

DENNRD-00003767
Rec. 16/10/15



SOUTH AUSTRALIAN FREIGHT COUNCIL



13 October 2015

Department of Environment, Water and Natural Resources
Climate Change Team
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Dear Sir / Madam

Re: Developing a New Climate Change Strategy for South Australia

On behalf of the South Australian Freight Council (SAFC) membership I thank you for the opportunity to comment on the *Developing A New Climate Change Strategy for South Australia* consultation papers.

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 businesses and the Australian way of life and as a result SAFC has become ever more proactive in recent years in promoting initiatives that can help the transport and logistics industry reduce their impact on the environment.

Most recently, in 2014 SAFC through its Sustainable Supply Chains Management Team released the Green Freight report to inform discussion on freight transport and its impacts on the environment. A copy of that document is attached to this submission, which can also be accessed online at <http://old.safreightcouncil.com.au/GreenFreight%20%20Final%20Low%20Res%20March14.pdf>

Whilst SAFC appreciates the efforts the South Australian government is undertaking to develop a new Climate Change Strategy for South Australia, we would like to see greater efforts by the State Government to partner with the transport and logistics industry in this State to collaboratively progress the development of supportive policies that can help the industry reduce its emissions.

While the primary focus of the consultation papers appears to centre around low carbon energy generation SAFC believes the State Government will be required to work with every industry and facet of the South Australian economy to reduce overall carbon intensity if the State is to be successful in its ambitious goal to reduce its emissions by at least 60% of 1990 levels by the end of 2050.

The consultation papers note that South Australia has been successful in achieving emission reductions while still achieving economic growth between the years 1989/90 to 2012/13. However, by its very nature increased productivity (to support the overall national economy) will result in the freight industry increasing its emission output.

According to the Bureau of Infrastructure, Transport and Regional Economics, by 2030 total container movements through Australian ports are projected to be approximately 2.5 times the volume handled in

2010, the total national road freight task is projected to be 1.8 times its 2010 level and the total national rail freight task is project to be more than 1.9 times its 2010 level¹.

Under a business as usual scenario this will continue to expand the emission outputs from Australia's transport and logistics industry – and the industry will fail in its part to help contribute to Australia's new emission reduction targets of 26 to 28 percent below 2005 levels by 2030 or South Australia's target of 60% below 1990 levels by 2050. Already it is estimated that between 2007 and 2020 emissions from articulated trucks will grow by 45%, while emissions from the rail, maritime and aviation sector will grow by 39%, 17% and 30% respectively². While road freight vehicles are responsible for only approximately 3.5% of national emissions it would be remiss of the State Government to not plan to address every emission reduction potential throughout the economy.

In the absence of any revolutionary technology that could significantly reduce the freight transport industry's emissions, the State Government must be prepared to accept that the freight transport industry will continue to produce significant greenhouse gas emissions into the future unless the State Government illustrate greater insight and collaboration in developing policies and regulations that support the industry in its attempt to reduce overall emissions.

Subsequently, care needs to be taken to ensure any future policy or regulation aimed at reducing greenhouse gas emissions by the transport and logistics sector proactively supports efforts to reduce their emissions and does not reactively penalise the industry for producing emissions. The freight industry would unlikely be financially able to absorb any increase in operating costs which would be expected to be passed onto the sector's customers, thereby impacting negatively on economic growth and increasing prices in the market.

SAFC is encouraged to see the State Government suggest that it could help the private sector lower its emissions by assuming a role to "de-risk investments or facilitate finance in addition to current programs and activities" (*Innovate* consultation paper, p.10). Along this line of thinking SAFC raises one possibility for consideration.

Australia's truck and locomotive fleet is (on average) old, and getting older. The Truck Industry Council in 2013 placed the average age of heavy duty trucks at 13.84 years³. This is in comparison to the US with an average age of almost 7 years. Western Europe, Canada and Japan fall between an average of 5 to 9 years, and despite the growing freight task the average truck age in Australia is rising. While the average age of the trucks is not so much the issue but the high percentage of the fleet that were purchased before the introduction of more stringent Australian Design Rules on heavy vehicles (pre-1996). Before 1996 there were no limits on certain emissions such as NOx or PM levels that could be emitted from heavy vehicles. SAFC calculations place approximately 30% - 35% of the nation's current trucking fleet as having none of the stringent emission standards that have been progressively introduced since 1996.

To facilitate the much needed modernisation of the nation's trucking fleet (as well as ageing locomotives) SAFC believes that freight vehicle fleet replacement can be incentivised through the introduction of an Accelerated Depreciation Scheme. SAFC argue this would create significant environmental benefits as well as a number of other health and social benefits throughout the state.

By supporting an accelerated depreciation scheme, most likely implemented at the Federal level through the Commonwealth tax system the State Government will be contributing to increased demand for depreciable prime movers and expand an operator's financial capability to acquire them.

An accelerated depreciation scheme therefore has the potential to influence the optimum replacement cycle for depreciable assets, encouraging the early replacement of older, less environmentally friendly

transport assets, and therefore increases vehicle replacement investment rates. This could be expected to have a positive impact on the profitability of individual operators (through the introduction of more modern and efficient equipment) as well as simultaneously delivering positive benefits for the broader economy and the environment. At the very least SAFC contends that such a scheme merits further study.

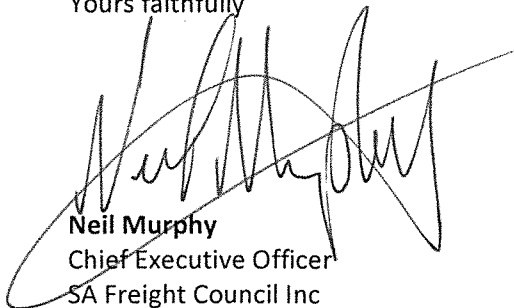
SAFC highlights this potential scheme as just one way the State Government can support the transport and logistics industry reduce their emissions and therefore actively contribute towards the state's emission reduction targets. However such opportunities are only to be discovered if the transport and logistics industry is further engaged by the State Government in the development of future policy and regulation.

Finally, SAFC would argue that the freight and logistics industry has already made great strides in attempting to reduce their emissions, and continues to seize available opportunities as they emerge. Consequently the industry will likely be a willing partner to any Climate Change strategy.

In closing I highlight that SAFC's membership has been very supportive in the development of our Sustainable Freight website (www.sustainablefreight.com.au). The website was developed by SAFC's Sustainable Supply Chains management team to assist the transport industry to further tackle their carbon emissions, to both improve their own individual bottom line and to lower the sector's overall economic impact. The site itself, which was a key recommendation emerging from our Green Freight initiative, is full of local and national examples that illustrate the steps the industry has already taken to reduce their emissions.

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
Chief Executive Officer
SA Freight Council Inc

¹Bureau of Infrastructure, Transport and Regional Economics, 2010, *Australian Maritime Activity 2029–30*, Statistical Report, BITRE, Canberra ACT.

²Bureau of Infrastructure, Transport and Regional Economics, 2009, *Greenhouse gas emissions from Australian transport: projections to 2020*, Working paper 73, Canberra ACT.

³Truck Industry Council, 2013, *National Truck Plan: Modernising the Australian Truck Fleet*, Canberra ACT.