



The Secretary
Select Committee on Fuel and Energy
P.O. Box 6100
Parliament House
CANBERRA ACT 2600

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fuelenergy.sen@aph.gov.au

Dear Sir,

Inquiry into Fuel and Energy

The Truck Industry Council (TIC) is the national body representing truck, diesel engine and major vehicle component manufacturers in Australia. TIC membership includes a substantial local manufacturing segment that supplies a wide range of purpose designed vehicles. These vehicles fill a number of unique roles in Australian business particularly the mining sector. Vehicles designed in Australia specifically for the mining sector are often required to pull loads in excess of 300 tonnes, heavier than anywhere else in the world. Such vehicles are designed and built in Melbourne (Kenworth and IVECO) and Brisbane (Mack and Volvo). In addition, a number of our members involved in importing trucks are also developing unique vehicles for the Australian market.

TIC's local truck manufacturers, as well as truck importers and diesel engine companies are well advanced in the use of alternative fuels, particularly Liquefied Natural Gas (LNG) for heavy duty long distance transport, and Compressed Natural Gas (CNG) mainly for urban distribution work.

Accordingly, the TIC is pleased to provide comment to the Senate Select Committee on possible future federal and state arrangements for diesel, LNG and CNG. This submission will address points (f) and (g) of the terms of reference.

Background

Some three years ago the Department of Industry wrote to the TIC seeking comment on the security of transport fuel should the amount of imported crude oil become limited for any reason. Possible options included lowering fuel standards to obtain more litres of diesel from each barrel of crude oil. However, this approach has only limited benefit, and in the event of a major disruption to Australia's imported crude, would not ensure adequate supplies of transport fuel to meet our daily needs. Any major disruption to transport fuel would have major implications for the day to day living standards of all Australians.

The TIC view on transport fuels is that Australia should significantly reduce its dependence on imported crude oil, and make greater use of our national energy sources, particularly natural gas.

Natural Gas

Australia has an abundance of natural gas, some estimates being as high as 100 years supply. This natural resource is already in use in a number of applications including domestic heating, factories and more recently road transport. Initially only CNG was used, mainly for city buses which could be refuelled at the depot overnight. However, more recently some TIC members have converted heavy duty diesel engines (600 horsepower plus) to operate on LNG. LNG has the benefit that in any given fuel tank more litres of LNG can be stored compared with CNG. LNG therefore, is a fuel that can be used for interstate operations. As an example a sixty (60) tonne B-double, with 1000 litres of LNG would require only one refuelling stop between Melbourne and Sydney. This refuelling stop could be aligned with the driver's rest period as required under the new national fatigue laws.

In addition to reducing Australia's dependence on imported crude oil, natural gas contains virtually no particulate matter (pm) and emits up to twenty-five (25) percent less CO₂. With the Federal Government placing a high priority on reducing greenhouse gas, a change from diesel to natural gas would be a major step forward.

Problem Areas for Natural Gas

The uptake in the use of natural gas to date has been mainly for urban transport due to the limited refuelling facilities (almost zero) outside of the metropolitan areas. However, advice from the natural gas industry is that consideration is being given to establishing further refuelling facilities between capital cities.

A second problem is the additional cost involved in converting diesel engines to operate on gas, including the requirement for spark ignition. In addition, fuel tanks for LNG are expensive. To convert a heavy duty truck for B-double operations from diesel to LNG is over \$100,000. This cost can be recovered overtime, but also adds up to thirty (30) percent to the initial purchase price of the vehicles.

Taxation Arrangements

At this time there is no excise on natural gas, however, an earlier Government decision to phase in excise from 2011 – 2015 has had a negative impact on the uptake of natural gas. Many operators are seeing natural gas as a short term solution.

The Truck Industry Council strongly recommends that any proposal to introduce excise on natural gas be permanently deferred. This will encourage the conversion from diesel to natural gas.

The initial cost, as previously mentioned can be quite high, over \$100,000, and therefore, increases the cost of financing a new LNG/CNG truck substantially. This could be offset by providing an additional investment allowance to purchasers of LNG /CNG trucks.

Summary

Australia has vast reserves of natural gas, a fuel that when used in road transport would:

- Reduce Australia's dependence upon imported crude oil;
- Ensure Australia's future energy needs are more secure; and
- Reduce greenhouse gas significantly.

Truck Industry Council members already have a number of vehicles designed to use LNG or CNG. The downside is the higher vehicle costs, and the proposed phase in of excise on natural gas from 2011.

Recommendations

The Truck Industry Council makes the following recommendations with respect to the use of natural gas.

1. To offset the higher initial vehicle costs, and the costs in financing the purchase of a natural gas vehicle consideration should be given to providing an additional ten (10) percent investment allowance for such vehicles.
2. The proposal to phase in excise on natural gas from 2011 should be deferred for at least 10 years to allow the natural gas vehicle industry to fully develop.

The Truck Industry Council notes that a goal of the Senate Select Committee is to *"help ensure the necessary level of energy supply in a way that is affordable for families and business, and both economically and environmentally sustainable"*.

The Truck Industry Council believes the above recommendations support this goal.

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