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To: Productivity Commission
Re: Impacts of heavy vehicle reform

Dear all,

Thank you for the opportunity for the Institute for Energy Economics and Financial Analysis (IEEFA) to provide input to the Productivity Commission's consideration of heavy vehicle reform.

IEEFA is an independent energy finance think tank that examines issues related to energy markets, trends and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable and profitable energy economy.

IEEFA supports reform to enable an accelerated shift to Heavy Zero Emissions Vehicles, as outlined in the interim report.

We would also like to highlight the significant change in context since the start of the inquiry, with the start the Iran conflict laying bare Australia's vulnerability to imports of refined oil products, in particular diesel. In this context, measures that will both improve heavy vehicle productivity and Australia's energy security should be prioritised.

IEEFA recently analysed Australia's diesel supply situation, and potential solutions to mitigate cost and supply risks in the briefing note Managing Australia's diesel squeeze, provided as an attachment to this submission. Key findings include that:

- Australia imports 87% of its diesel, and is the world's largest diesel importer. It could face a diesel squeeze as prices skyrocket and suppliers curtail exports or even become importers due to a prolonged Middle East fuel crisis.
- Eco-driving, improved maintenance and optimised logistics could likely cut diesel use by 10%–20% in road transport, so the government should ramp up its focus on driver education and training, and incentivise fuel-optimisation solutions.
- With the top 10% of road users responsible for up to 40% of all kilometres driven, incentivising electrification of these vehicles could reduce diesel use faster.
- Australia should prepare for the fuel supply crunch's potential "long tail" now by developing systems to quickly deploy fuel rationing and protect essential services if the need arises.

There are several implications for heavy vehicle reform:

- **The National Heavy Vehicle Driver Competency Framework (NHVDCF) should be extended to include eco-driving competencies.** Eco-driving involves avoiding unnecessary acceleration and braking, maintaining a steady speed at low revolutions per minute, shifting up gear early and minimising idling. The best truck drivers use 35% less fuel than the worst drivers just through their driving practices. In 2012, Australian logistics company Linfox reduced its carbon emissions by 14% by implementing a program to coach its drivers in eco-driving competencies, which it embedded in the company's

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performance management system. Eco-driving programs in Europe have been found to deliver 6–22% of fuel savings. Europe has already made eco-driving mandatory for professional drivers (in initial qualifications and periodic refreshers), but no such requirement exists in Australia.

- **Mass limits should allow payload consolidation.** Consolidating loads to reduce trip numbers, using large vehicles instead of multiple smaller vehicles, using double-stacked trailers and longer combination vehicles can all reduce the fuel required to transport a given amount of goods. Encouraging load consolidation is therefore good for productivity and fuel efficiency.
- **The National Automated Access System (NAAS) should provide flexibility on routing.** Route optimisation, particularly avoiding heavy traffic areas, is a material driver of fuel efficiency. As a result, IEEFA supports the recommendation that the NAAS should be designed to provide network-based access rather than automating access for prescriptive routes.

In addition to the reforms already under consideration, IEEFA would like to highlight two areas where more data could be of significant national interest:

- **Verified annual odometer data:** Government data from 2014 shows the top 10% of drivers are responsible for 30–40% of kilometres driven in every vehicle category, and the top 20% of drivers are responsible for 48–64% of kilometres driven. This means diesel consumption and emissions reductions could be fast-tracked by prioritising electrification of high road users. This could be done by providing targeted incentives to those users, or by scaling incentives to benefit high users. One challenge is access to reliable data on kilometres driven per year, which varies by state. New South Wales has the most advanced system, with odometer readings for the past three years available publicly for all cars, motorcycles and trucks registered in the state. Extending this approach to all states would provide more recent data on the distribution of kilometres driven, and could underpin more targeted government initiatives.

- **Detailed data on goods transported:** Australia could find itself in a situation where it needs to ration fuel and prioritise it to essential services. However, it is unclear whether Australia has adequate data on how much diesel is used to support essential services. The last survey of motor vehicle use by the Australian Bureau of Statistics was done in 2020, and has been discontinued. It does not provide the detail required to understand which trucks carry essential goods (e.g. manufactured food products, medical supplies, fertilisers) or discretionary items. It is also presented in tonnes rather than tonne-kilometres, which would provide a better estimate of the fuel requirements.

This data could ideally be consolidated in a digital passport, combined with the NAAS, so that it could easily be used for a range of purposes.

Kind regards,

Amandine Denis-Ryan, CEO IEEFA Australia