



NATIONAL HYDROGEN STRATEGY ISSUES PAPERS
AUSTRALIAN TRUCKING ASSOCIATION SUBMISSION
25 JULY 2019

1. About the Australian Trucking Association

The Australian Trucking Association is the peak body representing the 50,000 businesses and 200,000 people in the Australian trucking industry.

2. Summary of recommendations

Recommendation 1

Governments should consider and assess the barriers and opportunities for investment in hydrogen as an alternative fuel option for heavy vehicles.

Recommendation 2

Hydrogen policies to encourage heavy vehicle use need to address the commercial availability of FCEV heavy vehicles and refuelling infrastructure.

Recommendation 3

Government policies to encourage FCEV heavy vehicles should not impose additional costs on trucking businesses.

Recommendation 4

Governments should incentivise the purchase of new heavy vehicles through measures including the reduction and removal of stamp duty on new heavy vehicle purchases.

Recommendation 5

Investment and policies to encourage hydrogen should not replace the need to implement policies that encourage emissions reductions and improve fuel security for diesel fuelled heavy vehicles.

Recommendation 6

The Government's hydrogen strategy should be integrated with the longer-term approach to ensuring fuel security for road transport.

3. Potential and challenges for hydrogen heavy vehicles

The Hydrogen for Transport issues paper illustrates a number of the issues that need to be considered in the context of the potential and challenges for hydrogen heavy vehicles. It should be noted, as stated in the issues paper, that whilst real-world examples of hydrogen fuel cell electric vehicles (FCEV) trucks exist, none are in mass production.¹

¹ Australian Government, July 2019, [Hydrogen for transport issues paper](#), National Hydrogen Strategy Issues Papers, 8.

Ultimately take up may vary by industry sector and be dependent on how accessible the technology becomes.

Hydrogen vehicles may have some utility because of factors such as quicker refuelling and the design features of permitting greater vehicle range. However, take up within industry will remain low until refuelling infrastructure is in place and it is demonstrated that whole of life cycle running costs reduce.

As pointed out by the issues paper, the freight sector is highly cost-competitive and additional costs cannot usually be recovered from customers.² The industry is also characterised by small businesses with over 93 per cent of trucking operators having a turnover of less than \$2 million and over 98 per cent have 19 or less employees.³

The issues paper states that the working group identifies that long haul freight is one of the prospective early use cases for FCEVs.⁴ This will not be possible without significant progress on the issues and challenges that will need to be addressed, and in particular the actual commercial availability of FCEV heavy vehicles, reductions in costs and the availability of refuelling infrastructure.

The ATA supports the development of new forms of technology. But whether hydrogen powered heavy vehicles will present a cost effective, safe means to transport freight in the medium term is not yet clear. Further research and the development of HV prototypes overseas will enable better consideration of the future role of such vehicles in Australia.

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4. Incentivising investment in new heavy vehicles

ANZ analysis in 2017 found that the trucking industry will need to invest in excess of \$3.5 billion in capital over the next 5 years just to meet expected demand. At the same time, the national average fleet age continues to age at record levels, so investment would need to be higher to reduce the average age of the truck fleet.

² Ibid, 8.

³ Australian Bureau of Statistics, [8165.0 Counts of Australian Businesses, including entries and exits, June 2014 to June 2018](#), businesses by main state by industry class by turnover size ranges, June 2018 (a) and business by main state by industry class by employment size ranges, June 2018.

⁴ Australian Government, July 2019, [Hydrogen for transport issues paper](#), National Hydrogen Strategy Issues Papers, 7.

Newer vehicles have the latest safety technologies, meet newer emissions standards, and are quieter. If FCEV heavy vehicles were to become commercially available, their uptake by industry will be as part of investment in new heavy vehicles by Australian businesses and their capacity to invest in fleet renewal.

The Australia's Future Tax Review (Henry Tax Review) recommended in 2010 that there should be no role for any stamp duties in a modern Australian tax system.⁵ In 2015, the Australian Government released a tax discussion paper (Re: think) noting that stamp duties are some of the most inefficient taxes levied in Australia, and that such taxes are more likely to discourage turnover of taxed goods.⁶

KPMG has noted that the more inefficient or distorting a tax is, the more likely resources will be moved away from their highest-value use, leading to lower productivity across the economy and lower living standards.⁷ KPMG also reported that motor vehicle taxes, including stamp duties, are taxes on capital and increase the cost of investing in motor vehicles. This in turn leads to a reduction in investment in vehicles, and a high excess burden.⁸

Governments should incentivise new heavy vehicles by:

- Investing in targeted measures to encourage investment in newer vehicles, including additional investment write-off for assets such as trucks and trailers
- Reducing state and territory government stamp duty burdens on the purchase of new heavy vehicles.

If FCEV heavy vehicles become commercially available, existing barriers such as stamp duty will only slow their uptake by industry.

Recommendation 4

Governments should incentivise the purchase of new heavy vehicles through measures including the reduction and removal of stamp duty on new heavy vehicle purchases.

5. Other mechanisms for emissions reductions

The Emissions Reduction Assurance Committee (ERAC) review of the transport method for crediting emission reductions under the Emissions Reduction Fund highlights projected trends in transport emissions from 2018 out to 2030. The projections indicate that cars and light commercial vehicles contribute 60 per cent of transport emissions in 2018, but domestic shipping, aviation, railways, rigid and articulated trucks are projected to contribute the bulk of the growth in emissions to 2030.⁹

Of the projected growth rates, the ATA notes that articulated trucks are projected to have the smallest growth rate (15.4%) compared to rigid trucks (22.2%), railways (25%), domestic aviation (33.3%) and domestic shipping (50%).

⁵ Recommendation 51 in [Australia's Future Tax System report to the Treasurer](#), December 2009.

⁶ Australian Government, March 2015, [Re:think tax discussion paper](#), 145.

⁷ KPMG, September 2011, [Economic Analysis of the Impacts of Using GST to Reform Taxes](#), 1, 4.

⁸ *Ibid*, 6.

⁹ Emissions Reduction Assurance Committee, April 2019, [Consultation paper: Review of the Carbon Credits \(Carbon Farming Initiative – Land and Sea Transport\) Methodology Determination 2015](#), 2.

FCEV heavy vehicles are cited by the Hydrogen for transport issues paper as an emerging zero-emissions alternative for reducing fuel consumption to improve air quality, reduce carbon emissions and strengthen energy security, with other options cited focusing on battery electric vehicles and hybrids.¹⁰

It is important to recognise that there are a wider range of policy options for reducing emissions from heavy vehicles. These are discussed in more detail in the ATA's submission to the ERAC review, and include:

- Reduction of barriers to new investment by road transport operators in vehicles, technologies, energy sources and operational practices which reduce emissions.
- Delivering a national high productivity freight vehicles network, to move more freight with less trucks.
- Review and amend Australian Design Rules and in-service vehicle regulations to enable greater use of more fuel-efficient heavy vehicle solutions.
- Implementing a width exemption for aerodynamic devices, such as Airtabs, to allow trucks to incorporate more fuel-efficient heavy vehicle solutions.
- Amending the *Fuel Tax Act 2006* to remove the 1 January 1996 threshold, so that every heavy diesel vehicle used on public roads must meet a maintenance or test criteria to be eligible for fuel tax credits as regular maintenance is key to ensuring vehicles continue to meet emissions standards.
- State and territory governments partnering with industry to develop local solutions for reducing emissions, congestion and regulatory burdens on efficient road transport.

Fuel security

The Hydrogen for transport emissions paper also cites fuel security as an important consideration. Liquid fuel is critical to trucking, which is critical for the economy. Liquid fuel security is a vital national economic issue.

Australia's fuel consumption stocks are low and stock levels can vary by region. These issues are further detailed and explored in the [ATA submission to the liquid fuel security review](#).

Governments should closely consider the viability of hydrogen as a fuel source in light of our critical need for fuel security.

Recommendation 5

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Recommendation 6

The Government's hydrogen strategy should be integrated with the longer-term approach to ensuring fuel security for road transport.

¹⁰ Australian Government, July 2019, [Hydrogen for transport issues paper](#), National Hydrogen Strategy Issues Papers, 2.