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UNFCC Taskforce
Department of the Prime Minister and Cabinet

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Dear Sir / Madam

RE: Setting Australia's post 2020 target for greenhouse gas emissions Issues Paper

On behalf of the South Australian Freight Council's (SAFC) Membership I thank you for the opportunity to comment on the *Setting Australia's post 2020 target for greenhouse gas emissions Issues Paper*.

SAFC is the State's peak, multi-modal freight and logistics industry group that advises both the Federal and State governments on industry related issues, and is funded by both governments and industry. SAFC represents road, rail, sea and air freight modes and operations, freight services users and assists the industry on issues relating to freight logistics across all modes.

SAFC recognises that anthropomorphic climate change is a threat to both Australian business and the Australian way of life. As such we have focussed considerable attention on the impact transport has upon the environment and the positive changes transport companies can make for both themselves and the broader environment.

In March 2014, in order to guide the broader transport and logistic industry's actions on this important challenge going forward, SAFC released *Green Freight*, our principal policy document on environmental and sustainability matters. A copy can be accessed at <http://old.safreightcouncil.com.au/GreenFreight%20%20Final%20Low%20Res%20March14.pdf>.

Further to this release, SAFC is now preparing a Sustainable Freight Initiative website (referred to in *Green Freight* as the Freight Environmental Applications Centre - FEAC) to assist the transport industry to further tackle their CO2 equivalent emissions, to both improve their own individual bottom line, and to lower the sector's overall environmental impact.

The transport sector in general is caught between the competing national (and international) goals of increasing economic growth while reducing climate altering emissions. As transport supports the growth of every sector of the economy, including the services sectors, economic growth will (ceteris paribus) require the growth of the transport industry in Australia with resultant increases in greenhouse gas emissions.

Consequently, care needs to be taken to ensure that efforts aimed at reducing greenhouse gas emissions by the transport and logistics sector do not lead to any increase in operating costs which will need to be passed onto the sector's customers, and thereby impact negatively on economic growth.

Nonetheless, if as a community we wish to achieve economic growth while reducing greenhouse gas emissions from the transport sector, positive action will need to be taken, and SAFC raise two possibilities for consideration.

Firstly, Australia's truck and locomotive fleet is (on average) old, and getting older. The ABS Motor Vehicle Census 2014 reveals that the average age of Articulated Trucks is 11.4 years (up from 10.7 years in 2009), Heavy Rigid Trucks is 15.6 years (up from 15.4 years in 2009) and Light Rigid Trucks is 11.1 years (up from 10.9 in 2009). The average age of Australia's locomotive fleet (since purchase or rebuild) is just over 11 years; however there are very significant numbers in the 16 – 35 years old category (just over one third of the entire fleet¹).

Australia's emission standards for heavy vehicles are controlled through the ADR regulations whereby new trucks are required to conform to significantly higher emissions standards (currently ADR 80/03 stipulates Euro V engines (or their equivalent) with ADR 80/04 proposing a move to Euro VI engines). These design standards deliver environmental benefits through significantly lower greenhouse gas emissions and when multiplied across Australia's entire heavy vehicle fleet, the emissions improvements are considerable.

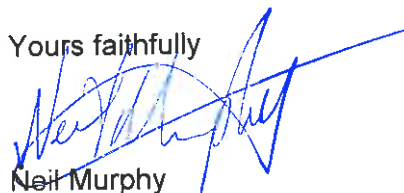
SAFC believes that freight vehicle fleet replacement can be incentivised through the introduction of an Accelerated Depreciation Scheme (principally for trucks and locomotives) similar to the system that existed for commercial motor vehicles prior to repeal in 2014². This system can be expected to bring forward the replacement of obsolete equipment (which will deliver operational, safety and environmental benefits). It is worth noting that the Australian flagged shipping fleet currently receives some accelerated depreciation tax advantages³.

Overall, SAFC contends that further reductions for a variety of emissions are available, and can be achieved relatively quickly, through suitably designed accelerated depreciation tax incentives, which will provide a buffer against the transport task expansion that is the hallmark of economic growth.

Secondly, SAFC suggests that the Land Freight Methodology that underpins Emissions Reduction Fund participation for the freight sector should be altered so that the purchase and implementation of logistics distribution and scheduling optimisation software can be recognised under the scheme and qualify for subsidisation. SAFC understands that because freight optimisation software reduces the distances travelled but not the tonnes carried, it's value cannot be captured under the current methodology.

Should you wish to discuss any aspect of this submission, or require clarification of any matter raised, feel free to contact me by telephone on (08) 8447 0688 or Email: murphy.neil@safreightcouncil.com.au.

Yours faithfully



Neil Murphy
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SA Freight Council Inc

¹ BITRE & ARA, Trainline 2 pp62-63

² Via the *Minerals Resource Rent Tax Repeal and Other Measures Act 2014*

³ Lloyds List Australia, April 10 2014 *Coastal Shipping Reforms – A summary*