

Road Transport Forum NZ Submission to:

Ministry of Transport

on:

Hikina te Kohupara – Kia mauri ora ai te iwi

Transport Emissions: Pathways to Net Zero by 2050

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Road Transport Forum (RTF) submission on:

Hīkina te Kohupara Kia mauri ora ai te iwi

Transport Emissions: Pathways to Net Zero by 2050

1. Representation

- 1.1 Road Transport Forum New Zealand (RTF) is made up of several RTF members include Road Transport Association NZ, National Road Carriers, and NZ Trucking Association. The affiliated representation of the RTF is some 3,000 individual road transport companies which in turn operate 16-18,000 trucks involved in commercial road freight transport, as well as companies that provide services allied to road freight transport.
- 1.2 The road freight transport industry is 3.0% of New Zealand's gross domestic product (GDP) and it carries 93% of the nation's freight. We employ around 26,000 people and vocational education is of growing importance in our industry due to a shortage of drivers and other workers.

2. Introduction

- 2.1 The RTF recognises the considerable work done by Ministry of Transport Te Manatu Waka (MoT) on Hīkina te Kohupara - Kia mauri ora ai te iwi Transport Emissions: Pathways to Net Zero by 2050 (the Paper) in proposing four potential pathways.
- 2.2 The RTF provides sector leadership and believes we all need to operate in an environment where the following must be managed and co-exist:
- 2.2.1 The safety and wellbeing of our drivers and other road users. Our drivers are our most valuable asset.
- 2.2.2 The impacts of transport on our environment.
- 2.2.3 The transport of goods by road is economically feasible and viable and it contributes the best way it can to benefit our economy.
- 2.3 The RTF has been participating in government conversations on transport emissions over a prolonged period of time and our most recent substantive formal feedback includes:
- 2.3.1 The Green Freight Project, background paper on reducing greenhouse gas emissions from road freight in NZ through the use of alternative fuels (October 2019)

- 2.3.2 Climate Change Commission 2021 Draft Advice (March 2021)
- 2.4 The RTF has a number of policy positions related to transport emissions and modes and these are summarised as follows:
- 2.4.1 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.
- 2.4.2 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.
- 2.4.3 Having a road freight industry that is reliable, cost effective and flexible is essential for New Zealanders.
- 2.4.4 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.
- 2.4.5 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.
- 2.4.6 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.
- 2.4.7 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.
- 2.4.8 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 the RTF provides unified national representation may, at their discretion, provide local submissions.

3. Responses to the Green Paper consultation questions

For the convenience of the reader, immediately prior to our response we have repeated the respective questions in the same order as the Paper. Those questions and quotes from the Paper are in italicised text.

- 3.1 Question 1: Do you support the principles in Hīkina te Kohupara? Are there any other considerations that should be reflected in the principles?
- 3.1.1 In general, we support the principles, albeit they are very high level and somewhat ethereal.
- 3.1.2 With respect to MoT Principle 5 and the comment, on page 11 of the Paper, "some people may be more impacted for example, people who already experience social/economic disadvantages could be disproportionately affected if transport costs increase.", we believe the MoT is being unrealistically risk-averse. In our view, transport costs will unavoidably increase and those cost impacts will not be shared equally. Our recommendation is that going forward the MoT 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.
- 3.1.3 We do not believe reflecting additional considerations in these principles will add meaningful value or make a substantive difference.
- 3.2 Question 2: Is the government's role in reducing transport emissions clear? Are there other levers the government could use to reduce transport emissions?
- 3.2.1 Page 20 of the Paper refers, "Government needs to influence change where it can," and "The Government has an important role to ensure our institutions.....support transport emission reductions" and "this will require leadership by Government,". In our view, the only tangible activity the Government appears to be obligated to is preparing an Emissions Reduction Plan under the Climate Change Response Act. Putting aside the rhetoric in Chapter 3, to date the rest of the Government's role has been relatively ineffective in creating meaningful change.
- 3.2.2 We do not believe there is value in considering any further levers.

- *3.3 Question 3: What more should the Government do to encourage and support transport innovation that supports emissions reductions?*
- 3.3.1 We believe the Government's approach to date, and particularly its lack of tangible action, creates an environment of uncertainty in our sector. The Government should be more decisive and fast acting in advising the sector on its plan.
- 3.3.2 We believe the Government should refocus its efforts and provide support to industry wide and sector led initiatives rather than its tendency to date to develop its own ideas or support niche products. New Zealand is largely a technology taker and the vast majority of expertise on the feasibility and viability of transport innovation lies within the market and transport sector leadership groups like ourselves and not with Government.
- 3.4 Question 4: Do you think we have listed the most important actions the government could take to better integrate transport, land use and urban development to reduce transport emissions? Which of these actions do you think should be prioritised?
- 3.4.1 The list of proposed actions is relatively broad and vague and there is insufficient information to determine the effectiveness of either one of the explicit actions or the collective actions, therefore we cannot comment on the importance or priority of those actions. We would however remind the Government that the Resource Management Act and a lack of integrated planning of urban development and land use have been significant ongoing problems for many years.
- 3.5 Question 5: Are there other travel options that should be considered to encourage people to use alternative modes of transport?
- 3.5.1 We do not believe other travel options should be considered. In our view there has been excessive effort and investment contributed by central and local government on alternative modes over the last several years. There has also been a lack of rigour and transparency in reporting back on the effectiveness of that public funding.
- 3.6 Question 6: Pricing is sometimes viewed as being controversial. However, international literature and experiences demonstrate it can play a role in changing behaviour. Do you have any views on the role demand management, and more specifically pricing, could play to help Aotearoa reach net zero by 2050?

- 3.6.1 We agree that pricing could play a role in kerbing emissions and we are aware that pricing has been used in many international jurisdictions.
- 3.6.2 Pricing and demand management can be interpreted very differently. For example, some may consider the availability to travel on an alternative route toll road as demand management, whereas other people consider demand management to have a more limited scope, for example, charging vehicles a higher price to travel in a city during peak hours. We therefore request that with any future discussions, the MoT be very clear on the scope and definition of pricing and demand management.
- 3.6.3 Our understanding, and we believe this is supported by many transport experts, is that there have been varying levels of success with international experience. Furthermore, whilst there may be benefit to emission reduction it is important to bear in mind that many of the overseas initiatives have not been underpinned by emission reduction as the primary objective. Government should recognise there is considerable risk following international practice unless it has been successful in delivering the same goals as those we seek.
- 3.6.4 We believe that it is almost impossible to use a Government intervention like pricing and still genuinely honour Principle 5, a Just Transition, as proposed in the Paper.
- 3.6.5 For the economic and social wellbeing of the economy an essential service such as freight transport will need continued general access to its customers. We are concerned that the administrative burden associated with pricing regimes is invariably understated and consequently this places more stress and strain on transport operators. We therefore request that in the event we go down this path, those administrative impacts are duly considered.
- 3.6.6 Currently, there are unprecedented levels of volatility, uncertainty, complexity and ambiguity in the environment and the Government needs to be mindful of adding even more.
- 3.7 Question 7: Improving our fleet and moving towards electric vehicles and the use of sustainable alternative fuels will be important for our transition. Are there other possible actions that could help Aotearoa transition its light fleet and heavy fleet more quickly, and which actions should be prioritised?
- 3.7.1 We have limited our comments on this question to heavy fleet.

- 3.7.2 We were pleased to see the Climate Change Commission recently acknowledge that in essence, 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.
- 3.7.3 There is scientific evidence to show that changes to diesel fuel can reduce emissions. In the simplest terms, and in no order of priority, the two mechanisms are the use of additives and changing the composition of the fuel. Additives can improve the cleanliness and efficiency of the induction system and/or reduce friction thereby, in effect, reducing fuel consumption. Biodiesel can be blended with mineral diesel and the corresponding change in fuel composition reduces CO_2 emissions.
- 3.7.4 The practices in subclause 3.7.3 have been used overseas for several years and a biodiesel blend is seasonally mandated in parts of Europe. Our understanding is that some New Zealand fuel suppliers already provide addivated diesel therefore, the cost difference is likely to be relatively small. For example, less than 1 cent per litre, and the reduction in fuel use is in the order of 2 percent. The costs associated with biodiesel blends are higher however, biodiesel is a simple drop-in solution with guaranteed and significant reduction in CO₂ emissions for every litre of fuel used. For example, a B5 blend of biodiesel reduces CO₂ emissions in the order of 5 percent.
- 3.7.5 We believe the above practices could be implemented almost immediately, or over a relatively short term and providing there is good management of the willingness to pay, they would begin delivering benefits to emission reductions much faster than any of the current Government initiatives being considered. We recommend that implementation of these initiatives be prioritised.
- 3.8 Question 8: Do you support these possible actions to decarbonise the public transport fleet? Do you think we should consider any other actions?
- 3.8.1 With the exception of sub-clause 3.8.2 below, we will refrain from commenting as we believe our colleagues at Bus and Coach Association have more expertise in this area.
- 3.8.2 The Government appears myopically obsessed with electrifying buses however, our comments in section 3.7 above regarding the potential to make relatively small changes to diesel apply equally to diesel powered buses and trains.

- 3.9 *Question 9: Do you support the possible actions to reduce domestic aviation emissions? Do you think there are other actions we should consider?*
- 3.9.1 With the exceptions of sub-clauses 3.9.2 to 3.9.4 below we will limit our comments as aviation is not an area that we have much expertise in.
- 3.9.2 We have earlier stated that we support the proposed Principle 4 of the Paper, that is, co-ordinated action is required across the transport system. We therefore agree that aviation should reduce its emissions.
- 3.9.3 Aviation appears to face similar challenges to the trucking sector in so far as despite billions of dollars of investment across the globe, to date no one has been able to identify a realistically effective and sustainable aviation fuel to replace Jet A1, or an alternative power train to the jet engine.
- 3.9.4 With regard the possible key action to, "Invest *in, produce and mandate sustainable aviation fuels....*" we are concerned at the scope of this action and particularly, the elements of investment and production. We believe the production and supply of fuel is best left to the market and government would be introducing considerable new risks by being at the bleeding edge and venturing too deeply into this area.
- 3.10 Question 10: The freight supply chain is important to our domestic and international trade. Do you have any views on the feasibility of the possible actions in Aotearoa and which should be prioritised?
- 3.10.1 In principle, we agree that a more efficient supply chain will lead to lower emissions. However, we are concerned with the MoT's suggestion to examine efficiencies with a view to optimising payloads. It is inherent that such intervention involves arbitrary, meaningless target setting and implementing such control over transport operations involves draconian regulatory interventions. We strongly oppose any progress down such a path and we urge government to refrain from imposing more constraints on customers' demand and instead allow normal market forces to drive those efficiencies.
- 3.10.2 We support your intent to consider further opportunities with high productivity motor vehicles (HPMV). On multiple occasions our sector has raised concern with Waka Kotahi NZ Transport Agency (Waka Kotahi) that the current permit administrative demands placed on transport operators are an unnecessary burden and add little value to managing the risk. In addition, Waka Kotahi do not

appear to have the resource to manage the volume of permits in a timely fashion. Further analysis is not required to deliver quick wins in this area, it is more a case of Waka Kotahi being more receptive and getting into action on the remedies we have been suggesting.

- 3.10.3 We strongly support your intent to provide driver training programmes implemented by the industry. Alongside Social Development and Employment Minister Carmel Sepuloni and Transport and Workplace Relations and Safety Minister Michael Wood, we recently launched our Te ara ki tua Road to success industry traineeship. We are also currently in discussion with Waka Kotahi on its support of a Master Code to promote safe and sustainable transport. We are concerned that to date government agencies and departments do not appear to have taken either a strategic or coordinated approach in how industry initiatives are supported. We request you give high priority to further discussion with us on this issue.
- 3.11 Question 11: Decarbonising our freight modes and fuels will be essential for our net zero future. Are there any actions you consider we have not included in the key actions for freight modes and fuels?
- 3.11.1 Page 87 of the Paper refers, "We can improve the resilience and reliability of less carbon intensive transport modes to improve modal choice". We also note further down that page the acknowledgement that the amount of freight that can be shifted to rail or coastal shipping is limited due to our geographical characteristics and market expectations. We have several serious concerns with the MoT's policy thinking in this section.
- 3.11.1.1 Firstly, the concept of comparing the emissions performance of the respective modes is fundamentally flawed. Whilst theoretically one can calculate a $CO_2(e)$ output per tonne-kilometre, it is a purely academic exercise of little value because each mode delivers a very different service and therefore, it is meaningless to compare them. We have raised this with government previously and we are concerned that such flawed thinking continues.
- 3.11.1.2 Secondly, from a basic good policy making perspective the MoT's continued discussion about modal share and shifting freight to rail or coastal shipping is irrational and a nonsense. Fundamental to the MoT's notion is that there exists an ideal proportion of the respective share across the mode. However, there is no such thing as an ideal share to target and therefore, it is futile for the MoT to continue discussion on this concept and we urge it to stop. Our view is that at any point in time modal share is driven by the customer and the respective mode's offer. The latter will be determined by a complex set of factors, both internal and external, such as but not

limited to: geography, population, infrastructure, technology, the strength of the economy and culture. With that in mind, rather than consider the share as right or wrong for a respective mode, which is an inherent inference by government and underpins its desire to intervene and drive some other hypothetical sharing, the split should simply be viewed as "it is what it is". Taking a look at developed and developing international jurisdictions, there is a diverse range of modal share respectively. In some countries that are arguably not dissimilar to us and ones that we might aspire to, road has a greater share of the modal split and in others there is less. We contend this demonstrates the irrationality of the MoT's misguided obsession to direct modal share and urge it to stop any further thought on determining the amount of freight that can be shifted to rail or coastal shipping.

- 3.11.1.3 Thirdly, and supporting our view in the MoT's erroneous thinking on modal share, we note that the MoT's understanding and data on modal share is inaccurate, or at least inconsistent. Page 87 of the Paper refers to rail carrying 11.5 percent of the tonne-kilometres freight task, yet page 17 refers, "*Rail carries 16 percent of freight in tonne kilometres within Aotearoa".* The current sparseness of quality, evidence-based data on modal share of the freight task presents considerable risk to further government policy development in this area.
- 3.11.1.4 Page 89 of the Paper refers, "There are about 150,000 trucks on the road, travelling a combined total of nearly three billion kilometres. These heavy vehicles, the majority of which are freight vehicles, are responsible for almost a quarter of Aotearoa's transport GHG emissions". The RTF disputes this claim and instead our view, and one supported by independent research such as that undertaken by Transport Engineering Research NZ, is that a small number of the larger, high-use vehicles account for a large proportion of the payload transported. We are concerned at the MoT's misunderstanding of the transport environment and the risk that poses to any further policy developed based on incorrect evidence.
- 3.11.1.5 Page 87 of Paper refers, "*Our rail has suffered from a lack of longterm investment and inadequate planning and funding frameworks. There have been issues around resilience and reliability of the rail network to support supply chains*". We contend this demonstrates further flawed logic from the MoT. Our view is that rail has not suffered from a lack on long-term investment, in fact, it is the contrary. Despite there being insufficient business demand for it, Governments have invested in rail on multiple occasions. The underlying issues around resilience and reliability are more due to there being insufficient demand for the market to justify the

necessary investment. Any further flow of government funding exacerbates the current debacle and is likely to be another regret cost.

- 3.11.2 In addition to our comments above on modal share, we provide the following comments on other parts of Chapter 8 of the Paper:
- 3.11.2.1 *Possible key actions: "Introduce vehicle CO₂ standards".* 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.
- 3.11.2.2 *Possible key actions: "Implement Euro 6".* We agree that Euro 6 will reduce harmful emissions, in particular nitrogen oxides and particulate matter, however, there is not a correlation between harmful emissions and CO₂ output therefore, introducing Euro 6 could in fact increase CO₂ emissions.
- 3.11.2.3 Possible key actions: "Investigate the viability of introducing a penalty or financial disincentives system for high GHG emitting heavy trucks". We do not support this because identifying high GHG emitting trucks is complex and fraught with issues.
- 3.11.2.4 Possible key actions: "Phase out the registration of diesel heavy vehicles beyond a certain date, e.g. from 2035". As was pointed out by the Climate Change Commission recently, there are currently no feasible alternative power trains to the diesel engine. With that in mind, we believe the Government is being grossly irresponsible in signalling a phase out. The associated uncertainty that government creates when undertaking consultation like this is not at all helpful.
- 3.12 Question 12: A Just Transition for all of Aotearoa will be important as we transition to net zero. Are there any other impacts that we have not identified?
- 3.12.1 In regard to the Just Transition, we believe this is nothing more than an unachievable ideology. We repeat the comment we made earlier in 3.1.2. Page 11 of the Paper refers, "some people may be more impacted – for example, people who already experience social/economic disadvantages could be disproportionately affected

if transport costs increase.", we believe the MoT is being unrealistically risk-averse. In our view, transport costs will unavoidably increase and those cost impacts will not be shared equally. Our recommendation is that going forward, the MoT 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.

- 3.12.2 In terms of other impacts, we do not believe the MoT has given due consideration to the social and economic impacts on Aotearoa and this is not only a major gap in its policy development, but it presents significant risk.
- 3.13 Question 13: Given the four potential pathways identified in Hīkina te Kohupara, each of which require many levers and policies to be achieved, which pathway to (sic) you think Aotearoa should follow to reduce transport emissions?
- 3.13.1 We believe this is very much a case of choosing between a number of evils, and we are concerned at the threat the MoT's approach presents to personal mobility. However, we also do not want to be a "fence sitter". We recommend the pathways in order of highest to lowest priority are: Pathway 2; Pathway 3; Pathway 4. Our thinking and caveats are explained below.
- 3.13.1.1 We believe Pathway 2 *(increasing the share of EVs and the use of biofuels)* is likely to have the least adverse impact on personal mobility. Our caveat is that industry leaders such as ourselves should lead the "improve' initiatives for freight.
- 3.13.1.2 We believe Pathway 3 is the next priority. There appears little difference between Pathways 2 and 3 however, we ranked this behind Pathway 2 because biofuels are available in the reasonably short term.
- 3.13.1.3 We have ranked Pathway 4 (reduce nearly 40 percent of the light vehicle kilometres travelled by 2035) as the last priority because this has the largest impact on personal mobility.
- 3.13.1.4 For the reasons provided in sections 3.11.1 to 3.11.1.5 above, we have excluded Pathway 1 (reduce nearly 30 percent of the light vehicle kilometres travelled by 2050and requires higher mode-shift from road to rail and coastal shipping) as being a plausible option.

4. Summary

- 4.1 We are concerned that the Executive Summary of the Green paper refers, "Decarbonising our transport system will be challenging. However, this transition could make Aotearoa a healthier, safer, more vibrant, resilient and prosperous place to live and work." Our view is that rather than potential outcomes, these should be at the forefront and the raison d'etre for the transition.
- 4.2 Government climate change policies will have an impact on the cost competitiveness of new fuels through excise taxes, licensing costs, and the Emission Trading Scheme (ETS). Our view is that the Government should not pick a technology for its support prematurely, but instead allow technological developments and industry response to find the best solutions.
- 4.3 Competition between both road freight companies and other modes of transport (rail and coastal shipping) has served New Zealand and its economy better than Governments 'picking winners' and favouring one transport mode over another. RTF wants to see continued investment by the Government in the infrastructure that supports road freight, given its dominance of the freight task that keeps the economy moving. The MoT's continued discussion about modal share and shifting freight to rail or coastal shipping is irrational and a nonsense.
- 4.4 Prior to going much further, we urge MoT to undertake a comprehensive and transparent cost impact analysis of the pathways presented in Hīkina te Kohupara. That analysis is desperately needed so the full impacts and risks, particularly with the longer-term solutions, can be gauged with a reasonable degree of confidence.
- 4.5 There are a number of approaches, particularly with fuel and driving, that could be implemented in the short term. The industry has suggested these and we are getting increasingly frustrated that rather than get after some tangible returns, the Government appears to continue with some fundamentally flawed policy idealisms and search for an unobtainable nirvana.
- 4.6 RTF welcomes ongoing discussion with Government and its advisors on reducing emissions. We can add considerable technical and policy expertise to MoT's thinking and we urge it to work more closely with us so we can get into action much more quickly and reduce emissions.