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The Secretary
Senate Standing Committee on Rural and Regional Affairs and Transport
Parliament House
CANBERRA ACT 2600
rrat,sen@aph.gov.au

Dear Sir/Madam

Thank you for the opportunity to provide a submission to the Committee's inquiry into Public Passenger Transport Infrastructure and Services.

NGV Solutions and OES CNG are jointly involved in the development of Compressed Natural Gas (CNG) passenger and light commercial vehicles, and the public and private refuelling infrastructure to support their introduction.

NGV Solutions contributed to the earlier Committee inquiry into Australia's future oil supply and alternative transport fuels. In the light of perceived wisdom at the time, particularly in the absence of more recent developments and understanding in the areas of peak oil, climate change and the adverse impacts of first generation liquid biofuels, the Committee was largely dismissive of the environmental, economic and energy security benefits of natural gas as a vehicle fuel.

We applaud the Government's initiative in establishing the Green Car Innovation Fund. The survival of the Australian automotive industry will depend on our ability to adapt to the existing and future challenges presented by the global economic crisis, climate change, and energy security.

Our companies, and others in Australia, are at the forefront of technical innovation in developing vehicle technologies to optimise the use of natural gas as a vehicle fuel.

Natural gas vehicles (NGVs) represent the fastest growing sector of the automotive industry throughout the world. Over the past five years, the average rate of growth of the sector has been in excess of 30% annually. It is probable that natural gas vehicles will represent the only growth sector in the automotive industry during the current Global Economic Crisis. There are very good



reasons for this. The use of natural gas for vehicles offers significant advantages for the world, and especially Australia, such as:

- The lowest life-cycle and tailpipe emissions of any current or proposed vehicle fuel.
- Energy security – Australia has abundant indigenous supplies.
- We have a comprehensive gas pipeline distribution network.
- Stable pricing – it is not tied to world oil prices or currency fluctuations, and can reduce vehicle running costs by 65% - 70%.
- The potential to reduce our balance of payments deficit by replacing oil imports
- The capacity to export technologies and vehicles to the rapidly growing CNG markets overseas.
- Natural gas is also significantly safer to use than petrol, diesel and LPG.

We are not qualified to comment on many of the issues raised in the Committee's Terms of Reference, but our submission covers three aspects of the National Public Transport task:

URBAN BUSES

- Most capital cities in Australia have progressively introduced natural gas urban buses into their fleets over the past ten years or so. The reasons for doing so are both economic and environmental. Natural gas buses in the urban environment eliminate particulate emissions and greatly reduce other exhaust emissions; reduce noise output by 70%; and reduce running costs by well over 50%. Current evidence also suggests that they reduce CO₂ emissions by 7 – 21% compared to diesel buses.
- However, the take-up of natural gas buses has been limited to government-operated services due to the high initial capital costs of installing the refuelling infrastructure. Those government services (in Sydney, Brisbane, Canberra, Adelaide and Perth) intend to continue to buy natural gas buses in preference to diesel. Regrettably, the high initial cost of the refuelling infrastructure, combined with the higher purchase price of a natural gas bus, has been a disincentive for the many thousands of privately operated buses to move away from diesel, despite the long-term savings that are available.
- We urge the Committee to seriously consider the many benefits of natural gas for our urban bus fleet and to recommend a program of financial support for refuelling infrastructure and to cover the incremental cost of natural gas buses to encourage their wider take-up.

TAXIS

- We also believe that there is a strong case for taxis to be encouraged to convert to compressed natural gas (CNG) rather than LPG, which is currently the universal fuel of choice for the industry. While LPG has a distinct advantage over petrol in terms of price and emissions, it still has significant disadvantages in terms of emissions, economics and energy security.
- In order for CNG to be accepted by the taxi industry, there would need to be access to a reasonably widespread refuelling network. A strategically designed system of CNG stations would not only provide the impetus for the taxi fleet to move towards CNG, but would also provide the backbone of a public refuelling infrastructure to support a wider acceptance of natural gas vehicles. As mentioned above, the NGV market is the only growth sector of the worldwide automotive market, and Australia is well placed to use this opportunity, not only to revive the



industry in Australia, but to also open up major export opportunities.

We know that there is greater interest by Australia's vehicle manufacturers in exploring the opportunities presented by NGVs, both in terms of the industry's long-term survival and in meeting our climate change obligations. There is little doubt that the manufacturers will pursue the development of NGVs with more intensity if they can see a commitment by government to support the roll-out of public refuelling infrastructure.

TRAINS

- Many overseas countries are converting their non-electrified rolling stock to operate on Liquefied Natural Gas (LNG). Apart from the environmental and energy security benefits of replacing imported diesel fuel with indigenous natural gas, the cost of rail transport could be significantly reduced.
- We would urge the Committee to consider the potential of supporting a re-vitalisation of the rail industry through the use of natural gas.

We appreciate the opportunity to make a submission to the Inquiry, and would appreciate the opportunity to discuss our proposals with the Committee.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kevin Black'.

Kevin Black
Managing Director
NGV Solutions Pty

A handwritten signature in black ink, appearing to read 'John P. Mikolajunas'.

John Mikolajunas
Director
OES CNG Pty Ltd