

12th May 2006

Mr Gary Banks
Chairman
Productivity Commission
LB 2 Collins Street East
Melbourne VIC 8003

Dear Mr Banks

**Truck Industry Council response to the
Productivity Commission Review of Economic Costs of Freight Infrastructure
and Efficient Approaches to Transport Pricing**

The Truck Industry Council (TIC) representing the truck and heavy diesel engine manufacturers is pleased to make this brief submission to the Productivity Commission's review of freight infrastructure and efficient approaches to transport pricing.

In general terms, the TIC fully supports the position of the Australian Trucking Association, and the issues raised by the ATA. The TIC however, would like to comment further on some of the environmental and safety regulations applicable only to road transport

Environmental: Australian Governments, Federal, State and Territory have aligned our environmental standards for 'on highway' motor vehicles with those applicable in Europe, North America and Japan. It should be noted that these standards are applicable throughout the industrialised world. Whilst the TIC supports the adoption of these new environmental standards, which have now removed over 90% of harmful pollutants from diesel engine exhausts, they have come at a significant cost. This cost is in two parts, firstly the financial aspect covering engine development and associated equipment such as additional compounding turbo chargers, urea tanks and dispensing units, and both particulate matter and Nox filters, and secondly, the additional weight and space to accommodate the emission equipment. To meet the ADR 80/01 emission standards and ADR 83/00 noise standards effective from 1 January 2007 the additional weight will vary between 180 – 280 Kgs. This results in a loss of payload.

Costs vary between \$4,000 for a light duty truck (up to 8.5 tonnes GVM) to \$10,000 for a heavy duty prime mover.

Whilst protection of the environment is an important issue it should be noted in Australia these environmental standards apply only to 'on highway' diesel whereas, in Europe, North America and Japan there are 'off highway' standards that apply to ferries, barges, rail and construction equipment etc. In Australia the 'on highway'

diesels are less than 50% of the total new diesel market, yet it is only this sector that bears the financial and weight burden of the environmental protection requirements.

A review of existing and forecast pollution levels in Australia's major cities show an increase for most sectors, with only road transport showing a reduction.

In both Europe and North America, where there is a level playing field with both 'on highway' and 'off highway' standards, there are also financial incentives to encourage the road transport industry to move to cleaner vehicles. These incentives vary from country to country, but typically include toll free access, higher weights, and in North America \$billion programs to re-engine vehicles to meet the latest standard.

No such incentives apply in Australia.

Safety: In recent years Governments have called for a number of new safety standards, including front underrun protection systems (FUPS) and cab strength standards. Industry supports the introduction of these standards; however, again there are cost and weight penalties, and again such standards only apply to 'on highway' vehicles. With respect to the expensive and heavy FUPS (180 Kgs) this equipment is for the protection of other road users.

In summary, the truck industry is making a significant contribution to environmental protection, air quality and road safety. Overseas, similar standards and the resultant costs apply to all sectors of business, in Australia these costs are borne only by road transport.

The Truck Industry Council asks that the Productivity Commission fully consider these issues in the review of transport policy.

Yours sincerely

Terry Pennington
CEO