NATROAD

Road to 2028

Road freight reform priorities for the 48th Australian Parliament

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ASSOCIATION

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Contents

Executive summary

Road freight transport is the backbone of the Australian economy. It connects goods to markets enabling economic growth and local jobs. Road freight volumes are projected to increase by 77 percent from 2020 to 2050 making freight reform critical to Australia's economy. Our road network and freight sector must be fit for the future.

Roads keep Australians connected; they help us to tackle the tyranny of distance. But ineffective investment decisions often lead to infrastructure cost blow outs resulting in higher taxes while our regions continue to suffer from inadequate roads.

Road freight transport has a set of immediate and future challenges requiring a strong reform agenda from governments. From community safety concerns, to rising costs threatening supply chain viability, the entire road freight sector faces uncertainty.

As Australia's largest association representing road freight transport businesses, NatRoad understands the challenges and opportunities facing road freight. *Road to 2028* lays out a reform plan requiring leadership from the Australian Government and can be delivered over the life of the next term of Federal Parliament from 2025 to 2028.

This reform plan seeks to deliver considerable progress towards five key outcomes:

- Safer roads
- Skilled workforce
- Defined costs
- Increased productivity
- Lower emissions.

Road to 2028 lays out specific recommendations to deliver the five key outcomes. These actions can be undertaken by the Australian Government or the Federal Parliament. In some cases, national leadership through National Cabinet and the Infrastructure and Transport Ministers Meeting (ITMM) will be required.

The *Road to 2028* builds on progress achieved in recent years, including:

- Legislation to establish minimum standards in road freight transport.
- Increased funding for rest areas and better integration of industry views on priorities.
- Increased funding for road maintenance and key freight routes.
- Higher skills classification for articulated truck drivers.

- Establishing low carbon fuels, and funding towards electric heavy vehicles.
- NSW proposed reforms to establish a state-owned toll entity, an independent toll price watchdog, and existing trials of lower tolls on selected motorways.
- Moves by governments towards national automated access and the clear priority in the NSW Heavy Vehicle Access Policy, focusing on safer, cleaner, and more efficient freight movements.

Ultimately, *Road to 2028* provides a national reform agenda to deliver a safer, more productive and more sustainable road freight sector.

Recommendations

NatRoad recommends the following actions to make progress towards five key outcomes.

Safer roads

The Australian Government must address the growing road safety crisis and take the following actions:

- Implement an immediate and urgent review of Australia's National Road Safety Strategy, ensuring the next action plan under the strategy (commencing in 2026) includes new, specific, and measurable actions.
- Improve alignment between ITMM, the National Heavy Vehicle Regulator (NHVR), and industry.
- Introduce independent no-fault safety investigations for road crashes.
- Ensure the national commitment to 80 percent of travel on national routes to occurs on minimum 3- star safety rated roads by 2030 is delivered. The national commitment should be upgraded to 100 percent by 2035.
- Introduce a new 100 percent minimum 4-star safety rating for national routes commitment by 2040, with at least half the network to be 5-star rated.
- Incorporate rest areas into road infrastructure safety star ratings.
- Extend the Safer Freight Vehicles package to all new heavy vehicles.

Skilled workforce

The Australian Government must demonstrate national leadership by addressing the driver shortage and improving road safety. This can be achieved by leading National Cabinet to deliver a Road Freight Workforce Action Plan.

The Road Freight Workforce Action Plan should include:

- A national truck driver standard. A clear, nationally consistent, and competency-based standard that represents best practice for truck driver training.
- Implementation of the national truck driver apprenticeship across all states and territories.
- Creation of a national heavy vehicle skills hub to provide quality information about training and incentives.
- Introduction of training incentives.
- Licensing and skills training reform.
- Delivery of key actions outlined in the Industry Skills Australia (ISA) Workforce Plan.
- Additional actions to address other road freight industry supply chain skills shortages.

Defined costs

The Australian Government must work with the states and territories to reduce cost pressures on businesses and deliver:

- Lower minor and non-safety related fines in the Heavy Vehicle National Law (HVNL).

- A forward-looking cost base approach to determine heavy vehicle road user charges. This approach will help avoid sudden and significant increases.
- Effective infrastructure funding with reforms to project selection. Limited increases to road user charges, while ensuring investment goes to where it is needed most.
- Phased out stamp duty for safer and cleaner vehicles to remove the penalty on business for opting to transition to more expensive options.
- Lower heavy vehicle tolls and independent price regulation of toll pricing.
- Regulated landside port charges for transport operators.

Increased productivity

The Australian, state and territory governments need to unlock safety and economic benefits by reducing the red tape burden on industry. Governments should:

- Increase the number of gazetted routes across Australia to reduce the need for access permits.
- Deliver a national digital automated permit system.
- Increase general access under the Heavy Vehicle National Law with increases to mass, length, and height.
- Ensure infrastructure investment is tied to improved access conditions.
- Increase the effectiveness of infrastructure investment by improving selection and delivery of projects.
- Improve cross-border harmonisation and regulation.

Lower emissions

The Australian Government can support transport emissions reduction by ensuring legislated emission reduction targets are cost-effective for industry and fair for small business. This can be achieved by delivering a transition strategy that includes:

- Establishment of a $3.5 billion Clean Transport Fund enabling adoption of low emission vehicles on suitable freight tasks.
- Delivery of a $500 million low and zero emission heavy vehicle recharging and refuelling strategy (funded from the $3.5 billion Clean Transport Fund allocation).
- Legislation of a Low Carbon Fuel Standard to progressively reduce the CO2 impact of liquid fuels and secure the role of the internal combustion engine for regional and remote transport tasks.
- In-depth, transparent, assessment and consultation on Euro VII emission standards, including impacts on emissions, testing in Australian conditions, manufacturing, and operational costs.

Reform priorities for 2025-2028

Safer roads

Our roads are the workplace for the road transport industry, and Australia faces a road safety crisis.

In the 12 months ended November 2024, there were 1,318 road deaths representing an increase of 6.1 percent from the previous 12 months. The rate of annual deaths was 4.8 per 100,000 people, a 3.8 percent increase.[1]

The National Road Safety Strategy has failed to achieve its objectives, with no targets on track for success. Truck drivers and our industry are on the front line of this crisis. It is our workplace.

Rather than reducing deaths by 50 percent by 2030 in line with the national strategy,[2] fatalities are increasing. No jurisdiction or road user group is on track to achieve any of the headline safety targets of the national strategy by 2030.[3]

Heavy vehicle specific data is also cause for increasing alarm. The NTARC 2.0 report of NTI claims data for heavy vehicles shows:

- 27 percent increase in the overall incident rate.
- Crashes relating to human factors have increased 42 percent since 2022.
- Inattention/distraction incidents in 2023 increased 75 percent since 2022.
- Inadequate following-distance incidents increased by 73.5 percent over five years.[4]

Research has shown the interacting factors relating to crash risk can be grouped as:

- Enduring driver factors (knowledge, skill level, medical).
- Temporary driver factors (time-specific tasks, sleep, mood, drugs, local familiarity).
- Vehicle (safety technologies, mechanical).
- Roadway and environmental (design, intersection, traffic, weather).
- Management (safety practices, pay, training).
- Government (licensing, regulation, enforcement).[5]

NatRoad's safety agenda seeks to address these factors and extends beyond *Road to 2028* to include recent policy progress, minimum standards legislation, and practical action such as our Truckie First Aid initiative.

[1] BITRE. November 2024. Road deaths Australia. 1.

[2] Australian Government. 2021. National Road Safety Strategy 2021-2030. 2.

[3] Australian Automobile Association. October 2024. Benchmarking the performance of the National Road Safety Strategy. September Quarter 2024. 4

[4] NTI, NRSPP, Monash. 2024. NTARC 2.0 Major Incident Investigation Report 2024.

[5] Kipling (2011) as reported in BITRE. 2016. Heavy truck safety: crash analysis and trends. 3.

Safety reforms for driver training and licensing will also improve safety and are outlined in the Skilled Workforce pillar.

Urgent review of the National Road Safety Strategy

In 2017, the then Government announced an inquiry into the former National Road Safety Strategy 2011-2020. This followed increases in road crash deaths and serious injuries. In 2017, 1,226 people were killed in road crashes.[6] Fatalities are now even higher.

This inquiry was released over six years ago and we are now halfway through the next strategy. Progress on the previous strategy should have been apparent by now. An urgent review is required in 2025 to inform changes to the next road safety action plan (due to commence from 2026). This snap review needs to incorporate the findings of the 2017-18 inquiry and be led by an independent road safety expert. We cannot afford to wait until the end of the decade to ask what went wrong.

The national strategy and accompanying action plan should adopt specific and measurable actions. It needs to drive change in policy outcomes and government activities, rather than being a list with non-specific outcomes of existing policies.

The strategy and people must drive change.

Alignment between ITMM, NHVR and industry

The National Road Safety Strategy emphasises a social model approach to road safety, acknowledging the role of individuals, interpersonal functions, organisations, and the community in addition to system/public policy approaches.[7] Despite this, any attempts to engage and seek alignment with industry have been inadequate:

- The 2024 National Road Safety Conference did not seek genuine engagement with the heavy vehicle sector[8]
- The Infrastructure and Transport Ministers Meeting has abandoned the pre-existing approach of engaging with, and seeking direct input from, industry.

Reform and achieving public policy outcomes must be built upon a genuine partnership with industry.

Independent no-fault safety investigations

NatRoad supports calls for no fault heavy vehicle crash investigations to improve the data and understanding of underlying causes of crashes. This would not replace existing police crash

[6] Woolley, Crozier. 2018. Inquiry into the National Road Safety Strategy 2011-2020. 4.

[7] Australian Government. 2021. National Road Safety Strategy 2021-2030. 12.

[8] There was little information provided before the event and it was held at the same time as a major industry conference, preventing attendance.

investigations and would only occur when there may be a safety lesson to be learnt. The Australian Transport Safety Bureau uses this approach to investigate other transport modes.

Considering the scale of the road safety challenge, this approach should be implemented for all road vehicles. If Governments are serious about reducing road crashes and fatalities, learning from road crashes is essential.

Building safer roads

NatRoad welcomes the existing target to ensure 80 percent of travel on national highways occurs on roads with at least a 3-star safety rating by 2030. This target, however, must be backed up with a clear plan to further improve the safety standards of our national road network over the following decade. The AusRAP safety star rating[9] for national highways, and key freight routes, should be published by the end of 2025. This must be delivered.

The 2013 proposal for road upgrades to deliver an 85 percent target still resulted in the majority of highways in the Northern Territory remaining below the 3-star standard.[10] NatRoad recommends the 3-star target for national routes is expanded to 100 percent by 2035. Without an expansion of the target, there is a significant risk below-standard highways will continue to represent a sizeable proportion of travel routes in regional and remote areas.

Improvements to the star rating of a road delivers greater safety benefits and reduced costs of crashes. Each improvement in star rating for a road approximately halves the risk of death or serious injury.[11] A real commitment to Vision Zero[12] from governments will require commitment to further road upgrades above and beyond the 3-star target.

While the ratings system considers various road characteristics, and features for other modes of transport, there does not appear to be any consideration of heavy vehicle rest areas. AusRAP should be adapted to align with the Austroads guidelines for heavy vehicle rest areas to reduce the risk of fatigue-related crashes.

NatRoad also notes the current target does nothing to improve local roads, where a substantial number of crashes occur. Governments should begin cost assessments of establishing a pathway to minimum 3-star ratings for local roads.

[9] Originally introduced by the Australian Automobile Association, AusRAP is the Australian adaption of iRAP and is now overseen by Austroads.

[10] AAA/AusRAP. 2013. Star Rating Australia's National Network of Highways. 15.

[11] iRAP. Are our roads 3-star or better? Accessed January 2025.

[12] For more: Vision zero and the safe system

Aligning road investment with minimum star ratings would directly target the worst parts of the road network and improve road investment in regional and remote regions.

This is illustrated by the $7.2 billion in new Australian Government funding for the Bruce Highway with the central objective to bring it up to a minimum 3-star rating. The investment will prioritise regional connections, including Maryborough to Benaraby, Rockhampton to St Lawrence, Bown to Townsville and Ingham to Innisfail.[13]

Vehicle safety technologies

The Safer Freight Vehicles Package established new requirements for the installation of modern safety technologies on heavy vehicles but only apply to 2.55m wide vehicles.

The technologies and devices included in the package involved new or amended Australian Design Rules for:

- Devices for indirect vision.
- Lane departure warning systems.
- Blind spot information systems.
- Side underrun protection.
- Rear vision mirrors.
- Commercial vehicle brake systems.
- Advanced emergency braking.[14]

These safety technology requirements should be extended to all new heavy vehicles following technical consultations with industry (i.e. vehicles meeting the traditional width design at 2.5m as well as the new wider 2.55m design rules).

Skilled workforce

Australia faces a significant truck driver shortage of over 26,000 unfilled positions.[15] At the same time, road freight is projected to increase by 77 percent from 2020 to 2050.[16]

In 2024, NatRoad brought the global IRU truck driver shortage survey to Australia for the first time. With strong engagement from industry, the survey has quantified the size of the challenge:

- Australia had 26,049 unfilled truck driver positions in 2024.

[13] Minister King. 6 January 2025. $7.2 billion in new funding from the Australian Government to fix Bruce Highway.

[14] Australian Government. October 2023. Guide to safer freight vehicles. 4.

[15] NatRoad. 2024. National leadership to address the truck driver shortage.

[16] BITRE, 2022, Australian aggregate freight forecasts – 2022 update.

- 49 percent of road freight transport businesses face severe or very severe difficulties filling driver positions. For larger businesses, this reaches 70 percent.
- 38 percent of businesses expect more difficulties to be encountered in 2025, with only 11 percent expecting less difficulties.
- Women drivers are only 6.5 percent of the driver workforce. The average age of a driver is 49, and 47 percent of drivers are aged 55 or older.[17]

While filling driver positions is critical, safer drivers are essential for achieving safer roads. We must ensure all truck drivers, including those entering road freight transport from overseas and other industries, have the skills and knowledge to safely operate a heavy vehicle in Australian on-road conditions. NatRoad has proposed a Road Freight Workforce Action Plan that includes measures to improve the quality of driver training.

Our plan for safer drivers and addressing the driver shortage

The Australian Government must provide national leadership to address the driver shortage, and improved road safety by leading co-ordination through National Cabinet to deliver a Road Freight Workforce Action Plan.

NatRoad's Road Freight Workforce Action Plan has 8 key elements:

1. Create a national truck driver standard.
2. Implementing the national truck driver apprenticeship.
3. Create a national heavy vehicle skills hub.
4. Introduce training incentives.
5. Reform licensing and training.
6. Deliver key actions in the ISA Workforce Plan.
7. Recognise driver skill levels.
8. Address other road freight industry skills shortage.

The plan includes recommendations to recognise driver skills levels by establishing a new skill classification for articulated truck drivers at skill level 3 (as part of the ANZSCO skill levels), and to redesignate tanker truck drivers as a skill level 3. These recommendations have now been adopted.

NatRoad has also called for licensing in all Australian jurisdictions to require nationally recognised training focusing on practical outcomes to obtain a license. Time-based licensing does not ensure the ability to drive. Drivers from overseas need to undertake local training to ensure they understand the vehicles, road network, and related rules in Australia.

The risk of potential unsafe practices needs to be addressed through education, and career pathways ensured to encourage new entrants. Consistent and standardised training is essential for a safer and more efficient industry.

[17] NatRoad. 2024. National leadership to address the truck driver shortage.

Ultimately, there is a clear need to broaden mindsets. Industry Skills Australia (ISA) has identified "Heavy vehicle driving presents numerous perceived challenges and a poor image, which can deter potential candidates, especially those from a wider, more diverse demographic. However, the basis for these perceptions is often based on a misunderstanding of the roles."[18] ISA also identifies the need to adapt approaches and adopt more innovative work practices is important to attract and retain a more diverse workforce.[19]

Truck driving is skewed by both age and gender and faces a significant shortage. Further information is available in the NatRoad policy statement addressing the truck driver shortage.

Defined costs

The current economic and regulatory operating environment for the sector is the most difficult in living memory. Aside from the well-publicised collapse of 'Scott's Refrigerated,' the exit from the industry of smaller, less well-documented operators continues unabated and relatively unnoticed.

Following the pandemic, operators are struggling with persistently high fuel prices; inflation; excessively high motorway tolls; the impact of natural disasters; unfair and harsh contracts; a disrupted global supply chain, and a chronic shortage of drivers and mechanics.

NatRoad members consistently report challenges from rising costs, including increases to diesel, wages, vehicle maintenance and tyres, and the impact of higher interest rates such as on vehicle costs.

Independent assessment has found that "soaring fuel prices have eroded profit."[20] Overall industry revenue has also declined, and intense competition has placed "significant downwards pressure on freight rates."[21]

NatRoad is taking practical action to assist operators, with key savings available to our members.

HVNL costs and the flow on effect to industry

The HVNL does not prioritise addressing costs or the impact they have on industry. Inconsistent bureaucracy – such as defect clearances – result in lost time on the road, and lost income for no public policy outcome. Access permits impose administrative costs on the NHVR, which must ultimately be borne by industry.[22]

The NHVR budget is recovered through heavy vehicle road user charges. The budget has grown in recent years as activities shift from state agencies to the NHVR. It is imperative a greater focus is given to containing NHVR and HVNL costs.

[18] ISA. 2024. Transport and Logistics 2024 Workforce Plan. 26.

[19] ISA. 2024. 17.

[20] IBISWorld. 2024. Road Freight Transport in Australia – Market Research Report (2014-2029).

[21] IBISWorld. 2024.

[22] Both issues are covered in more detail in the section on productivity.

Additionally, NatRoad believes a stronger assessment of penalties associated with road safety impacts is required. The HVNL review doesn't go far enough with safety, however penalises basic infringements. There is no evidence that doubling down on a punitive approach to penalties will somehow deliver a safer industry.

NatRoad has recommended proposed increases to penalties should not proceed, and that greater reductions should be delivered.

Road user charges

Almost 80 percent of NatRoad members nominated rising fuel prices and road user charges as the most significant challenge they are facing over the next 12 months.[23]

Transport businesses have endured three consecutive years of six percent increases to the road user charge (from 2023-24 to 2025-26), on top of rising fuel costs. Governments had previously considered consecutive increases of 10 percent, which would have been crippling.

Heavy vehicles pay for their use of the road network through the fuel-based road user charge and high vehicle registration charges. Significant increases in infrastructure spending by governments leads to pressure for significantly higher road user charges over a short period.

A forward-looking cost base would smooth out changes to road user charges creating a more predictable and gradual impact on business.

Governments should decide road user charges with a forward-looking cost base, allocating the costs of infrastructure investment over the life cycle of the investment.[24] The details are complex and NatRoad looks forward to expected consultations on the proposed model, ahead of the next heavy vehicle pricing decision due to take effect from July 2026.

State and territory tax reform

Australia needs considered tax reform to address inefficient and unfair taxes and charges. These include:

- Stamp duty
- High heavy vehicle tolls
- Landside port charges.

[23] 2024 NatRoad member survey.

[24] The FLCB is being developed by the National Transport Commission, for consideration by the Infrastructure and Transport Ministers Meeting.

Stamp duty

Stamp duty is an inefficient tax that discourages investment – yet it applies to businesses deploying safer and cleaner vehicles onto our roads. It is incompatible with public goals of lower emissions and improving safety outcomes and should be phased out.

Heavy vehicle tolls

The pricing approach to heavy vehicle tolls has lost sight of the need to achieve outcomes for public benefit, and there is no transparent link with cost recovery. It fails to acknowledge the commercial realities of trucking businesses, seeking to extract value that ultimately results in boosting the profits of large private toll companies. The claimed commercial value from use of toll roads is often an illusion. The toll is, in fact, just a simple tax – except the revenue goes to private profits, not public revenue.

More information is available in NatRoad's response to the Independent Toll Review.

Landside port charges

In 2024 the ACCC conducted a detailed examination of the charges levied by stevedores on transport operators (otherwise known as landside charges). The ACCC raises concerns about limited competition and likely market failures, undermining the pricing benefits from increased competition in stevedoring. The ACCC concludes that "given current cost of living pressures, we consider this element of the supply chain might benefit from a policy or regulatory response which improves efficiency by addressing market failures."[25]

NatRoad has advocated for independent price regulation of landside port charges. Failure to respond to industry concerns is now impacting the cost-of-living crisis. The evidence continues to mount that action is required.

Increased productivity

The economic benefits from boosting productivity by improving heavy vehicle access have been well established. Deloitte has found that **reforms to improve heavy vehicle access would save the average consumer $452 per annum.**[26] Additionally, the economic benefits from improved access has been a central element of the cost benefit assessment of the original introduction of the HVNL and proposed Heavy Vehicle Road Reform.[27]

To eliminate 90 percent of access permits by 2028 there are two key areas of change required:

a. Heavy vehicle road access permits vs notices

The administrative burden for heavy vehicle road access permits has more than doubled in the last decade. In 2014-15, the National Heavy Vehicle Regulator (NHVR) issued over 78,500 access permits.[28] In 2023-24 this had more than doubled to over 172,000 access permits, including a growth

[25] ACCC. 20 December 2024. Disruptions and price rises persist in the container freight supply chain, report finds.

[26] Deloitte, 2019, Economic benefits of improved regulation in the Australian trucking industry, 46.

[27] See ATA. 2020. HVNL Chapter 9 submission for further information.

[28] NHVR. 2015. Annual Report 2014-2015. 3.

of 21,000 in just 12 months.[29] When considered alongside an average 11.5-day turnaround for permits, that is almost 2 million days in regulatory delays for industry just to get access to the road network.

Industry also faces numerous rejected permits, often for obscure reasons, meaning the number of permit applications and fees is even higher. The NHVR spends over $8.3 million in compliance and direct costs relating to access permits[30] illustrating that red tape reliant systems are also costly to administer. The NHVR budget is then added to the cost burden on industry. Industry is paying for permits, wearing the costs of regulatory processing delays, and then paying the bill of administering a complex bureaucratic system.

b. Digitisation of access process

The 2022 Kanofski recommendations called for a National Automated Access System (NAAS) to be established within three years, and a reduction of permits by 50 percent within three years. Access permits for all classes of heavy vehicles were to be reduced by 90 percent within 5 years. NatRoad welcomes the work underway towards a NAAS, but the Kanofski timeline is not on track.

As has always been the intent, NAAS should be built on the success of the Tasmanian HVAMS model. The system should provide a move away from permits to network based access. It is critical the future NAAS is not just a layer of automation over the top of an existing broken permit system.

All governments should commit to eliminating at least 90 percent of access permits by 2028 across all heavy vehicle classes, supported with a clear delivery plan including resourcing required to establish NAAS. Governments must also ensure proposed changes to improve general access mass limits, length and height are approved in 2025.

Defect notice clearance

Defect notices are issued when a vehicle is believed to not comply with heavy vehicle standards, or when a component makes the use of the vehicle unsafe. While it is stated these notices can be cleared in any state or territory, in practice the arrangements differ by jurisdiction.[31] Defect notices are meant to address safety concerns. There is no benefit from inconsistent and clunky administrative and customer facing processes. Clearing defect notices should be clear, consistent, and automatic across state borders.

Effective infrastructure investment

Alongside creating a more stable pathway for road user charges to avoid significant spikes, governments must ensure infrastructure investment is effective and represents value for money. Increases in heavy vehicle charges are driven by increases in infrastructure funding, with little regard for the effectiveness of the funding, ability of industry to pay, or ensuring heavy vehicle priorities are being funded.

[29] NHVR. 2024. Annual Report 2023-2024. 31.

[30] NHVR. 2024. 70.

[31] Refer to Defect clearance tables produced by the NHVR at Heavy vehicle defects.

Governments, including the states and territories, to maximise effectiveness of infrastructure funding by improving the selection and delivery of projects plus to avoid cost blow outs. This includes implementing road service level standards to guide funding to where it is needed most – with a focus on minimum road safety star ratings.

Investments should also be tied to improved access regulatory approvals, such as improved notices or improved permit conditions to make sure the productivity benefits of new infrastructure are realised on the ground for road freight businesses. For example, new stronger bridges capable of carrying vehicles with higher mass will result in improved access for higher mass vehicles on that route.

Lower emissions

Freight transport accounts for approximately 7 percent of Australia's total carbon emissions. When combined with passenger transport, the figure reaches approximately 20 percent. Within the 7 percent attributable to freight, about 83 percent is a result of road freight.[32]

Transport emissions are the fastest growing sector of carbon emissions and the only sector where total emissions are still rising. All other major sectors either stabilising or achieving reductions.[33]

The high costs of transitioning to alternate energy and fuels - including electrification, renewable diesel, biodiesel, and hydrogen - create a significant barrier for road freight transport businesses to reduce emissions and meet customer and government expectations. In the 2024 NatRoad member survey over one third of surveyed members indicated alternate fuels will present a 'significant challenge' or 'challenge' in 2025.

For an industry operating on tight margins and facing rising costs, the cost barrier of the transition is insurmountable for most operators. Well over 90 percent of road freight businesses are small businesses. Existing funding from Government, while welcome, has almost exclusively only assisted the largest transport operators. Over time the head start for some risks becoming a competitive disadvantage for others.

Transport customers, including big business, have shown little progress in decarbonising their supply chains. Corporate sustainability strategies must be backed by financially sustainable transport rates and contacts, otherwise the broader industry is left ill-equipped to meet customer, community and government expectations and requirements for emissions reduction.

[32] Climateworks Centre. October 2023. Delivering freight decarbonisation. 6.

[33] Climate Change Authority. 2024. 2024 Annual Progress Report. 33.

Our plan for a cost-effective transition

NatRoad's *Stronger Economy, Lower Emissions* policy paper sets out a clear framework and policy pathways for the net zero transition.

A $3.5 billion Clean Transport Fund to help decarbonise the small business transport industry is the minimum allocation to transitioning the industry. This is a small level of funding in comparison to the billions spent assisting the electricity sector (dominated by big energy companies) and the billions intended to be spent building either a renewables focused grid or a nuclear backed grid.

The Grattan Institute has calculated **the public benefits from accelerating the uptake of zero emission trucks are approximately $4.2 billion**, including avoided health costs, avoided CO2 emissions and reduced noise. However, these benefits would require $9.6 billion in costs to business, including infrastructure, vehicles and a time and weight penalty.[34]

NatRoad's proposed Clean Transport Fund would be less than the projected public benefit, with up to $1 billion provided as financing which would ultimately be repaid. To be funded over seven years, the average annual cost would be $500 million. The cost over the budget forward estimates would be approximately $2 billion.

Euro VII emission standards

A plan for the continued use of the internal combustion engine to ensure it can compete in a low emission economy is needed. New Euro VII emission standards are reported to further reduce noxious emissions by significant margins, improving air quality and reducing health impacts. The standard also sets standards for brake particles, tire particles, vehicle durability and battery durability.[35] This also has implications for electric vehicles.

Euro VI emission standards were mandated in Europe in 2014/15, and it has taken an additional decade for the standard to be mandated in Australia (2024/25). Originally proposed for 2027, Euro VII is now scheduled for implementation in Europe in 2031. There are a range of implementation issues requiring detailed technical work and consultation. The Australian Government should commence this task and ensure transparency with industry.

Euro VII appears likely to lead to higher vehicle costs, and any Australian implementation must follow the phase out of stamp duty.

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[34] Grattan Institute, 2022, The Grattan truck plan. The modelling also includes $15.7 billion in benefits for business, but $12.5 billion is the result of avoided fuel costs. The model assumes all zero emission trucks will be electric, overstating this benefit and failing to account for the higher fuel costs of both green hydrogen and renewable diesel. This also means that the benefits cannot be assumed to apply across the industry equally, and longer distance and heavier transport operators are unlikely to receive the full scale of projected savings. Note: The Grattan Institiute utilise current carbon offset prices, it is possible that the carbon savings will be greater over time.

[35] ICCT. 2024. Euro 7: The new emission standard for light- and heavy-duty vehicles in the European Union.

Get Fleet Fit – practical advice for small and medium transport businesses

NatRoad has developed an industry leading decarbonisation initiative for trucking operators.

Get Fleet Fit consists of a five-step plan, with guides and resources to support trucking operators to improve fuel efficiency, reduce costs and reduce emissions. The resources are designed to support small and medium transport businesses develop a strategy for their own business and includes case studies showing how others have successfully achieved their goals.

Future reform directions

Road to 2028 sets out a clear set of recommendations over the next three years to deliver a safer, more productive, and more sustainable road freight industry. Understanding policy reform is an ongoing task and there will be more to do, these actions would provide real progress. NatRoad is also seeking ongoing research, evidence, and contributions to building a better understanding of actions to deliver on the five key outcome areas and ensure a better evidence base for future reform decisions.

Specific questions to be addressed over the next three years to prepare for future decisions are included below. Both industry and governments need an improved understanding of these areas.

Research questions

Safer roads

- Costs and benefits of moving to a minimum 4-star national highway network.
- Costs and benefits of ensuring local roads meet a minimum 3- or 4-star safety rating.
- Identifying all gaps in rest area provision.
- Costs, benefits, and safety impact of prescriptive requirements under the Heavy Vehicle National Law.

Skilled workforce

- Data and evidence on why individuals do not choose to enter the road freight sector.
- Effective policy responses to growing driver distraction across all vehicle types.

Defined costs

- Cumulative impact of regulatory costs.
- Costs and benefits of a distance-based road user charge, including light vehicles.

Increased productivity

- Impact of freight growth projections on growth in truck numbers, and differences that would result from improved access and productivity, including impacts on sustainability and safety.

Lower emissions

- Total cost of ownership modelling on Australian freight tasks, including future projections and with regular updates.
- Real world emissions impact of different solutions in the Australian context.
- Ensuring transport customers play a fair financial role in supply chain decarbonisation.