



la Ara Aotearoa Transporting New Zealand

submission to:

Ministry for the Environment

on:

**Te hau mārohi ki anamata –
Transitioning to a low-emissions and climate-
resilient future**

<https://consult.environment.govt.nz/climate/emissions-reduction-plan>

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Ia Ara Aotearoa Transporting New Zealand (Transporting New Zealand) submission to Ministry of the Environment on:

Te hau mārohi ki anamata – Transitioning to a low-emissions and climate-resilient future

1. Representation

- 1.1 Ia Ara Aotearoa Transporting New Zealand (Transporting New Zealand) provides unified national representation for the four regional trucking associations that make the Road Transport Association New Zealand (RTANZ). That is, 1500 members with about 13,000 trucks.
- 1.2 Transporting New Zealand members are predominately involved in the operation of commercial freight transport services both urban and inter-regional. These services are entirely based on the deployment of trucks, both as single units for urban delivery and as multi-unit combinations that may have one or more trailers, supporting rural or inter-regional transport.
- 1.3 The road freight transport industry employs about 32,868 people (2.0% of the workforce), has a gross annual turnover of \$6 billion, and according Ministry of Transport research (National Freight Demands Study 2018) transports 93% of the total tonnes of freight moved in New Zealand.

2. Introduction

- 2.1 Transporting New Zealand provides sector leadership and believes we all need to operate in an environment where the following must be managed and co-exist:
 - The safety and wellbeing of our drivers and other road users; our drivers are our most valuable asset
 - The impacts of transport on our environment
 - The transport of goods by road is economically feasible and viable and it contributes the best way it can to benefit our economy.
- 2.2 Transporting New Zealand welcomes the opportunity to comment on the Ministry for the Environment's proposal: Te hau mārohi ki anamata – Transitioning to a low-emissions and climate-resilient future (the Plan).
- 2.3 Transporting New Zealand has been participating in government conversations on energy efficiency and transport emissions over a prolonged period of time and our most recent substantive formal feedback includes:
 - The Green Freight Project: background paper on reducing greenhouse gas emissions from road freight in NZ through the use of alternative fuels (October 2019).
 - Climate Change Commission: 2021 Draft Advice (March 2021).

- Ministry of Transport Te Manatu Waka (MoT): Hīkina te Kohupara - Kia mauri ora ai te iwi Transport Emissions: Pathways to Net Zero by 2050 (June 2021).
- Ministry of Business, Innovation and Employment: Energy efficient products and services, a regulatory reform discussion document (July 2021).

2.4 Transporting New Zealand has a number of policy positions related to transport emissions and modes and these are summarised as follows:

- New Zealand's transition to a low or zero carbon emissions economy will occur over the next 30 years. Reducing fossil fuel use by the transport industry is essential for a low carbon economy.
- New Zealand's trucks will move to using fossil fuel alternatives once those fuels are available via reliable long-term supply; meet performance standards; and are cost-competitive. Ultimately the market should decide the direction.
- Having a road freight industry that is reliable, cost effective and flexible is essential for New Zealanders.
- Our geography and low population density mean New Zealand businesses, and our economic activity in general, need the flexibility and geographical reach that only road freight can provide.
- We believe the freight market is customer driven and ultimately, the customer, whether in New Zealand or in our export markets, will decide on price, convenience and/or time, and what is the best mode of transport for their freight.
- Competition between both road freight companies and other modes of transport (road/rail/coastal shipping) has served New Zealand and its economy better than governments 'picking winners' and favouring one transport mode over another.
- Government interventions to advantage one transport mode over another inevitably create unnecessary additional costs and lower overall economic prosperity, because it removes the choice to use the most cost-efficient freight solution.
- Government interventions to advantage one transport mode over another also introduce risk of unexpected perverse social cost outcomes.

2.5 The predominant lens and scope of our submission is the impacts and risks related to commercial (road freight) traffic and the economy that traffic serves.

2.6 To supplement this submission the regional trucking associations for which Transporting New Zealand provides unified national representation may, at their discretion, provide local submissions.

3. Comments on the high-level strategies (Table 4 of the Plan)

- 3.1 We agree with the Ministry for the Environment's strategy to work with Tiriti partners.
- 3.2 With regard to the strategy of making an equitable transition, we reiterate the point we made in our submission to the Ministry of Transport in June 2021. The impact of transitioning to a climate-resilient future will unavoidably result in an increase in transport costs and those cost impacts will not be shared equally. Our recommendation is that going forward, the Government be much more realistic with its commentary on the likely impacts to society while reducing emissions, and that they substantiate this with an evidence base of costs versus benefits.
- 3.3 We support the use of an Emissions Trading Scheme.
- 3.4 In regard to the strategy of applying research, science and innovation, and in particular the principle of exploring ways to foster start-ups including those that address environmental challenges such as emissions reductions, we urge caution and recommend this be limited to a well-considered and defined scope. Our recommendation is based on concerns about the considerable risk of high regret cost with this approach. We believe that the sustainable technical solutions in the vehicle power train area will be developed via initiatives already underway overseas and we should leverage off those rather than replicate that work.
- 3.5 In regard to the strategy of establishing a fund to drive behaviour change, we have reservations that in effect, this is a subsidy by another name. We would hope that truly effective solutions justify themselves and therefore, the demand for uptake does not require further investment to make that change.

4. Comments on the transport policies

- 4.1 We have refrained from commenting on Focus areas 1 and 2 as these relate to light vehicles.
- 4.2 In regard to Transport target 3, to reduce emissions from freight transport by 25 percent (page 71 of the Plan), we do not believe there is enough evidence to show whether a 25 percent reduction is plausible. We do however, strongly support the idea that the Ministry for the Environment will work with industry to find the best ways to progress the reduction and we welcome ourselves, Transporting New Zealand playing a leading role in that approach.
- 4.3 In regard to the initial actions (page 72 of the Plan):
 - We reiterate our concerns with the issue of fuel efficiency standards for trucks. Our advice from manufacturers is that while the relatively recent introduction of a mandatory CO₂ rating was well intended, it is a pragmatic political solution and it is unlikely to be effective in making any change. Unlike with light vehicles where there is relative certainty and consistency in the final product, the nature of truck engines and their application is very different. A

given truck engine may be used in a wide variety of applications, for example, the same engine could be used in a bus or a semi-trailer tractor unit, or a rigid truck, or a truck trailer combination. The fuel consumption will vary significantly, which poses considerable risk to the effectiveness of using CO₂ standards.

- As with the concern we raised with investment in research above, we have reservations about the Low Emissions Transport Fund (LETF) and the intent to allocate more funding to this. We believe that the sustainable technical solutions in the vehicle power train area will be developed via initiatives already underway overseas, and we should leverage off those. We would hope that truly effective solutions justify themselves and therefore, uptake should not require subsidisation, or if there is subsidisation, it goes to well proven solutions.
- In regard to investment in infrastructure for green fuels and fast charging, we reiterate our concern about the risk of regret cost with Government prematurely picking winners. New Zealand's trucks will move to using fossil fuel alternatives once those fuels are available via reliable long-term supply; meet performance standards; and are cost-competitive. We have shown our support for the bio-diesel mandate and given this is a globally recognised solution that works with current truck power train technology we would prefer a stronger focus in that area.
- In regard to green freight procurement through third-party contractors for government activities, we agree with this principle on the condition that the scope be widened to include willingness to pay for other outcomes, such as safety and wellbeing, and that the associated impacts of increased costs are shared, so there is better understanding of the true costs of freight.

4.4 In regard development of a Freight and Supply Chain Strategy, in the absence of Government presenting quality evidence-based policy analysis, we are concerned at its stated intent to encourage mode-shift to rail and coastal shipping.

- The Plan (page 72) refers to this new strategy highlighting opportunities to improve the efficiency and competitiveness of the freight system. We contend that ultimately the market is the best place to manage these attributes. Furthermore, given the state and performance of public transport, we have concerns with Government's intent to delve into meaningful and effective policy on efficiency and competition in the freight sector.
- The movement of freight is a key contributor to the economic success of the nation. Government's focus should be on supporting and improving the movement of freight. With the exception of a relatively small number of cases, road freight is undeniably the most efficient and effective means of moving freight in our country. In essence, the Government's rail strategy aims to deliver benefits to safety, congestion and the environment. We agree these are important however, they are transport externalities. Those outcomes are

very much second order compared to the primary purpose of the vast majority of heavy vehicles, which is to keep the economy going by moving freight. Government has mistakenly confused its priorities.

- Generally, it is accepted there is a positive correlation between economic growth and vehicle kilometres travelled. Policy makers around the world have grappled with the challenge of decoupling the relationship between economic growth and vehicle kilometres travelled. In the absence of clear evidence that this can be successfully achieved, we are concerned that Government policies that will stifle transport movements will also adversely impact the growth of our economy and the quality of our lives.
- It is implicit in a desire for “shifting freight off roads and onto rail” that the modal share at the time is incorrect, otherwise why would Government be wanting to change it? For those with that misguided belief, it must also then follow that there is an ideal modal share. The notion of Government determining and controlling modal share lacks rational policy sense.
- If the Government insists on controlling modal share, then it owes it to taxpayers to define what the ideal modal shift is; and how much it will cost to achieve that both in capital and ongoing operational costs.

4.5 In regard to Transport target 4 (page 74 of the Plan), as we refer in 4.3 above, we have previously advised our support for the introduction of a sustainable biofuels mandate. The Climate Change Commission has recently acknowledged that there has not been sufficient progress anywhere in the world to identify a realistically effective replacement power train to the current diesel engine for trucks, therefore, to us it is imperative that Government get into action supporting a measure that can work on current fleet.

5. Concluding comments

- 5.1 In summary, and to respond to question 54 on page 81 of the Plan, while we fully support efforts to reduce emissions, at this stage we do not support the target of 25 percent because we do not believe there is enough evidence to show whether that amount is plausible.
- 5.2 In the absence of quality policy development, we do not support Government’s simplistic solution of moving freight to low emissions mode and we are concerned at the perverse outcomes associated with such intent.
- 5.3 Our sector has been proactively working for some time to reduce Greenhouse Gas (GHG) emissions. Initiatives include but are not limited to:
- Fuel efficient driver-training
 - Reducing aerodynamic drag

- Speed management
- Tyre pressure management
- Scheduling and despatch software solutions to reduce travel.

We are concerned that a disproportionate amount of Government's effort is focussed on developing new solutions and we urge it to work more proactively and engage with us on making changes that will reduce emissions with the current fleet, on initiatives such as above.

- 5.4 Transporting New Zealand welcomes ongoing discussion with Government and its advisors on reducing emissions. We can add considerable technical and policy expertise to the Ministry for the Environment thinking and we urge it to work more closely with us so we can get into action much more quickly and reduce emissions.