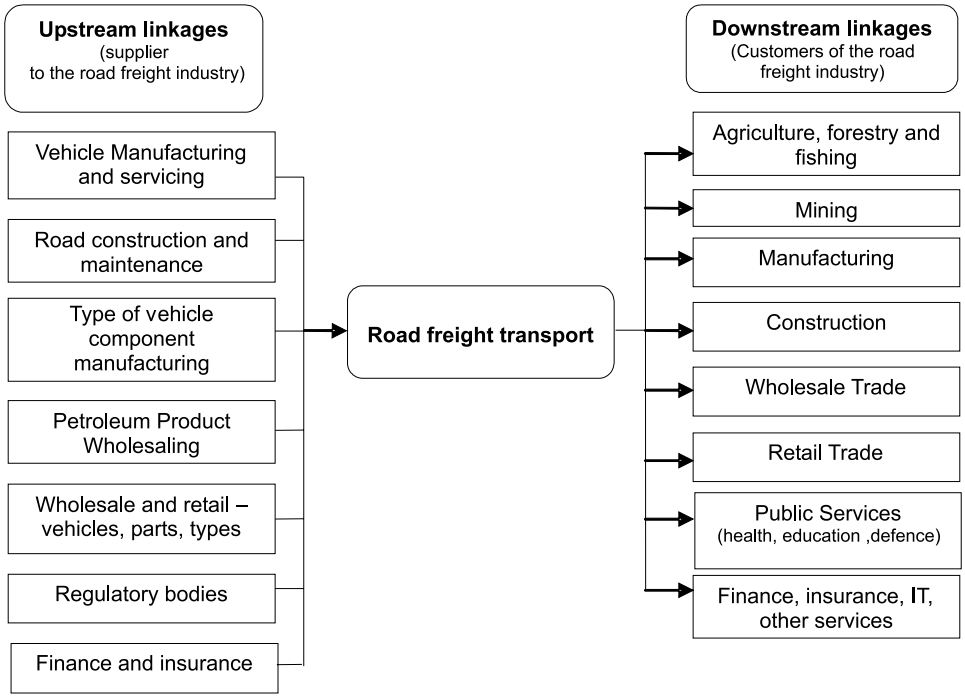
Data source: ACIL Tasman using data from OECD's International Road Traffic and Accident Database http://www.bast.de/htdocs/fachthemen/irtad//english/weng1.html

Trucks are an essential link between all major sectors of the economy. Further a thriving road freight industry is important to the many industries that supply it (Figure 5).

Trucks are essential links throughout the economy

The trucking industry operates in a very competitive market. Freight rates are controlled by competition in the industry. The assumption that users pay in the end makes it tempting to impose excessive taxes and charges on the trucking industry. Taxing an intermediate product, such as trucking, leads to economic inefficiency, and can harm exporters and import-competing Australian businesses who are "price takers" in international markets.

Figure 5 **Linkages to the road freight transport industry**



Data source: ACIL Tasman using information from IBISWorld Pty Ltd, Road freight industry in Australia.

Working with industry and customers

The trucking industry works closely with its customers to enhance their success productivity and profitability. Case Studies 1 and 2 provide an example of the pivotal role of trucks in promoting economic activities, in this case sports tourism.

Case study 1 – Road freight services and the Sydney Olympics

Linfox – one of Australia's largest road freight transport and logistics companies – was appointed by the Sydney Organising Committee for the Olympic Games to cover receiving, storing, transporting and distributing equipment and material during the 2000 Sydney Olympics.

Linfox started preparing for the challenge from April 1998. Their team included 72 managers, 52 supervisors, 415 crew and over 500 volunteers.

The road freight industry's huge contribution to the Sydney Olympics being the "best games ever", is clearly represented in some of the tasks that Linfox implemented for the games:

- Building an organisation of 1,300 personnel — 60% of personnel were volunteers with a budget of $60 million.
- Transporting 2,700 containers of equipment.
- Conducting a full-scale test of the Olympics Logistics Centre that included an 8000-vehicle trial in June 2000 as well as 39 other test events such as the Easter Show and football finals.
- Inheriting new technology such as the SOCOG driven IT system that was not fully integrated.
- Taking more than 3,000 delivery requests during September 2000.
- Coordinating the arrival and movement of 260 competition and 60 reserve horses.
- Scheduling, marshalling, vetting and releasing more than 10,000 vehicles to 70 delivery points in and around Olympic Park and Darling Harbour.

The busiest day/night for Linfox was September 22nd when some 750,000 people flocked to Olympic Park. **Two hundred and fifty freight vehicles** were required to handle the logistics for that one night.

Source: Linfox website [www.linfox.com]

Case Study 2 – Australia Post and Australia

Australia Post is strongly committed to serving the entire Australian community - including regional and remote areas of the country.

To assist in this process, the company operates one of the country's largest and most energy-efficient transport fleets. At 30 June 2004 there were 10,544 vehicles in the fleet, comprising motorcycles, cars, mail vans, trucks, prime movers and trailers. In addition, the corporation engages around 5,600 large and small contractors across Australia to facilitate the delivery of mail items to 9.4 million delivery points.

The transport fleet and contractors have also played a significant role in the growth of Post's logistics business that, in the 2002/03 financial year, increased revenue by 92.8% and fulfilled an average of 11,300 orders each day.

Every year, Australia Post handles more than 5 billion mail items, averaging over 20 million each business day. If Post is to meet its mandated service performance requirements for both metropolitan and regional areas, as well as the changing needs of its customers, the efficient operation of its transport fleet is critical.

The corporation has also been at the forefront of road safety issues, including its pioneering work in fatigue management.

Vital statistics:

- 10,544 vehicles including 700 trucks and 1,300 light commercial vehicles.
- Post also engages the services of around 5,600 small and large contract operations to supplement its own fleet capacity.
- Post's own fleet travels180 million kilometres each year.
- On average, 320 long distance trips each week (articulated vehicles).
- Around 15% of interstate letters and 50% of interstate parcels are transported by road.
- 9.4 million delivery points.
- 4,493 retail outlets - 2,588 in rural and remote areas.
- 23,534 total posting facilities*.
- 15,139 posting boxes.
- Post reduced greenhouse gas emissions by 8.34% (or 28,806 tonnes of CO2 equivalent) during the last financial year.

* Includes retail outlets, street posting boxes, community mail agents and roadmail contractors.

Structure: hire and reward and ancillary trucking operators

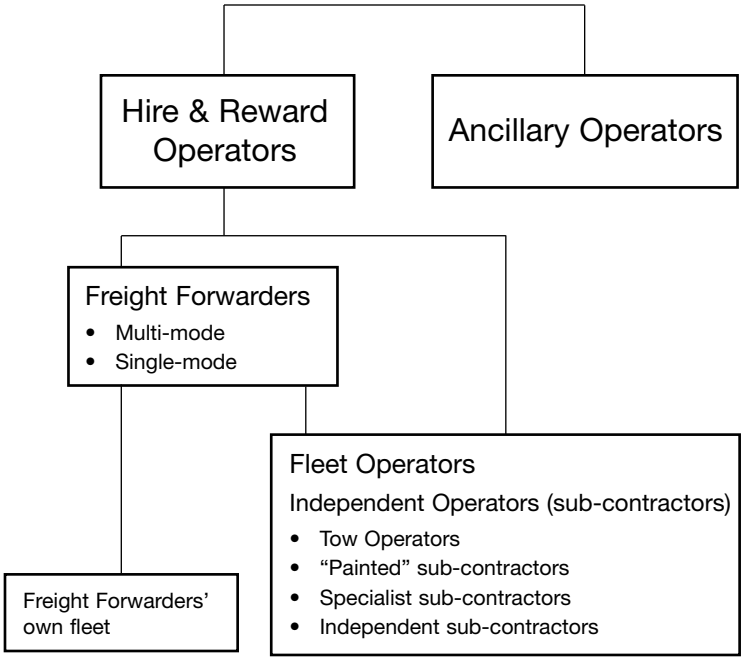
Industry structure

The industry comprises trucking activities undertaken by:

- hire and reward operators - transport and logistics companies, businesses which provide trucking services; and
- ancillary operators - businesses whose main activity is not road freight transport eg. manufacturing firms that have truck fleets to carry their own products.

A recent development is factory gate pricing which puts the freight component under the control of the retailer - who in turn may undertake their own (ancillary) transport or have it done by a hire and reward operator.

Figure 6 **Trucking Industry Structure**



Data source: BTRE 2003

Ancillary operators account for 86% of the fleets; a breakdown by sector is shown in Table 1. However it is estimated that the ancillary operators travel less than half the kilometres travelled by the road freight (hire and reward) industry.[6]

The ancillary fleet is larger but does less distance than hire and reward operators

Table 1 **Trucking operators by Industry[a]**

	Number in fleet							
	1	**2 - 4**	**5-9**	**10-19**	**20-49**	**50-99**	**100+**	**Total**
Road freight transport industry [b]	**21,762**	**7,803**	**1,454**	**508**	**211**	**42**	**30**	**31,810**
Ancillary operators:								
Agriculture, Fishing, Forestry and Hunting	93,389	26,509	1,223	729	72	1	0	121,923
Building and Construction	13,069	4,171	483	154	51	31	0	17,959
Electricity, Gas, Water and Communications	82	46	15	5	5	0	5	158
Manufacturing	6,514	3,668	801	329	154	82	20	11,568
Mining and Quarrying	380	257	51	11	11	5	0	715
Wholesale and Retail	16,419	9,217	1,675	421	31	72	21	27,856
Finance and Property	1,675	555	82	31	10	5	5	2,363
Public administration and Community services	1,346	431	72	31	15	5	5	1,905
Recreational, Personal and Other services	1,850	616	92	31	11	5	5	2,610
Total	**156,486**	**53,273**	**5,948**	**2,250**	**571**	**248**	**91**	**218,867**

a Vehicle 4.5 tonnes and over, **b** Vehicles operating for remuneration, that is for hire and reward

Subcontracting is an important component of the hire and reward segment. Many subcontractors are owner-operators with no employees[7]. These small businesses account for 60% of all businesses in the road freight transport industry but only 11% of income earned (Table 2).

Most subcontractors are owner operators, but most of the business is done by larger firms

6 NRTC 1998, Who Carries What Where
7 ABS, 1999-2000

Table 2 **Employing and non-employing (owner operator) businesses in the Road freight transport industry, 1999-2000**

	Number	%	Total income ($ million)	%
Employing businesses	19,608	40	16,151	88.6
Owner operator businesses	29,701	60	2,080	11.4
Total	**49,309**	**100**	**18,236**	**100.0**

Note: Unpublished experimental data produced by the ABS using taxation data and data from ABS Economic Activity survey, Source: ACIL Tasman (2003).

Employment generated by trucking

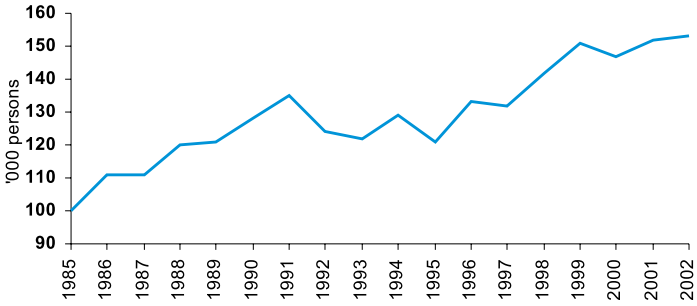
Over 160,000 people are employed full time as truck drivers in the hire & reward sector and in the ancillary sector[8]. Many other people, such as clerical staff, managers and mechanics, support the provision of these trucking services. Unfortunately, detailed employment data is only available for the hire and reward road transport industry. Thus the following employment estimates must be considered as conservative.

Direct employment in the hire and reward road freight sector

The hire and reward road freight industry has directly generated 53,000 new jobs between 1985 and 2002.

In 2002 the hire and reward road transport industry employed 153,000 people. Employment shows an upward trend (Figure 7) and can be expected to increase as freight volumes increase, though at a slower rate due to increasing productivity - the effect of better truck and engine designs, greater application of information technology, and better integrated logistics management.

Figure 7 **Employment in the hire and reward road freight transport industry, 1985-2002**



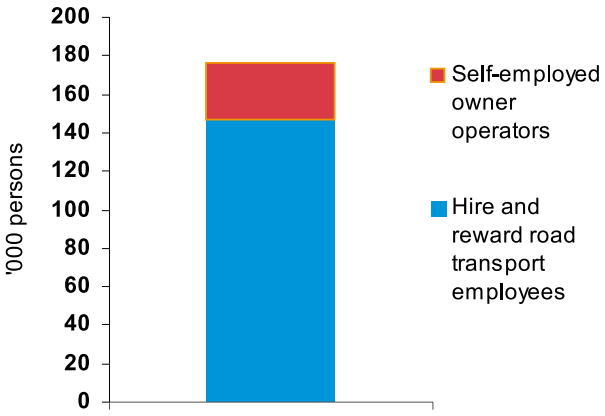
Data source: BTRE (2003a)

8 ABS labour force data February quarter 2004, Cat. No. 6291.0.55.001, Labour Force, Australia, Detailed - Electronic Delivery, Quarterly.

These employment statistics do not include self-employed owner operators. For example, Table 2 highlights that in 2000 there were 29,701 owner-operators trucking business with no employees. The bulk of these businesses are owned by self employed drivers. Including these owner drivers in the employment statistics increases the hire and reward road transport industries employment in 2000 from 147,000 to around 177,000. Assuming a similar number of self-employed owner operators in 2002 would see the employment figures increase to more than 182,000 people.

Including self-employed operators raises the industry's employment to around 182,000

Figure 8 **Hire and reward road freight transport employees and self-employed owner operators (2000)**



Data source: BTRE (2003a)

Employment generated in supporting industries

Input-output multipliers provide a means of illustrating the link from trucking to wider Australian employment. These multipliers suggest that for every $10 million increase in the hire and reward road transport industry's output there will be an increase in employment in the order of 138 full-time equivalent jobs. Just over 78 of these jobs are directly generated in the hire and reward road transport industry. However, around 59 of these jobs are generated indirectly by the Australian businesses which increase their production to support the increased demand for road transport activities (see Figure 9).

The hire and reward road freight transport industry's output (income) was valued at around $18,236 million in 1999-2000.[9] On the basis of this figure and the employment multiplier reported in Figure 3, ACIL Tasman estimates that hire and reward trucking could be indirectly generating as many as 107,220 jobs among its suppliers. The activities of the ancillary fleet will also indirectly generate a significant number of additional jobs, but available data does not provide a means of valuing the output or employment of the ancillary fleet.

9 See Table 2 from ACIL Tasman 2003, data are for 1999-2000.

Figure 9 **Explaining input output multipliers, assuming a $10 million increase in demand for hire and reward road transport services**

	Change in Australian Production ($million)	Contribution to Gross Domestic Product (Million)	Employment (Full-time equivalent jobs)
Initial effect	**10.0**	**4.45**	**78.9**
First round effect		**2.30**	**34.8**
Industrial support effect		**1.78**	**24.0**
First round and industrial support effect		**4.08**	**58.8**
Total multiplier effect		**8.53**	**137.7**

Data source: ACIL Tasman estimates, using the Australian Bureau of Statistics input-output Table 1995-96, Cat. No 5209.0

As with any economic analysis, there are a number of assumptions underlying input-output databases and the derived multipliers. As a result of these assumptions the results of the input-output multiplier analysis reported above should be considered as upper limits.[10]

Contribution to GDP

In 2002-03, the hire and reward road transport industry contributed $12,401 million to Australia's Gross Domestic Product (BTRE 2004).[11] This equates to approximately 1.7% of Australia's GDP. The whole road freight industry (hire and reward and ancillary fleets) contribution to GDP will be much higher. The BTRE estimates that in 1999-2000 the whole road freight industry was likely to have contributed roughly twice the hire and reward sector's GDP contribution.[12] Following this rule of thumb the hire and reward and ancillary trucking industry (excluding storage and logistics activity) contributed approximately 3.4% of Australia's GDP in 2002-03.

The multipliers estimated in Figure 9 indicate that a $10 million increase in demand for the output of the hire and reward segment of the trucking industry could generate an additional $8.5 million of value added - the building block of gross domestic product (see Figure 9). Some $4 million (48%) of this additional value added would be generated indirectly, through the trucking industry's demand for goods and services.

Road accounts for 46% of the Gross Domestic Product (value added) generated by Australia's hire and reward transport sector (see Figure 10). Over the five years to 2002, the road transport sector has seen an average growth rate of 4.8% per annum while the transport sector as a whole (excluding services and storage) has been growing at an average of 3.9% per year. Over a longer period, trend growth was 6.8% per annum in the 1970s and 1980s and 3.9% per annum in the 1990s,[13] generally higher than for other modes.

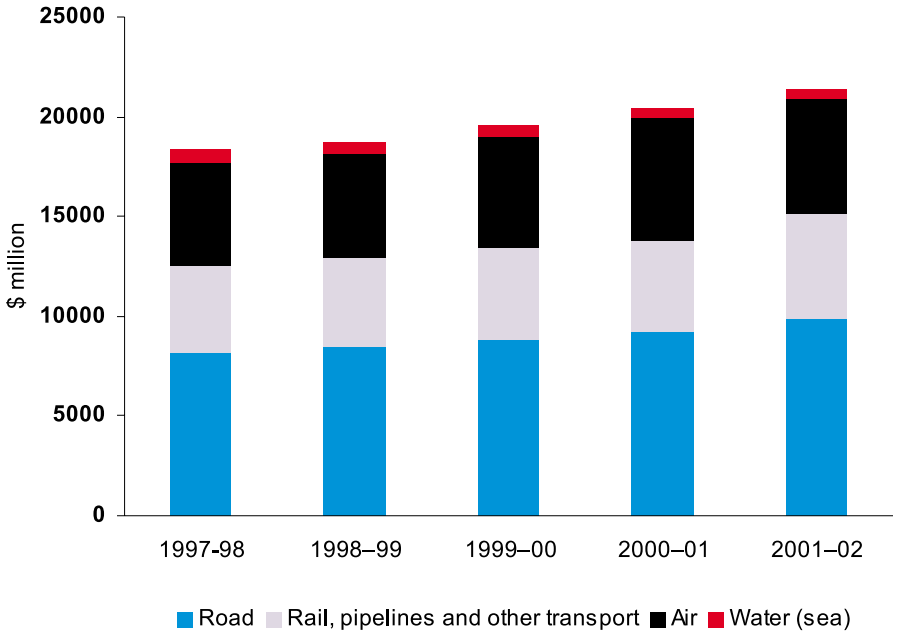
Increased productivity drives down road freight rates

Real road freight rates have been steadily declining over the past four decades as shown in Figure 11(a) below. Figure 11(b) which focuses in on the last decade shows a continuing decline. The reasons for the decline are more efficient trucks, greater use of larger trucks, better roads, improving management skills, and competition which has resulted in only modest gross profit margins (about 7% for the road freight sector and 4% for the road freight forwarding sector)[14].

10 These assumptions include: cost structures of industries remain constant over time; constant returns to scale in production; no substitution between inputs; the economy is in equilibrium at given prices; no capacity constraints arise from an increase in demand; and there are no other constraints such as those that might arise from balance of payments induced effects. An important weakness of multiplier analysis is that no regard is paid to the costs involved in generating the "benefits".
11 Estimated in 2001-02 prices.
12 Bureau of Transport and Regional Economic (BTRE) 2003, Working Paper 60, An Overview of the Australian Road Freight Transport Industry, p1 and chapter 2.
13 BTRE 2003
14 BTRE 2003a p 7 - profit before tax divided by operating income.

Road accounts for almost 50% of the transport sector's share of GDP.

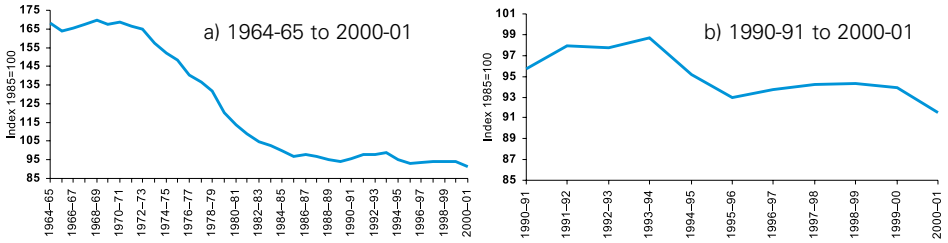
Figure 10 **Value added by mode in the hire and reward transport sector, 1997-2002**



Data source: ACIL Tasman using data from BTRE (2003c)

Real road freight rates have almost halved over the past 35 years.

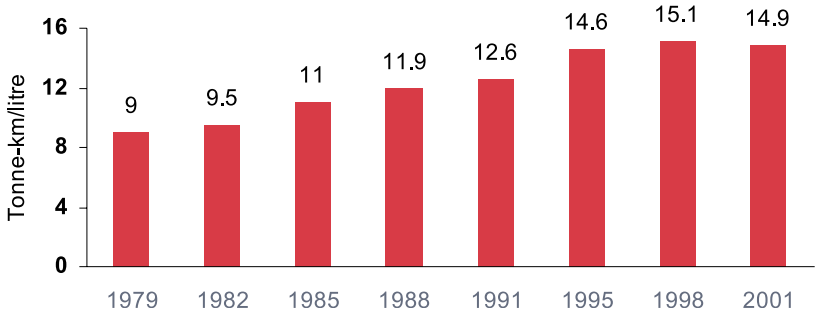
Figure 11 **Real road freight rates, 1964-2001**



Data source: ACIL Tasman (2003) using data from Bureau of Transport and Regional Economics, Freight Rates in Australia, Information Sheet 19

The fuel efficiency of road freight transport has improved dramatically over the last few decades. In 1979 road freight transport moved 9.0 tonne kms per litre. This has increased to 14.9 tonne kms per litre by 2001.

Figure 12 **Road freight transport has improved its fuel efficiency**



Data source: Austroads (2003).

Looked at another way the BTRE reports that fuel efficiency of articulated trucks has improved from 0.031 litres/ntk in 1991 to 0.027 litres/ntk in 2001. The comparative 2001 figure for rigid trucks is 0.077 litres/ntk. Articulated trucks accounted for 78% of total tonne kilometres in 2001 compared with 56% in 1971 (the corresponding figures for rigid trucks are 18% and 41%). The average load for both types has been increasing by 2-3% per year.[15]

Labour productivity and multifactor productivity increased through most of the last three decades.[16] In the 1990s, for example, labour productivity increased at an average rate of 2.84% per year and multifactor productivity increased at an average rate of 1.98% per year.[17] Further improvements may be expected due to increasing use of information technology and to the move to performance based standards (see below).

Infrastructure funding

All heavy vehicles, including trucks over 4.5 tonnes, are required to pay the Heavy Vehicle Charge to recover all maintenance and construction costs associated with their share of road use. The charges are administered in two parts through a fuel charge (part of the diesel excise) and an annual registration charge. On average the fuel charge accounts for about two-thirds of the total charge.

In 1998, the estimated road expenditure attributable to heavy vehicle use was $1,280 million. In that year, it was estimated that the trucking industry had paid $1,393 million in road user charges. Thus, trucks in aggregate were paying 9% more than their attributed costs.[18] Updates to these estimates will not be available from the National Transport Commission (NTC) until 2005 as part of the third heavy vehicles charges determination process.

15 BTRE 2003a p 30-31 and 36
16 BTRE 2003a p 69
17 ACIL Tasman estimates for the Transport and Storage sector based on Productivity Commission (2001) data.
18 Source: NRTC (1999) and BTRE estimates, in BTRE 2003 *Land Transport Infrastructure Pricing – Australian Logistics Council.*

Trucks do not get "free" roads

Thus it is not correct to say that trucks benefit from "free" roads just because they are provided by governments. The industry more than pays for its attributed share of road costs. The same does not apply to rail freight, which pays for part of its infrastructure costs but benefits from government grants towards some of its infrastructure upgrading.

The trucking industry pays its way with a fuel charge of 20c/l and registration fees ranging from $300 - $9800.

The registration fee component of the Heavy Vehicle Charge is automatically annually adjusted on the basis of road expenditures, and reflects the changes in road use by heavy vehicles. The fuel charge component is also periodically revised by the NTC. The current heavy vehicle road user charge is 20 cents per litre of the diesel fuel excise plus the annual registration fee, which ranges from $331 to $9,809 depending on the vehicle type (see Figure 13).

The third heavy vehicle charge determination by the NTC is due to be completed in 2005-06. The Commission is considering new approaches to estimating the charges, as outlined on its website.[19] The trucking industry will continue to work with the NTC, with the aim of achieving fair and neutral charges.

Currently, diesel powered heavy vehicles which travel long hauls and/or meet the urban-regional boundary requirements of the Energy Grants (Credits) Scheme receive a partial excise rebate. These eligible vehicles, in net terms, pay a partial excise at a rate which is close to the excise component of the road user charge determined by the NTC. However, diesel powered trucks operating in metropolitan areas and gasoline powered trucks, regardless of their location or distance travelled, are not eligible for the excise rebate.

The 2004 Energy White paper outlines that this taxation situation will change from 1 July 2006. On this date the regional-urban boundaries which have restricted the excise credit scheme will be abolished and the credit arrangements will be extended to all road transport fuels. The partial excise paid by heavy vehicles will be formally recognised and set as a non-hypothecated road user charge. At the same time the government will require users of diesel powered trucks and buses to meet emissions performance criteria. Vehicles which fail to meet these criteria will not be eligible for excise credits. Thus there will be a strong financial incentive for vehicle operators to meet these road transport environmental outcomes.

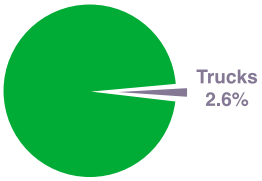
19 www.ntc.gov.au/road/pricing

Figure 13 **Truck registration charges, July 2004**

Vehicle Type	Size	July 2004 Charge
	Up to 12.0t Over 12.0t	$331 $551
	Under 42.5t	$606 + $662 = $1,268
	Up to 16.5t Over 16.5t	$661 $881
	Up to 42.5t Over 42.5t	$2,203 + $993 = $3,196 $4,186 + $993 = $5,179
		$4,186 + $1,324 = $5,510
	Up to 20.0t Over 20.0t	$992 $2,203
		$3,744 + $662 = $4,406
		$3,744 + $993 = $4,737
		$5,506 + $1,986 = $7,492
		$5,506 + $2,648 = $8,154
		$5,506 + $4,303 = $9,809

Data source: NTC (2004)

Environmental performance



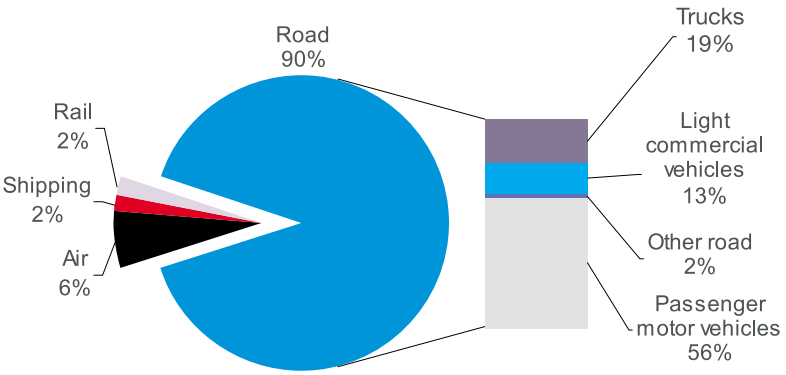
Trucks generate a small proportion of total greenhouse emissions

Greenhouse gas emissions

In 2002 Australia's net greenhouse gas emissions totalled 550.1 Mt CO2 equivalents. Transport accounted for 14% of these emissions. However, trucks accounted for only 2.6% of Australia's emissions (Australian Greenhouse Office 2004).

Road vehicles account for approximately 90% of greenhouse (carbon dioxide) emissions generated by the transport sector. Trucks account for only one fifth of these road transport emissions.[20] Passenger vehicles account for more than half of total road transport greenhouse emissions (see Figure 14).

Figure 14 **Transport emissions by mode and vehicle type, 2000**

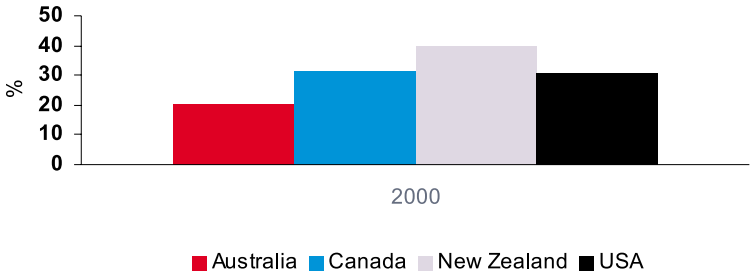


Data source: ACIL Tasman using data from AGO 2003.

Australia's transport sector's CO2 emissions are low compared with those of other OECD countries (see Figure 15).

Australia's transport sector has relatively low emissions

Figure 15 **Transport's share of total CO_2 emissions 2000**



Data source: ACIL Tasman estimates using the UNFCCC database accessible at http://ghg.unfccc.int

20 Greenhouse Office estimates

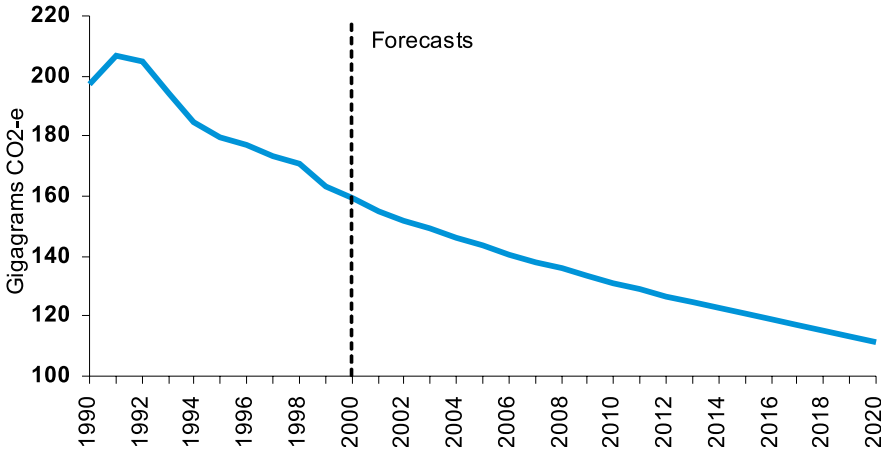
Emissions (whether greenhouse or pollutants) generally increase with increased demand for freight transport. However, greater efficiency in the road freight industry, and modern engines with much lower emissions, have lowered the rate at which emissions increase relative to growth in demand.

The Australian trucking industry has made significant progress in reducing emission levels.

Over the ten years to 2000, greenhouse emissions from road freight transport per billion tonne-kilometres travelled have shown a downward trend (Figure 16) - that is, emissions growth has been lower than demand growth.

Over the period 1990-2000, the average growth in demand was approximately 4% while the average increase in total greenhouse emissions was 1.8%.

Figure 16 **Greenhouse emissions from trucks per billion tonne-kilometres travelled, 1990-2000**



Note: Includes Light commercial vehicles emissions and tonne-kilometres travelled

Data source: ACIL Tasman using data from BTRE 2002

Emission levels are continuing to decline relative to freight levels…

While greenhouse emissions from trucks are projected to increase by about 2.2% per year to 2020, emissions per billion tonne-kilometres are expected to fall significantly. Figure 16 highlights that greenhouse gas emissions from heavy vehicles on a billion tonne-kilometre basis are forecast to steadily fall from - 159.4 Gigagrams of CO2 equivalent in 2000 to 111.6 Gigagrams of CO2 equivalent in 2020. This decline represents a fall in emissions over the 20 year period of approximately 30%.[21]

The decline in emissions per tonne-kilometres is attributable to the smarter use of the fleet by switching from smaller rigid trucks to large articulated trucks, increases in the carrying capacity of trucks and better engine and emissions technology.

21 ACIL Tasman calculations using estimates from Australian Greenhouse Office 2003.

...this is the result of better technology, larger trucks and better management

Over the period 1988-1995, the average capacity of trucks increased by 3% per year. During the same period the average fuel consumption of rigid trucks and articulated trucks fell by 16% and 19% respectively. Greater fuel efficiency has also emerged as a result of an increasing shift to using B-doubles and the like.

Air pollutant emissions

Improved engine and fuel quality standards

New and increasingly stringent engine emission and fuel quality standards, which in turn lead to lower pollutant emissions, are contributing to the improvement environmental outcomes. Table 3, which summarises the recent and proposed changes to Australian Design Rules (ADRs) to 2006-07, demonstrates that significant reductions have been achieved and will continue to be required in emissions of carbon monoxide (CO), nitrogen oxide (NOx), hydrocarbon (HC) and particulates (PM).

Table 3 **Australian diesel heavy vehicle emission standards (G/kWh)**

Standard	Application date	CO (g/kWh)	HC (g/kWh)	NOx (g/kWh)	PM (g/kWh)
ADR 70/00 (Euro 1)	1995/96	4.5	1.1	8.0	0.36
ADR 80/00 (Euro 3)	2002/03	2.1	0.66	5.0	0.10
ADR 80/01 (Euro 4)	2006/07	1.5	0.46	3.5	0.03

Note: G/kWh = grams of pollutant per kilowatt hour.

Source: Coffey Geosciences Pty Ltd (2003)

Australia's fuel quality is also changing (Table 4). These changes will facilitate the introduction of the new design rules. However, importantly the lower sulphur levels in fuel will also have positive impacts on the particulate emissions of the existing fleet. For example, it has been reported that the introduction of 10 ppm diesel will lead to an immediate 5% reduction in particulate matter (Federal Minister for the Environment and Heritage 2004).

Table 4 **Australia's national diesel fuel sulphur standards**

Date of effect	Diesel (Sulphur ppm)
31 December 2002	500
1January 2006	50
1 January 2009	10

Note: ppm = parts per million

Data source: http://www.deh.gov.au/atmosphere/cleaner-fuels/petrol-diesel/standards.html

The Australian trucking industry is cooperating with these efforts to lower emission rates, but is concerned that moving too far too fast would result in safety and efficiency compromises.

Success in noise reduction

The trucking industry is also cooperating with the authorities in programs to reduce noise. Modern engines are much quieter that those of a decade ago, and modern technology has allowed a reduction in engine brake noise. The industry is cooperating with the NTC and others in programs for further noise reduction.

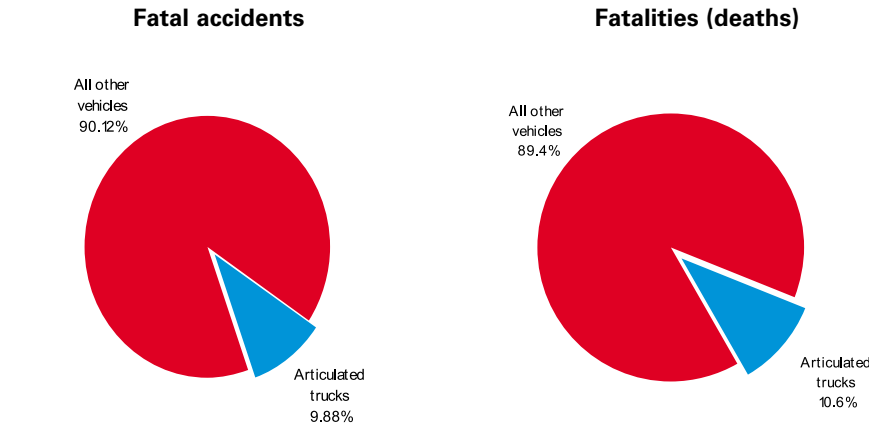
Safety performance

Improving road safety is a key objective of the trucking industry. Besides continually introducing safer modern trucks, the industry has helped in the development of improved training, improved fatigue management and of chain-of-responsibility regulation (to address pressures from customers and others for delivery times that are unrealistically short given current roads and traffic levels).

Large (articulated) trucks account for a relatively small proportion of road related fatal accidents and fatalities.

In the last calendar year (2003) only 9.9% of Australia's 1,457 fatal road accidents involved large (articulated) trucks. On average, articulated trucks are not involved in 90% of all road related fatal incidents each year. A similar picture emerges when the number of fatalities is analysed.

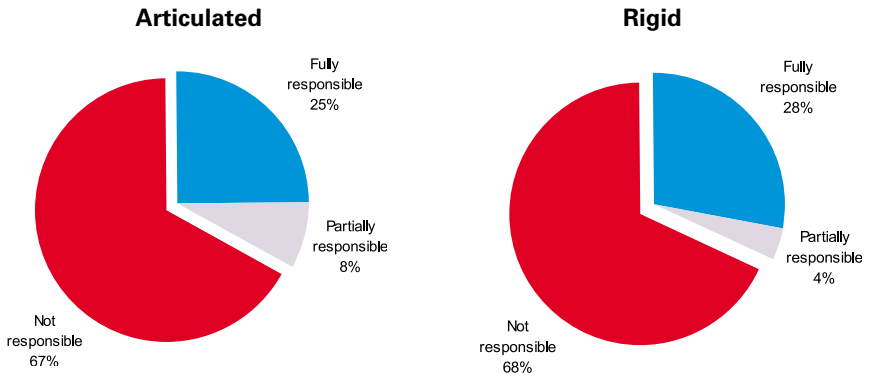
Figure 17 **Fatal accidents and fatalities involving articulated trucks 2003**



Data source: ATSB

Importantly, in the majority of fatal accidents involving multiple vehicles including trucks, the driver of the truck was not solely responsible. This is true for drivers of both articulated and rigid trucks (see Figure 18).

Figure 18 **Responsibility for multiple vehicle serious casualty accidents involving heavy vehicles**

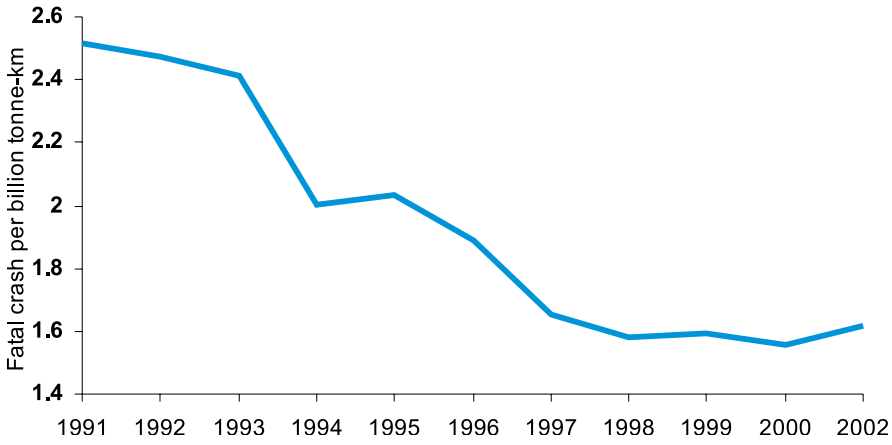


Note: Serious casualty covers fatal and serious injury accidents. The original data included unknown responsibility see Figures 56 and 58 in ATSB 2002. The ATSB estimate of NSW serious injury was used in the original data.

Data source: ACIL Tasman (2003)

There has been a sharp decline in the number of fatal accidents per billion tonne-kilometres of operation (see Figure 19).

Figure 19 **Fatal accidents involving articulated trucks per billion tonne-km, 1991 to 2002**

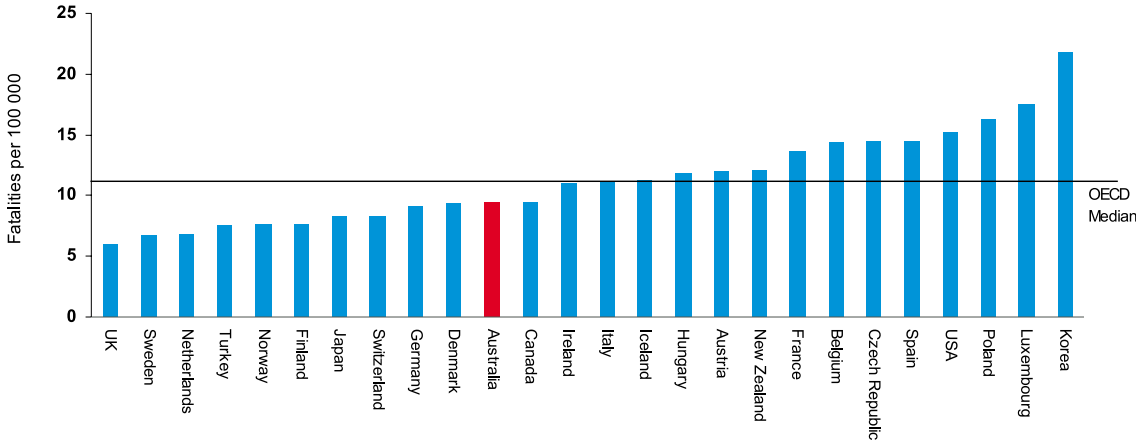


Data source: ACIL Tasman using information from BTRE (2003) and ATSB

Australian road safety compares well internationally

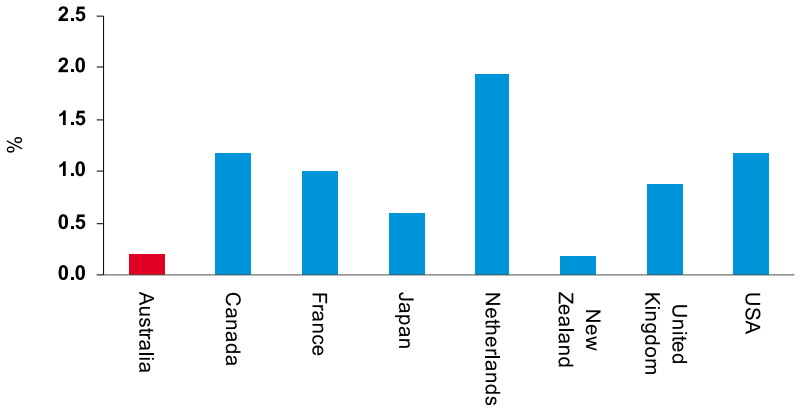
From an international perspective Australia's road safety record is relatively good. OECD data indicates that based on fatalities per 100,000 population Australia's safety record is well below the OECD median (see Figure 20). This is particularly impressive given the relatively high proportion of undivided roads in Australia, as well as the relatively long distances driven. Less than 0.5% of our roads are dual carriage motorways (see Figure 21).

Figure 20 **OECD road fatalities per 100,000 population, 2000**



Data source: BTRE (2003c)

Figure 21 **Motorway road length as a proportion of total road length**



Data source: ACIL Tasman estimates using data from OECD's International Road Traffic and Accident Database [http://www.bast.de/htdocs/fachthemen/irtad//english/weng1.html] and Austroads (2000)

Other Issues

The trucking industry faces a range of regulatory and government policy issues

Road infrastructure

The AusLink road program is a positive step, but more needs to be done

The Australian Government has announced the AusLink program which includes substantial expenditure on roads. The large improvement in the efficiency of road transport over the last few decades is partly due to a major improvement in the standard of many of Australia's more heavily used roads. AusLink will see further improvement. However it is still expected to be many years before some of the least adequate roads are substantially upgraded (the Pacific Highway on the NSW coast being just one of them). The consequences may be higher costs and more accidents than otherwise. Australia would benefit if all road projects whose benefits exceed costs were undertaken urgently, if necessary with new approaches to financing.

Regulation

Regulation of trucking has been greatly rationalised

Since the early 1990s Australia's regulation of the road transport sector has undergone a significant process of reform, to which the trucking industry has made a substantial contribution. This reform process has seen significant rationalisation of a myriad of state based regulations. There is more to be done, however, and a danger of losing the balance between safety and environmental regulation and productivity reform.

Regulation reforms implemented or in progress cover:

- Heavy Vehicle Charges
- Vehicle Operations
- Road Transport of Dangerous Goods
- Vehicle Registration
- Driver Licensing
- Hours of driving and rest
- Compliance and Enforcement.

Current reforms in the area of vehicle operations and compliance and enforcement include fatigue management, noise, emissions, performance based vehicle standards and chain-of-responsibility regulation.

Performance based vehicle standards

The industry is cooperating with the introduction of performance based vehicle standards, which will allow it to further improve its productivity.

Performance based standards may help reduce costs

Performance based standards will specify how vehicles should perform on the road (how they turn, hold the road, keep within lanes, how much road wear they cause; etc) rather than mandating how this level of performance is to be achieved. Traditional prescriptive standards specify in detail what a vehicle must be like, not what it should do. An example is a greater maximum weight for trucks with more sophisticated suspensions. Performance based standards are expected to:

- encourage innovation;
- provide a more consistent and rational regulatory approach; and
- improve performance by providing better controls on safety and infrastructure wear.

Chain of Responsibility

The Chain of Responsibility principle is a key element of the reforms associated with improving industry compliance and safety.[22] The new laws aim to ensure that all parties in the transport chain who have responsibility for certain tasks have legal liability if their actions result in an offence, such as excess driving hours or speeding. The supply chain includes packing, consigning, loading, scheduling and rostering, driving and unloading - both the people directly involved and management.

Competitive neutrality between rail and road

Competitive neutrality is essentially an issue about finding the optimum pricing and taxation mechanism to ensure that each transport mode is bearing the costs that it is placing on society.

Some estimates of road rail competitive neutrality had errors that favoured rail

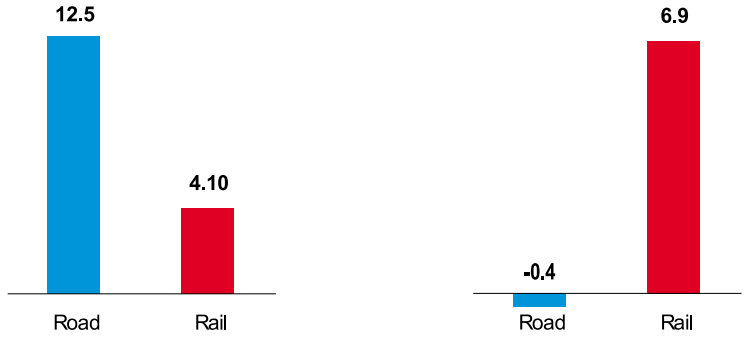
In 2000, Tasman Asia Pacific found that road transport was paying more than the costs it imposed on society. It showed that to achieve competitive neutrality between rail and road transport, road freight prices would have to fall and rail rates would have to rise. An earlier study conducted by the Bureau of Transport Economics (BTE) reported that competitive neutrality required both road freight rates and rail rates to increase, the latter to a lesser extent. Tasman Asia Pacific pointed out a number of errors in the BTE's assumptions including those related to the representative route, over estimation of costs associated with negative externalities, and underestimation of a competitively neutral profit margin for rail.

In practice, external costs do not distort transport competition

The trucking industry notes that external costs (of emissions, noise and congestion) are not a significant issue for fair competition between the modes. The approximately 15% of road freight that is contestable by rail is mainly on inter-city routes through the countryside where these effects have little impact on environmental amenity. Urban trucks, which face no competition from other modes, arguably impose external costs

22 See NTC Information Bulletin Chain of Responsibility February 2004

Figure 22 **Estimates of required changes to road and rail freight rates to achieve competitive neutrality (%)**



Data source: Tasman Asia Pacific (2000)

(although they also suffer from congestion caused by much greater numbers of cars) - but it is these trucks that face the greatest over-recovery of costs through registration and payment of fuel excise.

Road rail competition

The trucking industry has no problem with fair competition

Australia has 810,052 km of roads and 44,262 km of rail track (BTRE 2004). Thus in many instances road is the only option for transporting freight.

The trucking industry supports a national transport plan integrating all modes, including rail. It favours fair competition, and will not complain if (as many expect) the rail industry lifts its game in the next few years and increases its share of the markets where it operates.

For some types of freight, notably bulk minerals, rail is effectively the only mode. For other types, notably urban freight and rural freight in the many areas not served by rail, road is effectively the only mode. In the remaining markets there is competition.

There are many relationships between road and rail freight

In any case, the trucking industry will remain as the major competitor of railways, as an owner (the main interstate rail operator is part owned by a large road transport and logistics company) and as a collaborator delivering freight to and from rail terminals and ports.

From any perspective it is clear that trucking will play an integral role in driving Australia's future growth and prosperity.

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Australian Trucking Association
Ground Floor - Minter Ellison Building
25 National Circuit, FORREST ACT 2603

Tel: +61 2 6253 6900 • Fax: +61 2 6253 6999
Email: ata@truck.net.au • Web: http://www.truck.net.au

ATA Member Organisations

Australian Livestock Transporters' Association	02 6247 5434
Australian Road Train Association	02 6882 2666
Australian Trucking Association NT	08 8947 7161
NatRoad	02 6295 3000
NSW Road Transport Association	02 9267 8222
Queensland Trucking Association	07 3394 4388
South Australian Road Transport Association	08 8445 8177
Transport Forum WA	08 9355 3022
Transport Workers Union	03 8645 3333
Victorian Transport Association	03 9646 8590

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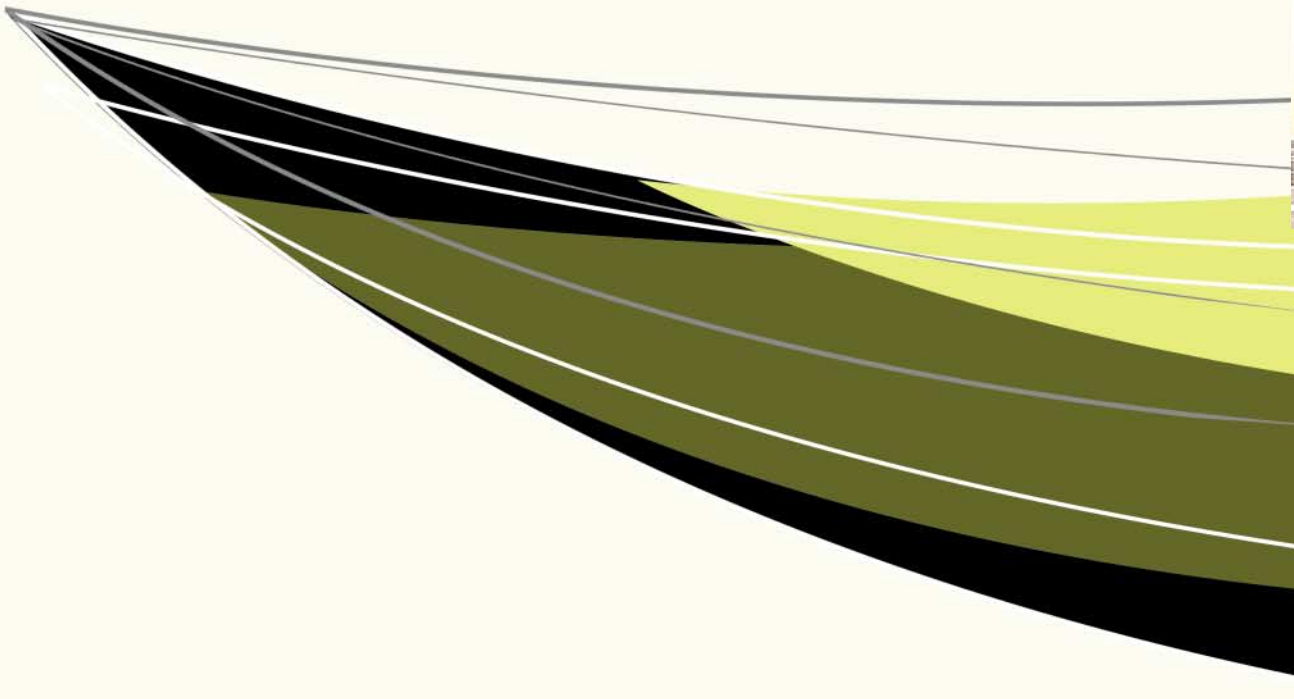


ACIL Tasman

Economics Policy Strategy

QUEENSLAND TRUCKING ASSOCIATION
A.B.N. 64 009 963 053

18th November 2005

Mr Tony Wilson
Chief Executive
National Transport Commission
Level 15/628 Bourke Street
MELBOURNE VIC 3000

Dear Tony

Re: 3rd Heavy Vehicle Charges Determination – Regulatory Impact Statement

Queensland Trucking Association (QTA) has been and remains the principle advocacy group for the trucking/road freight industry in Queensland, having existed continuously in representing its membership since 1908.

Our membership is diverse and is representative of all sectors of the freight task, urban, regional and remote geographical areas and companies as varied as owner operators to the publicly listed major companies in Australia. Our membership provides service to its customers and the community in long distance, interstate, intrastate and local delivery.

The Queensland Trucking Association is represented on the Australian Trucking Association (ATA) Council, Board of Management and the Taxes Charges and Roads KRA. We are an active participant in policy development within the ATA, at all levels. The QTA has been directly involved in the preparation of all Submissions to the NTC during the entire process of the Third Heavy Vehicle Charges Determination.

The QTA is familiar with the ATA Submission accompanying the covering letter under the hand of Ross Fraser, dated 14th November 2005 and addressed to the Acting Chairman of the National Transport Commission.

QTA fully supports the Submissions made by the Australian Trucking Association.

In addition to comments made by the Australian Trucking Association I make the following points in a Queensland context.

- The Queensland economy and its population is geographically decentralised with significant reliant on the viability and efficiency of road transport.
- The Queensland economy is heavily reliant on our export trade in particular that which trades bulk commodity into the world market e.g. agricultural and mining product. The trucking industry is a critical link in servicing these rural/regional communities and in the export task.

Transport Industry House
96 Cleveland Street
Stones Corner Q 4120

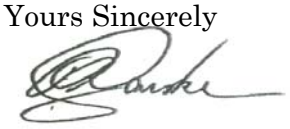
PO Box 325
Stones Corner Q 4120

Phone: 07 3394 4388
Fax: 07 3397 9324
E-Mail: admin@qta.com.au

- Many roads in the West, North-West and the Far Northern geographical areas remain either unsealed or poorly sealed but are freight routes for those communities. The North Queensland wet season regularly impact on the serviceability of these roads including the National Highway north of Townsville.
- With the support of successive Queensland Governments over the last 20 years, freight efficiency into regional and remote areas of the State has been delivered through the innovative use of freight efficient multi-combination vehicles. Our States communities in the North, North-West receive significant benefit by the use of these vehicles.
- The cost impost contained within the Third Heavy Vehicle Charges Determination – Regulatory Impact Statement will punish not only trucking operators servicing industries and communities referred to above, but the very industries and communities themselves.

For the reasons outlined in the Submission of the Australian Trucking Association, and having regard to the peculiarities of the Queensland economy and the trucking/road freight industry operating in that economy, the Queensland Trucking Association submits that the current level of heavy vehicle charges for Truck Registration (State Revenue) and the net Diesel Excise/Road User Charge (Federal Revenue) remain unaltered.

Yours Sincerely



Peter Garske
Executive Director

QUEENSLAND TRUCKING ASSOCIATION

AUSTRALIAN TRUCKING ASSOCIATION

Minter Ellison Building, 25 National Circuit
FORREST ACT 2603
Phone: (02) 6253 6900
Fax: (02) 6253 6999
Email: ata@atatruck.net.au

ACN 055 583 714
ABN 25 055 583 714

14th November 2005

Michael Deegan
Acting Chairman
National Transport Commission
628 Bourke Street
MELBOURNE VIC 3000

Dear Mr Deegan,

Heavy Vehicle Charges Determination – Regulatory Impact Statement

The Australian Trucking Association (ATA) has considered the 3rd Heavy Vehicle Charges Determination Regulatory Impact Statement (RIS) released by the National Transport Commission (NTC) on 17 October 2005 and the Technical Report, released on the 4th November 2005. Please find attached our submission in response.

The ATA wishes to take issue with the period of time made available for the ATA to respond to this proposal, based on through consultation with its national network. This situation detracts from thorough analysis of and detailed response to your proposal.

We note that in the Foreword to the RIS you note that "The NTC will review its proposals in light of those discussions and all written submissions...[and will] finalise its recommendations to submit to the Australian Transport Council in mid December 2005". We look forward to on-going consultation abut the appropriate level of charges for the trucking industry.
The ATA rejects the charges recommended in the RIS for the following reasons:

1. the efficacy of available road expenditure data, and efficiency of road construction and maintenance expenditures,
2. the quality of road use data, particularly in relation to travel by trucks in remote areas,
3. changes to cost allocation parameters from the 2nd Heavy Vehicle Charges Determination methodology,
4. the method of calculation of the net diesel excise charge (fuel charge),
5. the proposal to over-recover allocated costs by $178m,
6. the effect of a wide price differential between prime mover registration charges for single trailer and multi trailer combinations,
7. the impact of the proposed charges on the viability of trucking businesses, particularly those of owner driver and small fleet operators,

8. the increase in the cost of road transport to clients of trucking companies, and the flow-on effect to the national economy and communities and businesses located in regional and remote Australia, and
9. the fact that Australian governments currently collect taxes and charges in excess of the NTC's level of costs allocated to heavy vehicles, and that any increase would lead to unwarranted increases in taxation levels on the Australian trucking industry.

When addressed against the agreed road pricing principles which seek optimal transport efficiency both for classes of vehicles and the overall heavy vehicle fleet and the road network on which it operates, these concerns require a cautious and conservative approach to any change to the status quo.

This is especially so when the NTC simultaneously announced a scoping study to examine a fundamental change in road pricing methodology in the 4th heavy vehicle charges determination, which, in addition to the currently recommended charges, has raised further uncertainties for Australian trucking businesses, which are facing a range of serious, external regulatory, commercial and community pressures.

Consequently, the ATA recommends that the current level of heavy vehicle charges, both for truck registration and net diesel excise, remain in place.

Yours truly,

Ross Fraser
Chairman

ATA submission to National Transport Commission 3rd Heavy Vehicle Charges Determination Regulatory Impact Statement October 2005

Introduction:

The Australian Trucking Association (ATA) has been involved in the complete process of the National Transport Commission's (NTC) Third Heavy Vehicle Charges Determination, both through its membership of the Road Pricing Reference Group, direct consultation with the NTC and through involvement in the public consultation activities arranged by the NTC.

The ATA strongly opposed the outcomes of the cost allocation process when released for public comment in July 2005, based on the Discussion Paper and Technical Report.

The key areas of objection were:

1. the efficacy of road expenditure data, and efficiency of road construction and maintenance expenditures.
2. the quality of road use data, particularly in relation to travel by trucks in remote areas
3. changes to cost allocation parameters from the 2nd Heavy Vehicle Charges Determination methodology
4. the inclusion of heavy vehicle enforcement costs
5. the method of calculation of the net diesel excise charge (fuel charge)
6. the effect of a wide price differential between prime mover registration charges for single trailer and multi trailer combinations
7. the impact of the proposed charges on the viability of trucking businesses, particularly those of owner driver and small fleet operators
8. the increase in the cost of road transport to clients of trucking companies, and the flow-on effect to the national economy, especially in regional and remote Australia

Apart from the second point and fourth points, these areas of concern have not been adequately addressed in the RIS.

The four week time frame for response has been extremely short for the ATA to consult within the national industry network about the document and prepare a response. This has been further limited by the late release of the NTC's Technical Report, which had to be checked prior to developing a detailed response.

When addressed against the agreed road pricing principles which seek optimal transport efficiency both for classes of vehicles and the overall heavy vehicle fleet and the road network on which it operates, these concerns require a cautious and conservative approach to any change to the status quo.

This is especially so when the NTC simultaneously announced a scoping study to examine a fundamental change in road pricing methodology in the 4th heavy vehicle charges determination, which, in addition to the currently recommended charges, has

raised further uncertainties for Australian trucking businesses, which are facing a range of serious, external regulatory, commercial and community pressures.

Also the ATA maintains that the current heavy vehicle charges produce revenues to government which fully address the cost recovery amounts calculated by the NTC.

Consequently, the ATA recommends that the current level of heavy vehicle charges, both for truck registration and net diesel excise, remain in place.

Key concerns:

1. The development of "Considerations A - J"

The Road Use Pricing Principles, approved by the Australian Transport Council in August 2004, were designed to be the reality check for the results of the technical, cost allocation process. They are high order objectives which are subject to a number of caveats including full cost recovery; cost effectiveness of pricing instruments; transparency; the need to balance administrative simplicity, efficiency and equity; and the need to have regard to other pricing applications.

Since the release of the NTC 3rd Heavy Vehicle Charges Determination report in July 2005, the NTC has developed 10 Considerations which are used to justify both aspects of the initial results and modifications to them in developing the recommended charges incorporated in the RIS. The ATA believes that the Considerations are a lesser and partial representation of the original principles which should stand, undiluted or altered, as the ultimate test of the NTC's recommended charges.

The Consideration of most concern to the ATA is J, which states "Changes that would significantly alter the balance of Commonwealth/State and Territory revenues should be avoided" (p. 12) because "Since the NTC has no role in reviewing inter-government revenue arrangements, or in road funding arrangements, it would be inappropriate for it to make recommendations in the Third Determination that would significantly impact on these factors".

The ATA believes that recommendations of heavy vehicle charges developed by the NTC are not related to inter-governmental revenue arrangements or road funding financing arrangements, but should be the result of a considered technical process which incorporates the best available data and wise decisions about its use in the cost allocation model. It is the preserve of ministers to apply the road pricing principles to these results and make appropriate judgements which deliver charges relevant to achieving the aims expressed in the principles. Such judgements have yet to be made.

2. Calculation of charges:

Given that the concerns raised by the ATA about public road expenditures in our submission to the initial cost allocation work released by the NTC in July 2005 were not fundamentally addressed , the ATA maintains that the total allocation of such expenditures to heavy vehicles remains inflated. Consequently the total cost allocation to heavy vehicles, therefore, is exaggerated. This has serious implications for the total heavy

vehicle fleet and particular classes of vehicles when cost recovery charges are calculated on this base.

Similarly, we believe that given the concerns raised in the initial submission about the changes in cost allocation parameters relating to the natural deterioration of road surfaces due to general weathering, and the accelerated wear caused by all vehicles but attributable to softening of the road base due to excessive moisture and/or inefficient construction practices, that costs allocated to heavy vehicles have been over-estimated. This is especially the case for multi-combination vehicles, given that the method of calculating ESA's has also been changed.

The results for B doubles and road trains also question the wisdom of a methodology which adds exponentially to the costs allocated to highly productive, multi-axle truck combinations. However, the ATA acknowledges that such results, which may be technically defensible, are liable to adjustment when tested against the road pricing principles, which seek to deliver transport efficiency i.e. "promote optimal use of infrastructure, vehicles and transport modes"

The ATA acknowledges the adjustments made by the NTC to the costs allocated to road trains, after consideration of data supplied by the industry, to establish the percentage of travel on unsealed roads and the inclusion of a community service concept for remote and rural communities. However, it is believed that these amounts could be greater. Addressing this issue properly is vital for remote transport operators who run equipment over very poor road conditions where road maintenance is clearly deficient and which leads to greater vehicle maintenance and running costs. It is also a vital issue for the remote area businesses and communities which they service.

The conversion of the NTC's cost allocation figures to recommended charges - both for registration and net diesel excise (fuel) charges - is also of great concern. As the process involves first calculating a uniform net diesel excise charge for all heavy vehicles and then determining the level of vehicle registration by class, the determination of the net diesel excise is critical, both as an absolute figure and for its impact on levels of registration. This prior practice has been to calculate the net diesel excise (fuel charge) using the cost allocation figures and vehicle usage data for the lightest class of rigid rucks (i.e. 4.5 – 7 tonne GVM). If this method was used for the current determination it would produce a net diesel excise charge of 19.15 cpl.

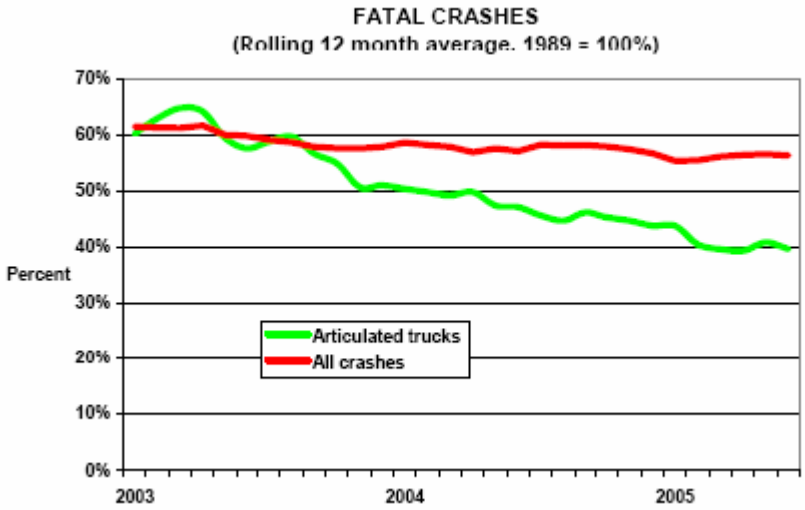
Instead the NTC have used the combined data relating to all rigid two axle trucks, and the logic for this significant change in the methodology is explained as follows:

"A **proposed approach** to calculating the fuel charge is to explicitly ensure that the Third Determination does not introduce a significant shift in fiscal balance between the States and Territories and the Commonwealth " (p.27) because "…[the prior method] proved to be unstable in the Third Determination, since it is highly sensitive to data for the smallest 2 axle rigid truck, which varies from year to year due to survey methods. However, this resulted in a significant shift in the balance of revenues between governments or significant over recovery from smaller heavy vehicles" (Summary page 4)

Furthermore, it is stated in the RIS that "A small variation to the approach used in the past to calculated the fuel charge is possible, whereby all two axle trucks would be used to calculate this component of the charges"" (p.28) The result of this "small variation" is a net diesel excise charge of 22.46 cents per litre – a difference of 3.35 cents per litre!

The implications for B double registration costs of a net diesel excise (fuel) charge of 19.15 cpl with a total allocated cost of $39,917.00, would produce a higher registration cost of $20,254. The currently recommended registration for 9 or more axle B doubles at a net diesel charge of 22.1 cpl is $10,410.00. These figures illustrate the critical need to review the results of the cost allocation process and the resulting recommended charges against the over-arching principles, whilst maintaining the integrity of the methodology to calculate the net diesel excise charge.

As is stated in the RIS on page 12 in 3.2.2.D "However [in the Second Determination] B doubles received a cross subsidy due to the productivity, safety and environmental advantages of these vehicles". These advantages have been recognized by the trucking industry which has embraced this vehicle class as it is technically superior, as well as addressing the high fuel price environment and labour shortage issues which confront the trucking industry. The safety record of B doubles has been maintained, although their numbers have increased considerably. They produce less road wear for the tonnage carried. They have contributed to the overall trend of heavy vehicles safety results shown in the following graph:



Source: ATSB 2005

The relationship of the recommended net diesel excise rate (22.1 cpl) to the on road diesel grant delivered under the EGCS is examined by the NTC in 5.4.3. The NTC states (p. 42) "The size of the rebate…will be 16.045 cents/litre, which represents a decrease in fuel costs….". Apart from identifying that the NTC envisages the current level of grant of 18.51 cpl would be reduced if their recommended charges were implemented, this is a seriously misleading statement. A decrease in the grant would ADD to fuel costs for the vast majority of the fleet, although the extension of the on- road diesel grant to those rigid trucks undertaking journeys exclusively in the currently declared metropolitan areas

would reduce by the grant amount. Such deceptive arguments detract from the NTC's case in recommending changes to the current heavy vehicle charges.

It is completely opportunistic to suggest that as Australian Government policy is to abolish the metropolitan boundaries from 1 July 2006, and that "This will effectively reduce the level of excise they [4.5 – 20 tonne GVM HVs performing metro journeys] pay by around 16 cents pr litre" (RIS page 35), that consequently such a level of on road grant is sanctioned by this policy. The objectives of this policy are to abolish inappropriate levels of indirect taxes on the trucking industry and establish reasonable environmental standards for the receipt of the on road diesel grant and do not directly reflect on the level of the grant.

3. Over-recovery

The ATA strongly objects to any recovery of costs above those allocated to heavy vehicles. The level of over recovery embedded in the charges recommended in the RIS is $178 million and the NTC attempts to justify this by stating that " a reduction in charges [for smaller heavy vehicles] might provide an inappropriate pricing signal" because theses vehicles "…form a part of the urban transport task where environmental impacts continue to be a major cost to the community". Such an approach is not only externality charging by default, but ignores both the Australian government policy announced in the Energy White Paper in June 2004, to make on- road grants conditional upon meeting reasonable environmental standards, but also the considerable regulatory requirements and resultant cost to industry which relate to diesel fuel and heavy diesel engine standards to address the issue of urban air quality.

There is further over recovery in the class of 6 axle semi trailers, and neither is this justified. As is explained in the RIS (pp. 104-5) "…the subsidy to B doubles is matched by over recovery from prime movers hauling a single trailer" which is identified in Table 33 as $73.6 million per annum.

The currently identified over recovery amount can be used to address the significant changes recommended by the NTC for registration charges for multi-combination trucks and to the net diesel excise from 20 cpl to 22.1 cpl.

4. Removal of heavy vehicle enforcement costs.

It is noted that the NTC has removed some $100m of cost, totally allocated to heavy vehicles for enforcement activity from the total cist allocation to heavy vehicles since the release of the Technical Report in July 2005. The ATA welcomes this development and endorses the persuasive arguments presented by the NTC on page 54 of the RIS.

4. Impact on trucking businesses

The impact of the recommended charges on the viability of trucking businesses, for both business owners and their employees, is serious. ATA members associations who have direct membership of small trucking businesses have stressed this point in their submissions to the NTC on this matter. An increase of 5% in costs would eliminate the profitability of most trucking operators, and with no capacity to absorb such charges, and

thus would introduce considerable uncertainty and instability into their operating environment and relations with their customers.

The environment in which such businesses operate is one of high capital investment, low profitability and considerable pressure generated by high fuel prices, intense competition, a changing regulatory environment and high fuel prices.

The effect of the proposed charges would be to add directly to business costs through significant increases in registration charges for operators of multi combination trucks, and an overnight increase in the price of diesel of some 2.5 cents per litre for all trucking operators.

The ability to pass on such cost increases is always restricted in our very competitive industry, and further limited by ongoing negotiations of trucking businesses about fuel levies to address the huge increase in diesel fuel costs over the past twelve months.

The recommended increase in B double and road train registration charges effectively adds to the cost of such trucks for those wishing to move into the use of these high productivity vehicles, and thus restrict fleet choices and will have the effect of retarding such a development, which otherwise would deliver productivity, safety and environmental benefits.

5. Impact on road freight transport costs

The RIS states on page 5 of the summary section that based on the ARRB vehicle operating cost model, B double and road train costs would rise by 1.8% after the full charges were introduced. Yet the ATN-PKF Truck Operating Cost Index data produced in Table 36 (page 114) reveals that B double cost would rise by 3.24% and for all road trains by 2.86%. The ATTN-PKF figures are considerably greater than the ARRB based figures and both are averaged amounts.

Neither figure should be used to reduce concerns about the cost impacts on individual trucking businesses and particularly those operating in regional and remote Australia. Because trucking businesses are very diverse in their structure and operations, cost increases arising from the NTC's recommended charges could be as high as 7% for some operators and regularly would be around 5%.

Such levels of cost increase have been identified in ATA member association submissions and are based on industry knowledge and surveys and thus should be regarded seriously.

The immediate effect of such increases will be felt by trucking businesses themselves, but will have wider effect on their suppliers and customers of freight services, and finally feed through into the general economy, contributing to inflationary pressures.

6. Actual revenue

On the cost side the NTC estimates the trucking industry should pay $1,619m a year to Federal and State Governments, and on the revenue side the trucking industry across Australia pays $550m a year in truck registration fees and just under $1,300m in the net

diesel excise making a grand total of $1,850m so trucking is already pay 13% more than the amount required on the NTC's own numbers.

The $550million for registration fees has increased considerably based on both the annual adjustments mechanism, which has delivered increases totalling 11% since 2000/01 and fleet growth. The target for recovery based on registration charges for the still current Second Determination is $425m.

Similarly, the growth in Commonwealth revenues based on the net diesel excise of 20 cpl, has increased considerably from the Second Determination target of $955m, although the rate, unlike registration charges has not increased since 2002/01. This amount can be expected to continue to increase without any change to the rate of net diesel excise, reflecting the rapid growth in the freight task.

For example, for the first year of the on-road diesel grant (2000/01), the expenditure was $6.22 m, but this had grown to $8.65m in 2004/05. (See Tax Stats for relevant years). The claim by the NTC in the Summary document (page 1) that "As the fuel charge has remained at the same level, that national heavy vehicle charges have gradually eroded in value in real terms" may be theoretically and technically correct in relation to the level of charge, but the reality is that revenues from net diesel excise from heavy vehicles in Australia have grown by some 35% overt the this period. This is another example of an approach which seeks to justify unwise charging recommendations by highlighting theoretical positions rather than actual situations and, in particular, levels of government revenue.

7. Review of annual adjustment mechanism

The failure of the NTC to address the issue of reviewing the annual adjustment mechanism, currently being applied to heavy vehicle registration, creates uncertainties for trucking businesses. The ATA strongly believes that if such a mechanism is in place it needs to be related to road expenditures and read wear costs, so that it retains integrity with the industry and provides a rationale for any changes, should they occur.

8. 4th Heavy Vehicle Charges Determination scoping study

The timing of the NTC's scoping project in relation to the 4th Determination is counter-productive, as the ATA network is fully engaged in the process of the current, 3rd determination. It is recognised by the ATA that the initiation of this project is not un-related to the issue of the RIS, and consequently we hold concerns that this may compromise the review of road pricing which is being pursued.

We also object to the inclusion of an Australasian Railways Association representative in the Steering Committee for this project, as there is no equitable manner in which the ATA can participate in reviewing rail pricing either within, or outside of, NTC processes.

Conclusion:

Australia has a world-class road freight transport industry which has delivered extremely competitive road freight transport costs over an extended period of time, whilst maintaining its safety performance. This has been achieved through technological innovation, regulatory reform and the removal of excessive indirect taxes on the trucking industry. This environment needs to be preserved in order that the Australian trucking industry can continue to efficiently carry the majority of Australia's non-bulk domestic and export freight.

In order to maintain, and even improve this position, which delivers great benefit to the Australian community, particularly in rural and regional Australia, and to Australian export industries, further improvements can be achieved in this area through constantly improving the road network to ensure it remains productive and safe, through regulatory reform which assists trucking businesses to operate with less red tape and with greater productivity, and by continuing government support to skills development.

The increased charges recommended by the NTC in the RIS run counter to these trends and aims, and are compromised by faults in the process and methodology used.

As the trucking industry currently pays its way, based on the level of cost allocation to heavy vehicles calculated by the NTC, we believe there should be no change in current charges.

MEDIA RELEASE

QUEENSLAND TRUCKING ASSOCIATION
A.B.N. 64 009 963 053

Phone: 07 3394 4388
Fax: 07 3397 9324
E-Mail: admin@qta.com.au

Trucking Industry to Oppose On Road Tax Increases

Date: 18th October 2005

The National Transport Commission (NTC) yesterday released its Reg ich, if endorsed by State and Federal Transport Ministers, will increase registration and the Road User Charge (fuel excise levy) for heavy vehicles from the 1st July 2006. The fundamental aim of the process is to ensure that heavy vehicles pay their way for road use, having regard to construction and maintenance costs.

Peter Garske, Executive Director, Queensland Trucking Association (QTA) said today, "It is appalling timing to slug trucks with higher taxes when petrol prices remained high. The increase in registration charges and fuel excise will remove the incentive for the industry to multi task vehicles and operate productive multi-combination vehicles in serving the growing freight task."

"The trucking industry has no capacity to absorb these increases and this will have an effect on communities, particularly in rural and regional Queensland, which relies so heavily on the road freight industry, not only for day to day commodities but in the export of agricultural and mining product" he said. "These increased costs will pass onto consumers in the form of increases in the costs of their daily goods."

The NTC has recommended a 2.1cents per litre increase in diesel tax (excise) for heavy vehicles and recommended increases in registration charges for B-Doubles and Road Trains of between 30 and 40 percent commencing from the 1st July 2006.

A B-Double registration will rise from $7,565.00pa to $8,400.00pa from July 2006 and $10,410.00pa from July 2007.

Mr Garske stated "The NTC estimates that the trucking industry revenues are required to reach $1.62B. The submissions made during the process leading to the release of the Regulatory Impact Statement demonstrate that revenue obtained by both the Commonwealth and State Governments through registration and fuel excise already exceeds the collection necessary to demonstrate that our industry is paying its way."

Typically a B-Double involved in the long distance freight task with maximum vehicle utilisation would consume approximately 8,000 litres of diesel fuel in a four week period. Accordingly the NTC proposals will add a total of $5,000.00 annually to the existing operating costs of the vehicle, made up of $2,000.00 in increased excise (Road User Charge) and $3,000.00 in Registration charge. The Road User Charge is collected by the Commonwealth Government and the Registration charge collected by the State Government.

"I note that the Federal Minister for Transport, Warren Truss has today stated that the proposals would impose significant extra costs on businesses seeking to introduce efficiency to the road transport task, and accordingly both he and State Ministers will need to carefully weigh up their attitude to the proposed increases" said Mr Garske.

"Governments can expect a very strong reaction by industry both directly from trucking operators and indirectly from customers and the community who depend on efficient road transport for their own viability" he said. "The Queensland Trucking Association will be seeking urgent discussions with the State Government on this issue, and have an expectation that the proposals will be rejected, by both the State and Commonwealth Government."

For Further information and detail contact:
Peter Garske, QTA Executive Director
on (07) 3394 4388 (W) or 0418 724 981(M) or 3394 2782 (H)

Transport Industry House
96 Cleveland Street
Stones Corner Q 4120

PO Box 325
Stones Corner Q 4120

Telephone: 07 3394 4388 **Email: admin@qta.com.au** **Postal Address:**
Facsimile: 07 3397 9324 **Web: www.qta.com.au** **PO Box 325, Stones Corner Q 4120**

QUEENSLAND TRUCKING ASSOCIATION

TRANSPORTER NEWS BRIEF

SHAPING THE OUTCOME BEFORE REACTING TO OPERATIONAL ISSUES.

This Copy – 2 Pages Vol. 25 No. 34 18th October 2005

SPECIAL QTA TRANSPORTER NEWS BRIEF

NTC RELEASES HEAVY VEHICLE REGISTRATION & FUEL CHARGE REGULATORY IMPACT STATEMENT

The National Transport Commission (NTC) yesterday released its Regulatory Impact Statement which, if endorsed by State and Federal Transport Ministers, will increase registration and the Road User Charge (fuel excise levy) for heavy vehicles from the 1st July 2006. The fundamental aim of the process is to ensure that heavy vehicles pay their way for road use, having regard to construction and maintenance costs.

Details of the NTC documents can be found at http://www.ntc.gov.au/DocView.aspx?page=A02412110510020020

Key points:

- Registration and road user charge (fuel excise) increases
  - Rigids and semis – marginal increases
  - B-Doubles up from $7,565 to $10,410
  - Double road train up from $8,233 to $11,110
  - Triple road train up from $9,903 to $12,860

  The increases are staged in two increments July 2006 and July 2007.
- Fuel charge 22.1 cents (**your existing Energy Grants Credit reduces by 2.1 cents per litre**)
- Both the registration charges and fuel charge will be adjusted annually from July 2007 – methodology yet to be defined.

The NTC estimates that the changes above will have the following impact:

- increase vehicle operating costs by 0.6% across the overall heavy vehicle fleet.
- B-doubles and road trains will have the largest vehicle operating cost increase of 1.8% after the full phase-in of the proposed charges in 2007.
- The costs of consumer products might increase by 12 cents for every $100 spent.

These estimates have not yet been validated by the QTA.

Extracts from QTA Press Release (released 18/10/05)

Peter Garske, Executive Director, Queensland Trucking Association (QTA) said today, "It is appalling timing to slug trucks with higher taxes when petrol prices remained high. The increase in registration charges and fuel excise will remove the incentive for the industry to multi task vehicles and operate productive multi-combination vehicles in serving the growing freight task."

"The trucking industry has no capacity to absorb these increases ……."

Mr Garske stated "The NTC estimates that the trucking industry revenues are required to reach $1.62B. The submissions made during the process leading to the release of the Regulatory Impact Statement demonstrate that revenue obtained by both the Commonwealth and State Governments through registration and fuel excise already exceeds the collection necessary to demonstrate that our industry is paying its way."

"I note that the Federal Minister for Transport, Warren Truss has today stated that the proposals would impose significant extra costs on businesses ……."

"The Queensland Trucking Association …… have an expectation that the proposals will be rejected, by both the State and Commonwealth Government."

Full details available on QTA Website http://www.qta.com.au

What Next?

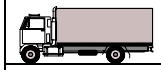
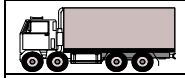
- After a 4 week period for comment the NTC will make final recommendations to the Australian Transport Council (Ministers) in December 2005.
- Ministers will vote by March 2006 on the proposals.
- Your Association will actively lobby State and Federal Ministers.
- Industries who are our customers e.g. retail, agriculture, mining etc will be briefed by QTA.

Your Role as an Operator

- Examine this Newsletter and the attachment and determine what will be the annual cost impost on your fleet, of the registration increase and Energy Grant Credit reduction of 2.1 cents per litre.
- Advise the QTA of the cost impact by emailing admin@qta.com.au.
- Write, phone, visit your Federal and State Politician, irrespective of Party, to outline your objection to the NTC recommendation, the cost impact on your business and the resultant increase in freight charges to your customers.

Telephone: 07 3394 4388 Email: admin@qta.com.au Postal Address:
Facsimile: 07 3397 9324 Web: www.qta.com.au PO Box 325, Stones Corner Q 4120

Table 1. 3rd Determination Heavy Vehicle Charges: Selected Vehicles July 2006 and July 2007 (05/06 dollars)

Vehicle Type	Size	Current charge	Indicative charge (Proposed, fuel charge of 22.1 c/l)
	Up to 12.0t Over 12.0t	$334 $557	$350 $560
		$612 + $668 = $1 100	$620 + $700 = $1 320
	Up to 16.5t Over 16.5t	$668 $890	$690 $890
	Under 42.5t Over 42.5t	$2 225 + $1 002 = $3 227 $4 228 + $1 002 = $5 230	$2 230 + $1 050 = $3 280 $4 230 + $1 050 = $5 280
	Under 42.5t Over 42.5t	$4 228 + $1 336 = $5 564 $4 228 + $1 336 = $5 564	$4 230 + $1 400 = $5 630 $4 230 + $1 400 = $5 630
	Up to 20.0t Over 20.0t	$1 002 $2 225	$1 030 $2 230
	Up to 12.0t Over 12.0t	$334 $557	$350 $560
		$3781 + $1 002 = $4 783	$3 780 + $1 050 = $4 830
		$5 561 + $2 004 = $7 565	July 2006 $6 300 + $2 100 = $8 400 July 2007 $8 310 + $2 100 = $10 410
		$5 561 + $2 672 = $8 233	July 2006 $6 300 + $2 800 = $9 100 July 2007 $8 310 + $2 800 = $11 110
		$5 561 + $4 342 = $9 903	July 2006 $6 300 + $4 550 = $10 850 July 2007 $ 8 310 + $4 550 = $12 860

Minter Ellison Building
25 National Circuit FORREST ACT 2603
Ph (02) 6253 6900 Fax (02) 6253 6999
Email: ata@truck.net.au
ACN 055 583 714

24 June 2005

Biofuels TaskForce Secretariat
Department of Prime Minister and Cabinet
3-5 National Circuit
Barton ACT 2601

To whom it may concern

ATA Submission to Biofuels Taskforce June 2005

Please find attached the Australian Trucking Association's submission in response.

The ATA fully supports moves to examine the latest scientific evidence on the impacts of ethanol and other biofuel use on human health, environmental outcomes and automotive operations.

Specifically in relation to heavy vehicle trucking, and the possible mandating of maximum renewable content in diesel fuel, the ATA encourages government to take strong caution.

Diesohol is not endorsed due to its very low flash point. The resultant handling/storage and safety issues are considered to be significant. The operating environment of the industry is simply not geared to utilise high flash point liquids.

Prima facie, biodiesels appear to have a greater potential as a sustainable and legitimate alternative to pure diesel. However, due to a lack of independent data, the ATA cannot assess whether the imposition of mandatory biodiesel blends, at any maximum level, would result in a net economic benefit to the industry or the community at this point in time.

Given this, the ATA encourages government to take a less interventionist approach and allow the industry to make voluntary and informed decisions on the merits or otherwise of biofuels given their specific circumstances. The ATA suggests that there is a greater role for government in this regard.

Please feel free to contact me on (02) 6253 6900 if there are any queries in relation to this submission.

Yours sincerely

Chris Althaus
Chief Executive

AUSTRALIAN TRUCKING ASSOCIATION
RESPONSE TO THE BIOFUELS TASKFORCE

JUNE 2005

EXECUTIVE SUMMARY

The increased consumption of renewable fuels via an MRET type regulatory mechanism would present many challenges to the heavy vehicle industry.

With industry generally under increasing pressure to reduce its environmental impacts, and with Australian Governments keen to regulate to achieve higher standards, promoting improved environmental performance whilst maintaining the efficiency of the industry is a high priority for the ATA.

At this juncture, the ATA does not have sufficient information to determine whether the regulated consumption of biofuels at maximum percentage levels of diesel would result in a net benefit for this industry or the community.

The ATA believes that caution should be exercised in extrapolating the benefits of past biodiesel trials across the whole heavy vehicle fleet in the medium to long term given the infancy of the 'new wave' of engine technologies (i.e SCR and EGR) that are about to be introduced to the Australian market.

It is expected that these new engine technologies will produce performance issues – with challenges such as higher heat rejection, more weight, less power (horsepower) cited. Engine manufacturers globally need to be heavily consulted before decisions to mandate a maximum level of biodiesel are made.

In relation to the current heavy vehicle fleet, the ATA encourages more trialing and analysis to better profile the specific engine and vehicle types where net environmental, social and economic gains may be achieved. Generalisations of possible benefits should not be made across the whole heavy vehicle fleet given its diversity.

As a general rule of thumb, advice from engine manufacturers is that the maximum biodiesel blend, at least for the current fleet, should be no greater than 5% (B5). Past this point, there may be a concern that for the majority of vehicles, the environmental improvement/operational efficiency tradeoff may be unfairly compromised.

The ATA does not support the use of diesohol – being a blend of diesel and ethanol. Diesohol is not endorsed due to its very low flash point. The resultant handling/storage and safety issues are considered to be significant. The operating environment of the industry is simply not geared to utilise high flash point liquids.

The ATA applauds the efforts of the TaskForce to explore the merits of biofuels in greater detail. Given increasing oil prices, and an appetite to address air and greenhouse gas pollution commensurate to its contribution to the problem at least cost, biofuels offer an exciting opportunity.

1 BACKGROUND

The Australian Trucking Association (ATA) is the peak body of the Australian trucking industry. Its 16 member organisations include state and territory based trucking associations, sectoral trucking associations, national trucking companies, the Transport Workers Union and directly elected owner-driver and small fleet operators on its General Council.

2. INTRODUCTION

The ATA is heavily committed to promoting initiatives that improve the environmental performance of the heavy vehicle 'hire and reward' industry.

Commonly, government's see a role to regulate to achieve these higher standards of performance.

The ATA's position is that a role for government exists if a net benefit for intervention, based on sound science, the broader operating environment, and economics, can be demonstrated.

In relation to the 'hire and reward' road transport industry, consideration must be given to the 'operability' implications of differing (i.e mandated renewable fuel content) and/or tighter fuel and engine standards and the impact of possible efficiency and productivity constraints on not only industry participants but also the broader community.

Specifically in relation to the proposal to mandate for minimum renewable energy content in heavy vehicle fuels, the ATA believes that there are limitations and constraints that need to be acknowledged and a high degree of caution should be taken.

3. ISSUES

3.1 Diesel

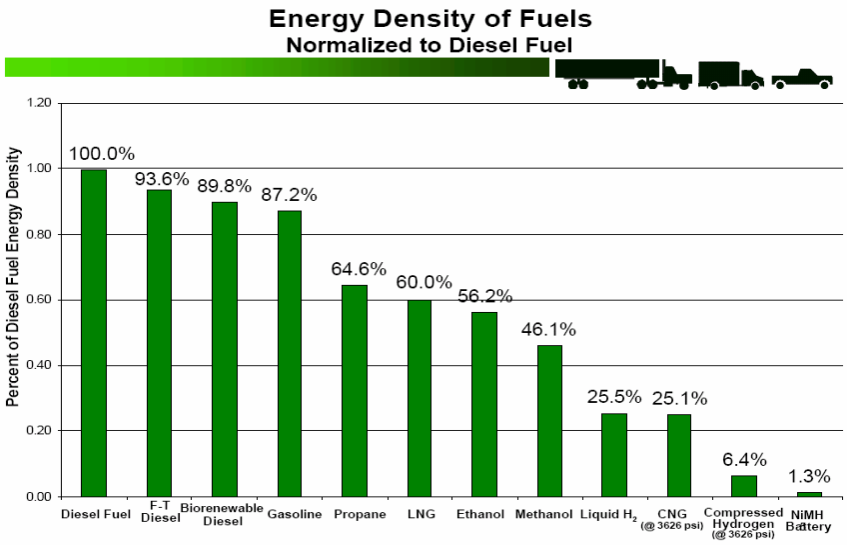
Diesel is likely to be the global fuel of choice for both engine and vehicle manufacturers and operators for the foreseeable future because it is:

- Relatively cheap;
- Good energy density (power per volume);
- Relatively safe;
- Hard to ignite;
- Enables highly efficient engines; and
- It is ubiquitous (i.e its available everywhere from an established distribution network).

Australia will transition to 10ppm sulphur (ULSD) in 2009. This is fully supported by the ATA.

Table One demonstrates the high energy density of diesel.

Table One



(source: Dr James Eberheldt, US Department of Energy, 2002 Diesel Emissions Workshop)

Due to this high energy density in liquid hydrocarbon fuels, there is a commonly held view that there is no energy source that can substitute for them. Of the liquid hydrocarbon varieties, it appears that biodiesels are the most feasible.

Further, and given increasing diesel prices and increased competition both from within the industry and from rail, coupled with an increasing appetite to find least cost options to abate greenhouse and air pollutants (commensurate to the industry's contribution to the problem), there is growing support within the industry to explore, with government assistance, the merits of all alternative fuels, including biofuels.

3.2 Biodiesel

It is stated in the report - *Appropriateness of a 350 million litre biofuels target* – that:

> *The air quality implications of biofuels depend on the exact nature of the vehicle in which the fuel is used, the exact nature of the fuel with which the biofuel is blended, and the exact nature of the airshed into which the exhaust and evaporative pollutants are emitted. In addition, the difficulty of extrapolating from individual vehicle test results (undertaken on dynamometers) to in-service conditions means that there are large uncertainties associated with any estimates of the air quality implications of the use of biofuels (2003, pp.21)*

From the biodiesels analysis contained in this report, and consistent with this statement, the ATA believes that more work needs to be undertaken to understand the true 'life cycle' benefits of biodiesel across the very diverse nature of trucking operations. That is, where are the exact net environmental, social and economic gains across the different modes of operation and across multiple engine types and sizes? Bodies such as the NSW Roads & Traffic Authority are working to develop this profile.

It would appear that in commissioning this work, government and industry should, as a general rule of thumb, constrain its analysis to a national blend ratio of 5% biodiesel to 95% diesel (i.e B5) as:

- Biodiesel, on a volumetric base, contains approximately 10% less energy than diesel. Higher biodiesel blend ratios are inversely related to increases in engine power and torque. Higher energy or calorific values in fuel is also a major component of fuel economy.

  The productivity and efficiency benefits from high engine performance and incremental improvements in fuel economy is critical in road transport especially given estimates that the freight task (in volume terms), is expected to double in absolute terms over the next ten to fifteen years.

  Coupled with a number of other developments that are generally considered to distract from the industry's desire for incremental productivity and efficiency improvements, including: a chronic labour shortage; more restrictive proposed driving hour regulations; and international harmonisation with 'best practice' European, Japanese and US emission (engine) standards that will result in a number of general operability concerns and higher costs overall, a 'bullish' approach to renewable fuel regulation may exacerbate an already acute problem.

  It is therefore critical that engine performance is not further degraded via increases in biodiesel blend ratios that are unnecessarily high. The consequence of an erosion of vehicle performance and poorer fuel economy may be more heavy vehicles - than necessary - on Australian roads to carry the freight task. This could result in an environmental 'rebound effect', higher freight costs, and potentially a higher net public safety risk.

  The increase in freight costs and the second round effects of a rise should not be understated. Assuming a $10,000 increase in average collective costs per annum through the use of less efficient/lower energy content fuel, operators would be expected to seek this cash flow difference in the market at the rate of about 5 cents per kilometre. Assuming that the average freight rate increases from approximately $1.13 per kilometre to $1.18 per kilometre, this would equate to a 4% increase in freight costs. This assumes that these costs are applied to all operators and all parties are able to pass these costs on.

- Vehicle manufacturers certify their vehicles to emission standards based on test fuels. Beer et al 2001 (see *Appropriateness of a 350 million litre biofuels target 2003, pp.87*) found that NOx (g/MJ) increased from 0.95 (best estimate) to 1.05 (best estimate) when going from BD 5 to BD 100. An increase in air pollutants arising from an increase in the bio diesel blend ratio may result in a vehicle no longer complying with the relevant Australian Design Rule (ADR) to which they are certified to meet.

- Another significant issue is vehicle warranties. Most OEM warranties cover workmanship and materials defects. If a failure is caused by something else then it is not an OEM warranty situation. An OEM can judge an installation to be inappropriate and exclude all warranty.

It is important to note that these views in relation to biodiesel whilst commonly shared are predicated on heavy vehicles meeting the current and previous heavy vehicle standards (i.e Euro 1, 2 and Euro 3 and the equivalent US standards).

Whilst findings such as 'regarding the effect of biodiesel blends on air toxic emissions, the studies agreed that biodiesel use leads to lower values of emissions of most air toxics (Beer et al., 2001) are very significant, the ATA believes that governments should be cautious in extrapolating these findings on the new engine technologies about to enter the Australian market.

That is, it may be too early at this stage to say with confidence that the broad support for B5 (and perhaps higher blends – more work needs to be commissioned) as stated above, is also as relevant for the proposed ADR 80/01 (Euro 4) and ADR 80/02 (Euro 5) engines.

This is because these technologies are relatively infant in their development and trialing and represent a fairly radical departure from past technology options. It is important to note that whilst Euro 4 engines are currently being trialled, the Euro 5 standard remains very much a 'concept' for global diesel engineers with little direction as yet as to how, technologically, the standard will be met.

Further, and given estimates that B-Double and articulated truck numbers will rise from 64,600 from the year 2002 to 118,794 by the year 2020 to address the growing freight task, the numbers of these 'new technology' vehicles in the general fleet will be significant. The possible overall 'net' gains of biodiesel may therefore be influenced when one considers Australia's heavy vehicle fleet composition in the medium to long term.

At a recent event in the US where President Bush announced a higher tax concession for diesel vehicles, Allen Schaeffer, Executive Director of the Diesel Technology Forum, was quoted as saying:

> *"We have to see what the manufacturers have to say as far as recommended fuels," "[Engine manufacturers] are not looking at it as a primary fuel in developing the new engines. But I think that biodiesel could offer some benefit— we just have to understand how it works with the new engines."*

Australia is a technology taker with respect to heavy vehicle engines and has a very limited capacity to influence the direction or level of standards.

The ADR 80/01 emission standard has been gazetted and will come into operation in Australia in 2007/08. Essentially, from 1 January 2008, all heavy vehicles sold in Australia must be sold with a Euro 4 or US or Japanese equivalent standard engine.

At this stage, it is proposed that ADR 80/02 will be gazetted in the relative short term (timing is dependent upon a number of things) for the proposed introduction into Australia in 2010/11. Given the uncertainties in relation to the required technology and its practical application, the ATA has strongly opposed the gazettal of this ADR at this juncture and has called for a moratorium.

The prescribed reductions in air pollutants of Euro 4 and 5 engines are:

Euro Standards				
	Air Pollutants			
Euro Standard	Nitrogen Oxide (NOx)	Carbon Monoxide (CO)	Hydrocarbons (HC)	Particles
3	5	2.1	0.66	0.1
4	3.5	1.5	0.46	0.02
5	2	0.46	0.46	0.02
Values in g/kWh				

The ATA's support for the introduction of ADR 80/01 and ADR 80/02 is qualified given operational concerns associated with the utilisation of these new engine technologies.

It is confirmed that international engine manufacturers will utilise selective catalytic reduction (SCR) and exhaust gas recirculation (EGR) technologies (in the main[1]) to meet the Euro 4 and perhaps the Euro 5 standards (although this is still very unclear). By all reports, these technologies involve some operational tradeoffs to achieve required emission levels.

[1] Caterpillar are proposing an alternative technology known as ACERT

Appendix A contains an overview of the relative operability 'pro's and con's' of SCR and EGR technologies.

Appendix B contains the ATA's own cost/benefit analysis of ADR 80/02 (Euro 5). This analysis demonstrates the high costs to users and contrary to the current (government) cost benefit analysis, and the lack of an overall positive cost/benefit between 2010 and 2020.

In summary, and specifically in relation to biodiesel, the ATA believes:

- In relation to the existing heavy vehicle fleet fleet, there is a need to commission more work to assess the true environmental, social and economic merits of various biodiesel blends on specific engine and vehicle types. It is important to not make generalisations based on a small number of studies of the potential net benefits across the whole heavy vehicle fleet;
- It is important to note that given the relative infancy of the next wave of heavy vehicle engine technologies, and the fact that these vehicles will constitute a high percentage of the overall fleet over the next 15 years, it may be premature to accurately forecast the true impact of biodiesel at this juncture. Consultation with the global engine manufacturers as to operability implications of biodiesel, at varying levels, is imperative.
- Further, and given the potential operability concerns associated with these new technologies, coupled with a number of other operability constraints expected in the short to medium term, the industry will be looking for greater certainty and will be reticent to absorb further pressures on operational efficiencies from unnecessarily high blend levels. Higher 'bottom-line' pressures will be passed onto Australian industry and consumers.

3.3 Diesohol

Diesohol is a blend of diesel and ethanol.

The Department of Environment and Heritage recently called for comments in relation to diesohol, and more specifically, enthusiasm for a quality standard in relation.

Appendix C contains the ATA's 'policy' response to the Department. Essentially, the resultant handling/storage and safety issues associated with diesohol's very low flash point is considered to be significant. The operating environment of the industry is simply not geared to utilise high flash point liquids.

Further, and whilst diesohol 'significantly reduces emissions of PM' (*Setting National Fuel Quality Standards, Discussion Paper on Diesohol, May 2004*), it is of concern that it can increase hydrocarbons – a hazardous air contaminant that acts as a precursor to the formation of ozone. It is also of concern that diesohol may also lead to poorer CO_2 outcomes for the industry.

The consumption of diesohol may therefore in part be counterproductive to addressing Australia's air pollution and greenhouse issues although it is accepted that the science in relation remains somewhat unclear.

Appendix D contains the ATA's 'technical' response to the Department arising from its Industry Technical Council

The ATA is very critical of diesohol and does not support any effort to mandate for its consumption in Australia.

3.4 Fuel Excise Reform

The decision on 16 December 2003 as foreshadowed in the Budget announcement to establish a fairer and more transparent fuel excise system with improved competitive neutrality between fuels is consistent with the ATA's position.

Advice from operators is that the current window of lower excise on alternative diesel fuels does not offer a significant incentive to convert, however, these decisions are case by case, and dependent on a range of business risks and opportunities.

3.5 Conclusion

The ATA is strongly committed to assisting the road freight industry improve its environmental performance. Coupled with potential industry development benefits, and potential lower operating costs, biofuels offer an exciting opportunity.

Given the very diverse nature of trucking operations, the risks and potential benefits associated with biofuels will be case by case.

Due to a lack of independent data, the ATA cannot assess whether the imposition of mandatory biodiesel blends, at any maximum level, would result in a net economic benefit to the industry or the community.

Given this, the ATA encourages government to not mandate for maximum levels of biofuels at this point in time but allow the industry to make voluntary and informed decisions on the merits or otherwise of biofuels given their specific operating circumstances.

The ATA encourages government to assist industry in learning more about biofuels so they can make informed business decisions. This may entail financial assistance to complete greater trialing and data collection as well as dissemination of these results.

Appendix A

Positives and Negatives of SCR and EGR Engine Technologies (Euro 4 & 5)

Selective Catalytic Reduction (SCR) Technology	
NEGATIVES	
Euro 4	**Euro 5**
Fuel efficiency savings (+ 0% to 5%)	Fuel efficiency losses (- 0% to 5%)
Higher purchase costs (+ $10k to $20k)	Even higher purchase costs (+ $15k to $25k)
Extra weight on steer axle (estimated that SCR catalyst will be approx. 80kgs) having significant productivity implications if reg concessions not made	Even more weight on steer axle due to additional on-board equipment and liquid urea
Requires urea to be added as a reagent (@ 5%/l) meaning: • cost of urea (likely to be approx $1.20/l)) will negate fuel efficiency cost gains • Added handling effort for driver • Dependency on urea and infrastructure means limited route accessibility • Urea is very problematic at ambient temperatures >40 degrees C and <13 degrees C. Considerable issue considering Aust operating conditions	Requires higher urea mixture to be added as a reagent (@ 5% to 10%/l) meaning: • cost of urea (likely to be approx $1.20/l)) will compound fuel efficiency losses • Added handling effort for driver • Dependency on urea and infrastructure means limited route accessibility • Urea is very problematic at ambient temperatures >40 degrees C and <13 degrees C. Considerable issue considering Aust operating conditions
Sophisticated and expensive on-board diagnostic (OBD) emissions monitoring systems required. Problems associated with proposed OBD: • Engine will be 40% torque depowered if urea not added – safety and practicality issue • Not adding urea will result in emission outputs comparable to Euro 1 emission standards and will result in significant cost savings • Fear of market failure in relation to urea and infrastructure supply	Sophisticated and expensive on-board diagnostic (OBD) emissions monitoring systems required. Problems associated with proposed OBD: • Engine will be 40% torque depowered if urea not added – safety and practicality issue • Not adding urea will result in emission outputs comparable to Euro 1 standards and will result in significant cost savings • Fear of market failure in relation to urea and infrastructure supply
Oil change intervals may increase	Even higher increases in oil change intervals
POSITIVES	
Euro 4	**Euro 5**
Similar technology with some modifications is likely to be used to meet the Euro 5 standard (hence urea and associated infrastructure may be a long term requirement and costs can be amortised over longer period). The advantage of this is that the additional and expensive equipment added to a Euro 4 vehicle to met the Euro 5 standard can be removed. This assured supply may allow Aust to stay at the Euro 4 standard indefinitely. Going to Euro 5 may therefore not be imperative.	
Better power and torque characteristics in some engine variants	
Less sensitive to fuel sulphur	
No engine stress or cooling issues	

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Exhaust Gas Recirculation (EGR) Technology	
NEGATIVES	
Euro 4	**Euro 5**
Fuel efficiency losses (+ 0% to 5%)	Unsure as to whether EGR will be utilised to meet Euro 5
Higher purchase costs (+ $10k to $25k)	
High level of engine stress/wear – including approx. 30% heat rejection. More heat being generated needs to be cooled requiring larger radiators and large vehicle fronts	
Extra weight on steer axle (estimated that extra weight will be approx. 80kgs +) having significant productivity implications if reg concessions not made	
Requires more cooling capacity meaning bigger radiators hence more weight and productivity/efficiency losses	
Engines already available hence merits can be assessed	
Possible not a viable option for Euro 5 hence only a transition technology (has implications for workshop training, on-servicing etc)	
Particulate trap causes higher maintenance costs, increased failure risk and dependency on extensive supply of low-sulphur diesel	

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Appendix B

Total Costs to Operators and Community of EGR and SCR Vehicle use Relative to Costs of Euro 3 Vehicles

* Costs (Euro 4 and 5)			
B-Double & Articulated Trucks			
Year	Cumulative total # of B-Doubles and Artics pa	# Estimated Sales of Euro 4 and 5 pa	Total Additional Costs (compared to Euro 3 vehicle) pa
2002	64600	Comment: * Euro 5 CBA states that Euro 5 costs would be $2,500 to $3,600. ATA believes this is a gross underestimate	
2003	67610		
2004	70620		
2005	73630		
2006	76640		
2007	79650		
2008	82660	3010	$ 43,645,000
2009	85670	3010	$ 57,190,000
2010	88680	3010	$ 70,735,000
2011	91690	3010	$ 106,855,000
2012	94700	3010	$ 127,925,000
2013	97710	3010	$ 148,995,000
2014	100720	3010	$ 170,065,000
2015	103730	3010	$ 191,135,000
2016	106740	3010	$ 212,205,000
2017	109750	3010	$ 233,275,000
2018	112760	3010	$ 254,345,000
2019	115770	3010	$ 275,415,000
2020	118780	3010	$ 296,485,000
		Total Costs	$ 2,188,270,000

** Benefits (Euro 5 only)	
Heavy Vehicles	
Year	*** Health Benefits
	Comment: ** Euro 5 CBA states that there will be additional fuel savings 'benefits'. ATA believes this is an incorrect assumption *** $ amounts taken from Euro 5 CBA
2010	$1,000,000
2011	$17,000,000
2012	$38,000,000
2013	$60,000,000
2014	$83,000,000
2015	$106,000,000
2016	$130,000,000
2017	$155,000,000
2018	$179,000,000
2019	$204,000,000
2020	$227,000,000
Total Benefits	$1,200,000,000

ASSUMPTIONS

Euro 4 Costings		
Estimated avg purchase cost for Euro 4 SCR Vehicle:	$	10,000
Estimated avg subsequent year costs for Euro 4 SCR vehicles (maintenance, fuel and 'other' costs):	$	4,000
Estimated avg purchase costs for Euro 4 EGR vehicle:	$	10,000
Estimated avg subsequent year costs for Euro 4 EGR vehicle (maintenance, fuel and 'other' costs):	$	5,000
Estimated avg purchase cost for Euro 4 Vehicles:	$	10,000
Estimated avg subsequent year costs for Euro 4 vehicles (maintenance, fuel and 'other' costs):	$	4,500
Estimated total 1st year costs for Euro 4 vehicles:	$	14,500
Euro 5 Costings		
Estimated avg purchase costs for Euro 5 SCR Vehicle:	$	15,000
Estimated avg subsequent year costs for Euro 5 SCR vehicles (maintenance, fuel and 'other' costs):	$	7,000
Estimated total avg cost for Euro 5 vehicle to operator per annum (assuming vehicle kept 5 yrs):	$	10,000
Est avg year 1 costs (up-front purchase cost plus maintenance, fuel & 'other' costs) for Euro 5 vehicle:	$	22,000
Estimated average kilometres travelled per truck per annum:		200000
Estimated average freight rate per kilometre today:	$	1.13

FINDINGS

Total costs to operators between 2008 and 2020 (of Euro 4 and 5):	$	2,188,270,000
Total costs to operators between 2010 and 2020 (Euro 5 only):	$	2,087,435,000
From Euro 5 CBA reported health benefits between 2010 and 2020:	$	1,200,000,000
Increase in freight rates (cents per kilometre) from Euro 5 utilisation to recoop costs:	$	0.05
Increase in average estimated freight rate per kilometre:	$	1.18
Percentage Increase in freight costs to community:		4%

Appendix C
26 July 2004

Clean Fuels and Vehicles Section
Department of the Environment & Heritage
PO Box 787
Canberra ACT 2601

To whom it may concern

Discussion Paper on Diesohol

The Australian Trucking Association recently considered the proposal of the Australian Government to develop a diesohol fuel quality standard.

Whilst diesel fuel is likely to continue to be the 'fuel of choice' for the vast majority of 'hire & reward' operators, the ATA notes the regulation and distribution of alternative fuels must be based on a net public benefit resulting from its availability and consumption. In assessing net benefit, environmental, social and economic considerations must be taken into account.

Economically, given Australia's mandate to harmonise with UN ECE regulations, and in pursuing further reductions in NO_x and PM via the introduction of new vehicle engine standards (i.e namely Euro 4 via the adoption of SCR and EGR technologies), indications are that 'fuel efficiency' (i.e NO_x reductions are 'traded' for CO_2 reductions) and general 'operational certainty' (i.e reliability issues emanating from the adoption of new technology) may be compromised.

At a time when the industry will be looking for efficiency and productivity gains to offset these added costs, it is of concern that the consumption of diesohol fuel, dependent on the mode of operation, may also result in poorer fuel economy and other vehicle operability issues. The ATA requests that these operability concerns are examined in more detail by government in conjunction with manufacturers.

Environmentally, the Australian Government's recent *State of The Environment* report indicates little evidence in Australia's capital cities of major air pollution problems, however, there appears to be evidence that PM and ozone concentrations remain strong and in some capital cities air ambient NEPM concentrations for these pollutants are being breached - if infrequently. Whilst diesohol 'significantly reduces emissions of PM', it is of concern that it can increase hydrocarbons – a hazardous air contaminant that acts as a precursor to the formation of ozone. It is also of concern that diesohol may also lead to poorer CO_2 outcomes for the industry. The consumption of diesohol may therefore in part be counterproductive to addressing Australia's air pollution and greenhouse issues.

Socially, the reduced flash point and the general community safety concerns associated with storage and handling is a significant issue. At present, the trucking industry is not equipped to handle diesohol, and in doing so, would necessitate the introduction of strict government safety regulations (i.e dangerous goods etc) and considerable investment by the industry. The ATA is of the firm view that without assurances that the risks to public safety will be negligible, governments should not promote, either indirectly or directly, the production, distribution and consumption of diesohol.

In light of the above, it is difficult to see where the net public gains will be accrued in Australia from the consumption of diesohol. Not withstanding the fact that some environmental improvements may be accrued, the industry looks reservedly at moves to regulate for its consumption. If government was to proceed, the industry would favour the introduction of a diesohol fuel quality standard under the *FQS Act* and that the maximum sulphur limit be set at 50ppm to begin with given that ULSD is becoming widely available in the Australian marketplace.

Please feel free to contact me on (02) 6253 6900 if there are any queries in relation to this submission. Please note that the ATA's Industry Technical Council at their next meeting in September will also consider the diesohol discussion paper and relay their views from a more technical viewpoint.
Yours sincerely
Chris Althaus
Chief Executive

Appendix D

16 September 2004

Clean Fuels and Vehicles Section
Department of the Environment & Heritage
PO Box 787
Canberra ACT 2601

To whom it may concern

Discussion Paper on Diesohol

The Australian Trucking Association in July 2004 responded to this paper expressing the view that there did not appear to be a solid business case for government promoting, via the introduction of legislated quality controls, the production, distribution and consumption of diesohol.

In this letter, it was also stated that the ATA's Industry Technical Council would consider the proposal 'from a more technical viewpoint'. The ATA's Industry Technical Council consists of senior workshop managers from a number of trucking businesses as well as technical managers from a number of truck manufacturer organisations.

At the Industry Technical Council meeting held on 2 September 2004, discussion centred upon a number of technical aspects of the proposal.

The ITC considered a number of tabled documents including:

- Submissions/responses from major engine manufacturers stating that they do not approve the use of Diesohol in their engines;
- The ATA's 'policy' response;
- Concerns relating to the classification of the fuel from a Dangerous Goods perspective;
- Concerns of potential for hot engines to "vapour lock";
- Truck Industry Council submission; and
- Letter from the *European Committee for Standardization working group (CEN/TC19/WG24) to chairman CEN/TC19 Petroleum Products* – regarding the proposal to develop a standard for bioethanol;

It must be stressed that Australia is a 'taker' of heavy engine technology, and a very minor customer in a large global market. It is therefore not in a position to influence the development of technologies, including engines.

However, the ITC is conscious of the need for industry to address environment issues to ensure positive reductions in emissions. The ITC has previously unanimously agreed to constantly review emerging technologies in an effort to address environment issues faced by the road transport industry.

The ATA's Industry Technical Council supports the concept of blended diesel fuel where environmental benefits can be demonstrated provided that:

- The Department of Environment and Heritage (DEH) acknowledges concerns by ITC with regard to the fact that no major engine manufacturer supports the use of Diesohol (or

bioethanol blends) in their engines. This has short and long term major implications for end users in respect of product warranty, product liability, and product support;

- As reported by CEN/TC19/WG24, a 10% blend of Diesohol is expected to have a flash point of approximately 13^{o}C. This is considerably below the minimum value of 55^{o}C as specified in EN590. On that basis, the ITC raises safety concerns and requests that the DEH address all of the potential safety aspects especially in respect to existing fixed storage facilities and on-board capacities of vehicles and the potential need for the re-classification of these storages as hazardous sites; and

- In general safety, the implications for fire and emergency services.

Please feel free to contact me on (03) 5221 4342 if there are any queries in relation to this submission.

Yours sincerely

Damian McFarlane
Chair
ATA Industry Technical Council

QUEENSLAND TRUCKING ASSOCIATION
A.B.N. 64 009 963 053

11th March 2005

Urgent

Hon Paul Lucas MP
Minister for Transport and Main Roads
GPO Box 2644
BRISBANE QLD 4001

Dear Minister

Re: Proposed Implementation of ADR 80/02 (Euro 5) Heavy Vehicle Emission Standard

I write with respect to the forthcoming decision to be taken by ATC and NEPC/EPHC Ministers based on proposals submitted by the Land Transport Environment Committee which propose new and amended Australian Design Rules relating to Emission Standards and based on the LTEC Post 2006 Emissions Standards Recommendations.

I apologise for the lateness of this communication, relative to the forthcoming Ministerial Council decision.

Queensland Trucking Association supports the package of recommendations with one significant exception – *the proposal to introduce Euro 5 Emission Standards for Heavy Diesel Vehicles from 1st January 2010 (for new models) and 1st January 2011 (for all models).*

The Queensland Trucking Association is an active participant in the Australian Trucking Association and we have collectively enunciated, for some time our commitment to progressive improvement in the environmental performance of our industry.

It is our view that the recommended enactment of Euro 5 as an Australian Design Rule – ADR80/02 represents at this time poor public policy and is strongly opposed.

We support the introduction of Euro 4 (ADR 80/01) standards from the 1st January 2007, the agreed deferred date, to allow both operators and regulators an opportunity to understand at the time of the enactment the full implications of the proposed technology. The introduction of this standard has resulted in a significant task for industry in its decision making in relation to investment in new vehicles. For the reasons outlined in the following paragraphs we submit that it would be unwise to impose a repeat of the confusion and concern, in the introduction of Euro 5 standards.

Currently the proposed ADR 80/02 (Euro 5) Emission Standard represents a very large reduction in allowable pollutant levels. Indeed the proposed reduction is so great that engine manufacturers have eluded to many uncertainties. We submit that Government can not yet adequately assess the critical cost/benefit detailed in an Australian environment, of a regulatory proposal which remains nothing more than a "concept" for international regulators and manufacturers.

Transport Industry House
96 Cleveland Street
Stones Corner Q 4120

PO Box 325
Stones Corner Q 4120

Phone: 07 3394 4388
Fax: 07 3397 9324
E-Mail: admin@qta.com.au

Considerable doubt, in the minds of manufacturers, exists in relation to fuel efficiency gains. The implication would be upward pressure on freight rates, reduced efficiency in land transport and an increase in the relative contribution of the trucking industry to Australia's greenhouse signature.

The trucking industry would prefer to know that Australian Governments are monitoring progress and international standards with a more pragmatic and flexible approach to implementation of Euro 5. We view the current proposal as an example of "rushing" to mandate ADR Standards which might ultimately need amendment once we possess improved knowledge. This uncertainty and costly approach impacts on the road transport industry efficiency.

The Australian trucking industry operates much differently to northern hemisphere e.g. heavier payloads, longer distances, differing geographical and climate conditions.

In a worst case scenario it is not inconceivable that decisions taken at this point in time might lock in Standards which would be unworkable, significantly increase truck manufacturing costs, lower fuel efficiency, reduce power and significantly impact the recent steep incline in new truck sales. The consequently effect would be to impact the cost of freight movement and potentially employment opportunities in our industry.

My discussions with Senior Management in Land Transport and Safety, Queensland Transport indicates that there is a good understanding of the many issues surrounding the introduction of SCR Engines requiring the injection of Urea, necessary to comply with Euro 4 standards. For example, it is necessary to introduce an effective compliance regime, because in the absence of the Urea injection, pollutant levels go back to Euro 1 standard. All issues which surround the introduction of SCR technology have a flow on effect to the successful introduction of Euro 5 standard.

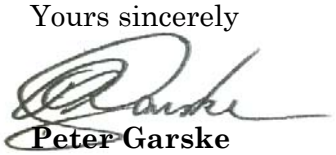
We therefore consider it inconceivable that we would regulate today for Euro 5 as we continue to seek, industry and regulators combined, solutions to outstanding issues associated with the introduction of Euro 4. The move to mandate ADR 80/02 is taking place with large gaps in the knowledge base to support the new ADR.

In conclusion the Queensland Trucking Association is requesting that Government monitor developments abroad and make decisions, in relation to Euro 5, when the implications of the technology are more fully understood. We understand that truck/engine manufacturers have indicated that they require only 3 years to successfully implement a new emission standard.

The Queensland Trucking Association is not seeking to abrogate it community responsibilities in addressing air pollution – our strong commitment to improved environmental performance has been demonstrated in many ways. We do suggest that Australia can afford to learn from the overseas experience and developments and therefore design a far more optimal regulatory solution for our local conditions.

I seek your support, by not voting to support the early implementation of Regulations enacting Euro 5 (ADR 80/02).

Yours sincerely



Peter Garske
Executive Director

Minter Ellison Building
25 National Circuit FORREST ACT 2603
Ph (02) 6253 6900 Fax (02) 6253 6999
Email: ata@truck.net.au
ACN 055 583 714

18 March 2004

Mr Jens Light
Department of Environment & Heritage
GPO Box 787
CANBERRA ACT 2601

Dear Jens

ATA Response To The Draft RIS Vehicle Emissions And Fuel Quality Standards For Post 2006

The MVEC in its draft RIS for *Vehicle Emissions and Fuel Quality Standards for Post 2006* is advocating for Euro 5 emissions standards for heavy diesel trucks to be introduced from 2009/2011 to be supported by 10ppm sulphur diesel standards from 2009.

Whilst ever vigilant of the need for industry to pay due regard to its environmental and community responsibilities, the ATA is of the opinion that the introduction of Euro 5 emission standards will not represent fair and prudent public policy nor will it strike an appropriate balance between environmental gains and the practicalities of the industry's operating environment.

That is, in light of an anticipated doubling in the freight task over the next fifteen to twenty years, and the importance of the Australian trucking industry to the Australian economy, regulations that seek to achieve certain environmental policy objectives must strike an appropriate balance between the social and economic objectives as well. With respect to the proposal to introduce Euro 5 diesel standards for heavy trucks, the ATA firmly believes that this balance has not been achieved.

The ATA's position is to not support the implementation of Euro 5 emission standards for heavy trucks until such time that it can be demonstrated through expert opinion and analysis that this option is the most cost effective and equitable means for the trucking industry to achieve pre-determined NO_x abatement targets. The ATA does not however reject the introduction of 10ppm sulphur diesel standards from 2009 – indeed, recommends that government should introduce production incentives to encourage its production throughout the Australian market.

The ATA proposes that an alternative approach should be taken by Australian governments to address diesel emissions. This approach if implemented would ensure that sectors that emit diesel emissions incur a cost burden that is commensurate to their contribution to the problem.

Please feel free to contact me on (02) 6253 6900 if there are any queries in relation to this submission.

Yours sincerely

Chris Althaus
Chief Executive

AUSTRALIAN TRUCKING ASSOCIATION RESPONSE TO THE MOTOR VEHICLE AND ENVIRONMENT COMMITTEE DRAFT REGULATION IMPACT STATEMENT FOR VEHCILE EMISSIONS AND FUEL QUALITY STANDARDS FOR POST 2006

MARCH 2004

1 BACKGROUND

The Australian Trucking Association (ATA) is the peak body of the Australian trucking industry. Its 16 member organisations include state and territory based trucking associations, sectoral trucking associations, national trucking companies, the Transport Workers Union and directly elected owner-driver and small fleet operators on its General Council.

2. INTRODUCTION

The Motor Vehicle and Environment Committee (MVEC) in its draft Regulatory Impact Statement (RIS) for Vehicle Emissions and Fuel Quality Standards for Post 2006 is advocating for Euro 5 emissions standards for heavy vehicles to be introduced from 2009/2011 to be supported by 10ppm sulphur diesel standards from 2009.

If introduced, the emission standard will be mandated as an ADR and the fuel standard will be enacted via the *Fuel Quality Standards Act 2000*.

Euro 4 (US EPA 2004) emission standards have been mandated already in Australian under ADR 80/01 and are due to commence in 2006/07 and 50 ppm diesel has been mandated from 1 Jan 2006 although early production is already occurring (estimated to be currently about 25% of the market).

Achieving the Euro 5 standard will see heavy vehicle diesel engine manufacturers adopt exhaust gas recirculation (EGR) or selective catalytic reduction (SCR) (plus, possibly, additional exhaust treatment) OR some other yet to be identified technology.

3. ISSUES

The ATA Does Not Support The Introduction Of Euro 5 (And Equivalent) Emission Standards For Heavy Trucks

The ATA has closely assessed the merits of 'Option 4' against a number of important public policy and operational/technical criteria (see below). The ATA concludes that the introduction of Euro 5 emissions standards for heavy trucks (to be introduced from 2009/2011) does not represent prudent public policy as it contradicts many of these criteria.

The ATA cannot support the adoption of Euro 5 to address heavy truck emissions until such time that it can be demonstrated through expert opinion and analysis that this option is the most cost effective and equitable means for the trucking industry to achieve pre-determined NO_x abatement targets.

The ATA Supports The Introduction Of 10ppm Sulphur Diesel Standards From 2009

The ATA does however support the introduction of 10ppm sulphur diesel standards from 2009 and recommends that government should introduce further supply side incentives to encourage its distribution throughout the Australian market.

The ATA would stress that if an expanded production incentive were to be introduced it SHOULD NOT be introduced in conjunction with ANY demand side disincentive (for example, such as the excise differential system that was introduced recently to promote the production of ultra low sulphur diesel). Any measure such as an excise differential and/or any measure that may increase the agreed heavy vehicle road user charge are considered totally unacceptable.

Further, the introduction of 10 ppm diesel is supported if it can be guaranteed that there will be no adverse impact on engine technologies and there will be no extra costs imposed on the trucking industry.

ATA's Recommended Approach

The ATA recommends that an alternative approach to emission and fuel quality standards should be implemented in Australia (see *ATA's Preferred Approach to Emission and Fuel Quality Standards*). This approach would ensure that critical public policy parameters would be met.

The ATA would impress upon the MVEC that it is extremely improbable that the introduction of Euro 5 emission standards for heavy trucks would 'satisfy' the requirements of our model. This is based on a number of assumptions about what the 'Euro 5' operating environment might look like.

To say this definitively however, is difficult and would require further analysis to be completed by government to determine whether the introduction of Euro 5 emission standards for heavy trucks, using the ATA's preferred approach, represents the best course of action.

It must be stressed that the trucking industry is not abrogating its community and environmental responsibilities, which is to address air pollution. To the contrary, the industry has a very large commitment to improving its environmental performance.

This commitment has been demonstrated in a number of ways, including:

- supporting the introduction of previous Euro standards;
- supporting improvements in-service diesel emission compliance;
- introducing into TruckSafe (i.e industry's self accreditation program) a requirement to maintain vehicles at a 'best practice' standard; and
- supporting the Greenhouse Challenge Program.

Whilst there is very strong evidence that air pollution in Australia represents a community safety concern, and should be addressed, it is important that Australian industry understands more fully 'what' it is addressing. That is, what is the quantity reduction in air pollutants needed to reach levels that are safe to the community?

Further, what is the quantity reduction that should be demanded of the trucking industry so that the trucking industry addresses the issue commensurate to its contribution to the problem?

At present, these questions remain largely unresolved and are issues that the trucking industry is seeking answers to before it can lend its support to the adoption of Euro 5 emission standards for heavy trucks.

Framework To Assess The Merits Of Euro 5 – Four Important Public Policy Criterion

At a broad-level, the ATA believes that there a number of fundamental public policy principles that government's should adopt when determining public policy. In relation to the proposed introduction of more stringent fuel and emission standards, the following four parameters or guiding principles are of particular relevance:

(1) In certain cases, it is likely that industry without government intervention will fail to meet the standards demanded of it by scientific evaluation and/or community expectations. Once a market failure is found to exist, it is reasonable to expect that there may be a role for government in terms of regulatory and/or advisory intervention.

However, whilst market failures or inequity are necessary for government intervention, they are not always sufficient reasons for intervention. In principle, the ATA supports government intervention that results in a change in behaviour and an improvement in the functioning of the market via least cost and equitable policy means in preference to regulation that has the potential to distort market behaviour.

Further, if the market failure is so great that government intervention is necessary (for example, non-action will result in a public safety risk), these policy actions must be supported by rigorous analysis that demonstrates that the policy path is least cost and represents an equitable and efficient policy solution. If the policy solution is neither least cost nor equitable, there may be grounds to compensate affected parties to place them in the same position they enjoyed before the policy was implemented;

(2) If regulation is deemed necessary, sound public policy demands that an assessment of its costs and benefits is undertaken. This analysis must pay due regard to whether an instrument of regulation will yield a net economic benefit. This cost benefit analysis must be completed only when the most desirable policy path (i.e the one that is equitable and least-cost) has been chosen. Under no circumstances, should a cost benefit analysis be undertaken to justify a particular policy path that has been selected BEFORE a complete analysis of all available policy paths has been undertaken;

(3) Policies should not be developed in isolation from other inter-related or closely aligned policies. That is, if there are 'other' policy areas that will be affected by the introduction of policy x, or there are 'other' areas that that will have a bearing on the effectiveness of policy x, any evaluation analysis must take into account all these factors (i.e must be holistic in focus); and

(4) Scientific data and information is not an unimportant reference and should be accommodated where prudent and sensible. Theoretical assertions in relation to what constitutes a safe/unsafe environment must be broadly accepted and scientifically robust. The continual refinement and re-evaluation of this scientific information must occur to take into account the changing operating context to ensure that policies remain focused.

The introduction of Euro 5 emission standards would compromise all of these important public policy criteria. The reasons why are elaborated upon below.

ATA's Preferred Approach To Emission And Fuel Quality Standards

The ATA recommends that the following approach (see **Table One** below) is adopted by all Australian governments when formulating policy to address air pollution in Australia (as opposed to the current approach which is to simply introduce an overseas standard as the solution to air pollution in Australia through implementing an ADR):

Table One

(1) The Target (Ambient NEPM Air Quality Standards - Maximum ambient concentration)	**(2) The reduction needed by the community to achieve this target in year x**	**(3) Based on each emitting sector's (i.e motor vehicles, civil contracting equipment, cars, engines, off-road diesels, buses, etc) contribution to the problem, what is the percentage reduction that the truck industry should achieve?**	**(4) What is the most equitable and least cost path for the TRUCKING INDUSTRY to achieve this 1200 tonne (CO for eg) abatement target?**
Carbon Monoxide 9.0ppm	1200 tonnes (for eg)	12% of 1200 tonnes (for eg)	Euro 4 needed (i.e Euro 5 not needed) Better compliance in-service diesel emissions etc (for eg)
Nitrogen dioxide 0.12ppm	2300 tonnes (for eg)	25% of 2300 tonnes (for eg)	Euro 4 only needed Tighter in-service diesel emissions etc Intro of 10ppm ASAP (for eg)
Ozone 0.10ppm	1200 tonnes (for eg)	12% of 1200 tonnes (for eg)	Etc
Sulfur dioxide 0.20ppm	800 tonnes (for eg)	5% of 800 tonnes (for eg)	Etc
Lead 0.50 ug/m3	600 tonnes (for eg)	6% of 600 tonnes (for eg)	Etc
Particles as PM10 50 ug/m3	200 tonnes (for eg)	2% of 200 tonnes (for eg)	Etc

The ATA believes that the approach outlined in **Table One** would satisfy a number of important public policy parameters, including the four critical parameters outlined on pages 3-4.

In relation to column one, Australia has National Environmental Protection Measure (NEPM) standards for air quality. That is, based on 'best/available science', and given Australia's characteristics, there is an agreed set of air pollution standards for a number of pollutants – including NO_x, PM, CO, ozone, and hydrocarbons. The question should be – how can industry and the community meet these standards at the lowest marginal cost WHILST ensuring that the overall cost (and quantity reduction) to meet these standards is shared by all parties commensurate to their contribution to the problem?

In relation to column two, what is the reduction needed by the community/industry to achieve the respective NEPM targets in year x? The ATA recommends that a gross quantity reduction target (measured in tonnes) for each pollutant be calculated and made publicly known. This target should be re-calculated and refined as science improves and the operating environment changes. There may be a need to set or review targets every three years for example.

In relation to column three, the relative contribution of each emitting sector for each pollutant must be determined. For example, if the articulated truck sector accounts for approximately 20% of NO_x emissions it is therefore logical to assume that the articulated truck sector should only be responsible for 20% of the abatement needed to achieve the gross quantity reduction target identified in column two for each pollutant.

In a practical sense, and if Euro 5 emission standards for heavy truck diesel engines were to be introduced in Australia, the Australian trucking industry would be responsible for a level of air pollution abatement that would far exceed its contribution to the problem. This places an unfair cost burden on this industry. The ATA suggests that to address this issue, air pollution abatement targets must be determined for all emitting sectors (i.e civil contracting equipment, off-road engines, cars, light commercial vehicles, motor cycles, rigid trucks, articulated trucks, buses etc) for each pollutant. At present, there are many air pollutant emitting engines in Australia that are not regulated and there are sectors that are large emitters but enjoy relatively low or no emission standards – both issues must be addressed as a matter of urgency.

Perhaps the most critical issue is in relation to column 4. This column represents the policy options that should be considered by governments and industry to achieve the above described pre-determined abatement target (at set time intervals) that are least cost and equitable (that is, they ensure that the quantity reduction commitment and hence cost is commensurate to that sectors contribution to the problem).

It is this analysis that the ATA believes is critical to the debate. Whilst the adoption of Euro 5 for heavy vehicle truck engines (or combination of policies thereof) is one of many policy approaches that could be utilised to meet the pre-determined abatement targets, it must be proven that it is the best. Although a precedent has been set in Australia that it must harmonise with overseas standards, the ATA believes that this approach is neither required nor efficient and should no longer be adopted unless it can be justified through expert opinion and analysis.

Further, it must be stressed that the Australian trucking industry has adopted previous Euro and equivalent standards at a significant cost to the industry (i.e vis-a vis other diesel consuming sectors that emit a higher amount of pollutants but enjoy lower or no standards). When calculating an equitable solution, the ATA would impress upon governments that this (disproportionate) cost burden should be factored in when subsequent Euro standards and policy responses are considered.

Further, if sectoral targets are adopted, it may be necessary for governments to provide structural adjustment assistance to assist parties with the transition to the targets.

The ATA is critical of the cost-benefit analysis that has been produced. It would appear that this report has been produced as a means to vindicate a policy path that has been, in the main, pre-determined. Although four options have been put forward, and the cost-benefit attempts to assess the relative merits of each of these four options, it is disappointing that 'other' policy approaches were not considered as alternative approaches.

All emitting sectors must be afforded with the latitude to determine, given their unique needs and requirements, how they can best meet their target for each pollutant. The ATA would suggest that these targets could be met more equitably, and at a lower cost, by other means, including:

- **achieving in-service diesel standards through government supported industry accreditation programs;**
- **effective Euro 4 implementation coupled with the production of 50ppm and ultimately 10ppm fuel (i.e to act as a technology 'trigger');**
- **the regulation of non-regulated diesel engines (i.e off road engines); and**
- **more stringent standards for regulated diesel engines (i.e Euro 4 standards for cars and light commercial vehicles, Euro 5 for buses and Euro 4 standards for petrol vehicles).**

The ultimate mix of policy options should however be subject to further examination and scrutiny by way of a cost/benefit analysis that is completed for each emitting sector.

To implement this model would necessitate major changes including the development of an *Emissions Abatement Strategy* that would encompass the views and input from all industry stakeholders and all state and federal government environmental and transport related agencies. Essentially each emitting sector would need to develop with government a strategy to address their fair portion of the air pollution problem.

Why The Adoption Of Euro 5 Emission Standards Represents Poor Public Policy

There are a number of reasons why the adoption of Euro 5 represents poor public policy:

Inequity of Measure

The problem associated with mandating Euro 5 standards in Australia using an ADR is that it is a very blunt solution to a very complex issue. Obviously, much of the air pollution issue in Australia is in the capital cities. As discussed below, the implementation of Euro 5 by the Australian trucking industry will carry with it a number of significant costs. As a general statement, Euro 5 will impact upon the 'hire and reward' sector disproportionately more compared to other heavy truck sectors within the industry. For example, a very high percentage of the heavy truck fleet consists of vehicles owned by businesses where transportation (i.e 'hire & reward') is not their main line of business.

These businesses will typically not turnover their fleet regularly and are not highly focused to important practices such as regular maintenance. This means that there will be a very small percentage of businesses within the hire and reward sector that will not only shoulder the costs of Euro 5 as a policy to address all diesel emissions (i.e as will be argued below, many sources of diesel emissions are not regulated) but it will shoulder an additional cost because they constitute a relatively small percentage of the total heavy truck fleet because of their high usage means they regularly turn over their trucks.

Further, other sources of diesel emissions, and more broadly, other sources of pollutants, are not required to abate their 'fair share' of emissions (for eg, off-road diesels do not have to meet any standards), placing a disproportionate burden on the trucking industry. The industry is effectively 'picking up the slack'.

Lack of Scientific Rigour

The ATA would suggest that to go from a 3.5 (g/kWh) NO_x limit for Euro 4 to a 2.0 (g/kWh) NO_x limit for Euro 5 has not been suitably validated. That is:

- There is no evidence that the introduction of a 2.0 (g/kWh) NO_x limit will achieve an abatement reduction (i.e tonnes of NO_x) that would meet the NO_x NEPM standard given Australia's projected increase in the future freight task, age of fleet, investment cycles etc;

- There is no evidence that the introduction of a 2.0 (g/kWh) NO_x limit will address the ozone problem. That is, there is evidence that in certain environments, a decrease in NO_x can lead to an increase in ozone concentrations. This is a serious concern and raises questions in relation to why Euro 5 is needed at all. Further, it would appear that the ozone problem is capital city specific. This would indicate that a national measure to address a capital city specific issue is not appropriate policy;

- There is no evidence that that the introduction of a 2.0 (g/kWh) NO_x limit will result in an abatement commitment that will be commensurate to the trucking industry's contribution to the problem; and

- There is no evidence that dispels the premise that coupled with the take-up of 10 and 50ppm fuel (i.e taking into account the significant technology 'trigger' that may occur) , and the adoption of ADR 80/00 (Euro 3) and Euro 4 standards for heavy vehicles, that the NO_x reduction needed to achieve the pre-determined NEPM air quality standard and target for the heavy truck sector will be met without Euro 5 implementation. The ATA believes that this is a real possibility and is an issue that governments should explore further. It is important to note that given the age of Australia's articulated transport fleet (around 12 years[1]) the lag, in terms of seeing improvement, will be substantial. The ATA would suggest that when the significant lag that will occur is taken into account, going to Euro 5 may not be required. This needs to be examined by government more closely.

The Broader Regulatory And Policy Environment Must Be Taken Into Account

The changing heavy truck regulatory environment (i.e likely introduction of Front Underrun Protection Systems, noise suppression (ADR 83), need for the Selective Catalyst Reduction system to be mounted [resulting in smaller fuel tank and extra weight], need for a larger radiator to compensate for the heat generation associated with EGR technology, extra cabin strength requirements and ABS brakes) may mean:

(i) Less productive B-Doubles (that is, the combination of all these regulations may mean that the mandatory 6 tonne steer axle weight regulation may be breached meaning that the B-Double will need to be lengthened[2] or pallet space sacrificed so that some of the front weight can be transferred to the rear axles to meet statutory axle mass limits. If the front weight is transferred to these rear axles, the result is likely to be the loss of two pallet spaces at the front of the trailer meaning a reduction in capacity and productivity and an increase in fuel consumption per tonne/kilometre travelled)

and/or

(ii) more single trailer combinations and thus vehicles on the road.

Shorter B-Doubles and/or more single trailers may result in a 'rebound effect' where regulation to reduce emissions is offset as a result of a greater number of vehicles on the road (a primary negative impact on emissions), leading to greater congestion (a secondary negative impact on emissions), greater safety risks etc.

Given the projections of the Department of Transport and Regional Services that the freight task will double over the next two decades – 'growing in volume from 375.3 billion tonne kilometres (btkm) in 1999-2000 to 648.5 btkm by 2020, at an average growth rate of 2.8 per cent' (DoTARS 2002), this is a development that the industry, governments and the community would not look favourably upon.

[1] ABS Motor Vehicle Census March 2001

[2] The current regulation in relation to B-Double length is 25 metres. There are exceptions to this rule in various jurisdictions and in certain situations. There is much conjecture from governments in relation to the adoption of 26 m B-Doubles generally. Some believe that the extra weight and length may represent an unacceptable safety and environmental threat.

It should be noted that these issues are also relevant to the Euro 4 debate as similar engine technologies will be utilised to achieve stricter emission standards. Whilst this submission is addressing 'Euro 5' on its own merits, it should be flagged that the ATA is very concerned about the introduction of Euro 4 and will make representations to government in due time. Although it is difficult at this stage to say definitively at this stage what the Euro 5 operating environment will look like, it could be assumed that tighter standards (and the additional technology and equipment needed to meet that standard), coupled with the above regulatory changes **and current limits on truck mass and length,** will exacerbate the problem.

There are two other broader' policy issues that must be considered as part of this debate – including: the current proposal of the Australian Government to alter the depreciation regime for heavy vehicles and trailers; and, the need for Australian industry to take proactive steps to address its greenhouse signature.

The Australian government is proposing to alter the depreciation regime so that heavy vehicles and trailers must be depreciated over 15 years, not the five years as per current practice. The ATA believes that this will serve as a very large disincentive for operators to turnover their fleets and is in effect a regressive policy decision if environmental outcomes is a priority.

In relation to greenhouse, whilst the exact sensitivity and relationship between human behaviour, an increase in greenhouse gases (carbon dioxide being the most significant) in the atmosphere, and global warming is very unclear, there is growing scientific evidence to suggest that the warming of the planet is not caused primarily by natural causes. As such, industry has a responsibility to take active steps to address the issue. In relation to road transport, there are essentially three parts to this equation – (1) improving fuel efficiency (litres per kilometre), (2) improving carbon emissions per litre, and (3) reducing the number of kilometres travelled.

It should be noted that although going from Euro 3 to Euro 4 emission standards may in probability result in a fuel efficiency benefit for engines utilising SCR technology (which will be offset by the cost of urea), operators purchasing vehicles and engines utilizing EGR technology will incur a fuel efficiency penalty. Similarly, advice from the Truck Industry Council is that operators purchasing EGR and SCR engines will incur a fuel efficiency penalty when making the transition from Euro 4 to Euro 5.

Coupled with a decrease in productivity and efficiency, engines that are less fuel-efficient represent a fundamental contradiction of the important greenhouse policy objective.

Higher On-Costs Will Have Broader Economic And Environment Effects

Forced scheduling changes and smaller payloads (a consequence of having to reduce the size of the fuel tank to accommodate the SCR catalyst and the changing regulatory environment addressed above) may result in the need for operators to alter their scheduling and general day-to-day practices (rostering etc). These factors, coupled with the fact that Euro 5 prime movers may be up to 10% more expensive, represents a significant cost impost, which will have wider adverse repercussions.

The macroeconomic effects associated with these higher on-costs will be significant. That is, the higher purchase costs of a Euro 5 prime mover; the costs associated with urea usage; coupled with an increase in freight rates that will need to occur for an operator to earn the same amount of profit per tonne of freight moved, will not only place pressure on Australia's inflation rate but it will also place pressure on Australia's manufacturing and primary industries to compete in global markets.

Further, it is important to note that a very large percentage of the heavy truck industry consists of very small operators (1-6 trucks). It is estimated that of the 32,000 heavy vehicles (4.5 tonnes and over) in the fleet, approximately 30,000 are operated by an operator who has a total of 1-4 trucks in his or her fleet[3]. The predominance of micro and small businesses in the hire and reward sector of the Australian trucking industry is therefore very high. It is also estimated that these operators carry a significant portion of the freight task. Coupled with the fact that the industry is extremely competitive, an increase in the purchase price with higher on-costs will place these smaller operators at a distinct disadvantage in the Australian market which may have adverse employment repercussions.

Technical Issues Need Addressing

It is important to note that although the trucking industry gave its support to the introduction of Euro 4, it cannot be assumed that the industry simply supports the introduction of Euro 5 because the technologies utilised may be similar.

It should be stated that international engine manufactures do not know at this juncture how they will meet the Euro 5 standard (or more accurately, the EPA 2007 full standard). Whilst it is probable that SCR and/or EGR technology plus additional exhaust treatment will be utilised, it cannot be assumed. **Thus, it is important to treat Euro 5 as an entirely different emission standards regime that should be treated on its merits – not simply as an 'adjunct' to the Euro 4 regime and consequently a standard that can be met with little effort.**

With that said, there is no denying that the implementation of Euro 4 will bring with it many issues for the Australian trucking industry and many lessons are likely to be learnt. Issues such as urea infrastructure (how, when, costs etc), excessive heat generation from EGR engines resulting in the need for larger radiators, more weight, extra costs, loss of productivity etc are very real issues that must be addressed via ongoing government/industry liaison and scrutiny of international experience and development.

It should be added that the feedback from Australian operators is that they are having very real difficulties in maintaining Euro 3 compliant engines. Problems such as manifolds not coping with heat generation on higher horsepower units, turbo failures etc are reasonably common. Although the ATA's position is to reject the introduction of Euro 5 pending further economic analysis, the ATA would suggest that it would not be prudent for the Australian Government to introduce an ADR supporting Euro 5 emission standards in a small market such as Australia until operational certainty can be assured.

[3] Australian Bureau of Statistics data

The ATA is cognisant that engine manufacturers will supply what a market requires or demands. Hence, it would not be problematic if Australia was to reject Euro 5 as Euro IV engines would still be available well after the implementation of Euro IV here and internationally.

International Harmonisation Not Required in Australia

Although Australia is very much a 'technology taker' in relation to diesel engines, and as a result must to some degree harmonise with international standards, the ATA would argue that harmonisation need not be fully 'in-step', or in close proximity with, the latest international standards.

The need for Australia to 'harmonise' with international emission standards – whilst meritorious in some respects - places certain industries (i.e trucking) at a very large disadvantage if the standard is not applied more broadly. This is because in Europe and the US the emission standards are applied to almost all diesel consuming engines.

In Australia, standards only apply to motor vehicles and heavy trucks. Therefore, whilst the standards are the same, nations apply them very differently which can have a very large impact on who pays, how much etc. Further, and traditionally, Australia sought 'harmonisation' so as to not disadvantage its fledgling vehicle, pharmaceutical, chemicals (and other) export industries in the global marketplace. Whilst this argument may hold for Australia's motor vehicle export industry, Australia does not export heavy trucks and is thus a redundant argument.

4. CONCLUSION AND RECOMMENDATIONS

The ATA's position is not to support the implementation of Euro 5 emission standards for heavy trucks until such time that it can be demonstrated through expert opinion and analysis that this option is the most cost effective and equitable means for the trucking industry to achieve pre-determined NO_x abatement targets. The ATA does not however reject the introduction of 10ppm sulphur diesel standards from 2009 – indeed, recommends that government should introduce production supply side incentives to encourage its production throughout the Australian market.

The introduction of Euro 5 in Australia is problematic public policy because its impact would be distortionary and because its validation would come from a cost/benefit analysis that:

- demonstrated a tenuous financial benefit;
- did not explore the 'other', perhaps more efficient policy means to address the problem;
- did not take into account the broader regulatory and policy environment; and
- did not have a rigorous or robust scientific underpinning.

Further, the ATA believes that there are a number of fundamental shortcomings with the approach taken by respective Australian governments to address air pollution in Australia. The ATA would argue that if the approach is not right, the findings, whether positive or negative of a RIS and cost/benefit analysis are made somewhat redundant.

The ATA suggests that an alternative approach should be taken whereby:

- Australia's air pollution Ambient NEPM Air Quality Standards continue to be reassessed in light of changing environmental and operating conditions;

- Where gross quantity reduction commitments are determined for each pollutant (expressed in tonnes) and made public. These abatement targets should be time specific and should aim to achieve the NEPM standard for each pollutant;

- The relative contribution (to the air pollution problem) from each emitting sector is calculated;

- Flexible strategies that are least cost and equitable are devised for each contributing sector. The strategy would attempt to achieve a gross reduction in air pollution commensurate to that sectors contribution to the problem; and

- An *Emissions Abatement Strategy* that would encompass the views and input from all industry stakeholders and all state and federal government environmental and transport related agencies is developed. Essentially each emitting sector would need to develop with government a strategy to address their fair portion of the air pollution problem.

In applying this model, and although flexible strategies will need to be considered and evaluated in due time, the ATA would impress upon government that these strategies must as minimum consist of the following:

- achieving in-service diesel standards through government supported industry accreditation programs;

- effective Euro 4 implementation coupled with the production of 50ppm and ultimately 10ppm fuel;

- the regulation of non-regulated diesel engines (for example, civil contracting equipment and off road engines);

- and more stringent standards for regulated diesel engines (for example, Euro 4 standards for cars and light commercial vehicles, Euro 5 for buses and Euro 4 standards for petrol vehicles).

The ultimate mix of policy options should however be subject to further examination and scrutiny by way of a cost/benefit analysis that is completed for each emitting sector.

In conclusion, this submission raises many questions as to what is a fair and prudent public policy approach to a very complex and important issue. The ATA is committed to addressing its community and environmental responsibilities. This commitment has been demonstrated in the past and will continue to be the case.

The ATA is eager to discuss these issues with government and to be an active participant in the fuel quality and emission standards debate.

QTA Submissions to Impact of Petrol Pricing Select Committee

Attachment H

Queensland Fuel Subsidy Scheme

I refer the Committee to the comments I made on Transcript at the Committee Hearing held on 28th November 2005 where I submitted that it was not appropriate for the Queensland Government to abolish the current scheme which is to in effect impose a **State Fuel Tax**.

The current arrangement provides significant advantage to manufacturers, growers, importers and exporters whose businesses are established in Queensland and whose transport providers source their fuel in Queensland. In percentage terms to purchase the fuel at between 6 and 8 percent less than the same fuel in other States provides not only competitive advantage but a genuine incentive for businesses to establish their base in Queensland.

A semi trailer, indeed B-Double combinations, can complete a return trip Brisbane to Sydney without the necessity to refuel, if their fuel tanks were full on departing South East Queensland.

QTA Submissions to Impact of Petrol Pricing Select Committee

Attachment I

Road Funding – AusLink Agreement

There can be no dispute that road funding, in particular that which has its source from Federal revenue, has suffered from significant under investment for at least 2 decades.

QTA Ltd is on the public record as having welcomed AusLink as a vehicle for delivery of a National strategy. However while Federal funds increase particularly in the forward years there remains considerable shortfall viz the urgent Queensland Road projects, in the short term. It is submitted that only 15 percent of Fuel Excise collected is returned to road building/maintenance.

Refer to Attachment E for detail of the Heavy Vehicle contribution by way of Road User Charge to Road Construction and Road Maintenance.

The QTA welcomes the commitment by the Queensland Government to additional Road Funding through its South East Queensland Infrastructure Plan which for the first time gives appropriate priority to freight routes.

QTA Ltd is not anti rail but economic data from the Bureau of Transport and Regional Economics continues to support the proposition that approximately 80 percent of freight going forward will remain incontestable. It is essential that additional funding be provided for road projects which deliver freight efficiency.

QTA Submissions to Impact of Petrol Pricing Select Committee

Attachment J

The Role of the ACCC

The resources of QTA Ltd do not extend to the expertise necessary to challenge the outcome of several ACCC investigations into competition aspects associated with fuel refining and supply to the Australian market.

However for many perception is reality, and any process developed or regulatory reform required to deliver transparency to the process of the pricing of fuel to the wholesale and retail market would be welcome by the trucking industry.