Toll Group

Submission: Inquiry into the importance of a viable, safe, sustainable and efficient road transport industry.

Toll Group
Level 7, 380 St Kilda Road
Melbourne VIC 3004 Australia

T +61 3 9694 2888
F +61 3 9049 4111
www.tollgroup.com

Toll Holdings Ltd
ABN 25 006 592 089

8 November 2019

Committee Secretary
Senate Rural and Regional Affairs and Transport References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Secretary

Toll Group welcomes the opportunity to provide a submission to the Regional Affairs and Transport References Committee's (the Committee) inquiry into the importance of a viable, safe, sustainable and efficient road transport industry (the Inquiry).

Road transport is a critical enabler of the Australian economy contributing $122.3 billion of GDP in 2015-16, however the industry is under stress due to a shifting competitive landscape and a challenging economic environment. A viable, safe, sustainable and efficient industry is in the best interest of not only the industry, but all Australians and Toll Group welcomes the opportunity to provide a submission to the Inquiry.

Toll Group understands that the Committee's Terms of Reference include:

a) the importance of an enforceable minimum award rate and sustainable standards and conditions for all stakeholders in the road transport industry;
b) the development and maintenance of road transport infrastructure to ensure a safe and efficient road transport industry;
c) the regulatory impact, including the appropriateness, relevance and adequacy of the legislative framework, on all stakeholders in the road transport industry;
d) the training and career pathways to support, develop and sustain the road transport industry;
e) the social and economic impact of road-related injury, trauma and death;
f) efficient cost-recovery measures for industry stakeholders, including subcontractors;
g) the impact of new technologies and advancements in freight distribution, vehicle design, road safety and alternative fuels;
h) the importance of establishing a formal consultative relationship between the road transport industry and all levels of government in Australia; and
i) other related matters.

The inquiry is an important opportunity to increase awareness among policymakers and build bipartisan support for critical reform of Australia's road transport sector. While this submission provides a general perspective on the issues raised in your terms of reference, we would also welcome the opportunity to discuss our priorities with you directly.

Yours sincerely,

Michael Byrne

Managing Director

Toll Group

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F +61 3 9049 4111
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Contents

Toll operates an extensive network of operations across 1,200 sites in over 50 countries

1. Executive Summary

Australia's road freight industry consists of over 51,000 businesses, of which 53 per cent are non-employing owner drivers and 45 per cent are small businesses with 19 or fewer employees[1]. This effectively means 98 per cent of the industry are small businesses. Less than 0.1% of all operators have more than 200 employees. While Toll Group is the largest operator in the road freight sector in Australia its market share still makes up a fraction of the total industry at around 9 per cent[2].

Total transport activity, as defined in the Australian Transport Economic Account[3], contributed 7.4% ($122.3b) of GDP in 2015-16 and there were an estimated 1.1 million transport related jobs across all industries, accounting for 8.4 per cent of total jobs in the economy. The sector has experienced unprecedented growth, with the domestic freight task increasing by 50 per cent over the 10 years to 2016.

Policy development in Australia reflects the diverse nature of the industry and Australia's vast distances. There is a genuine fear of enacting change that will increase cost in a country where the freight task is so significant and where many operators are small businesses. For example, flexibility in fatigue laws are accepted in some jurisdictions purely on the basis that it takes a certain number of hours to drive from one end of the state to another.

The industry is represented by a plethora of state based and national advocacy groups, many advocating for divergent views on policy reform. This combined with multiple overlapping state and federal based regulations has contributed to a very low appetite for reform in Australia. Policies like operator licencing, electronic work diaries and mandatory telematics have been embraced internationally but have languished in bureaucratic processes or placed in the 'too hard' basket by politicians.

While the last 10 years have seen unprecedented growth, the industry is currently facing subdued growth forecasts driven by heightened geo-political tensions. When freight volumes decline, financial sustainability is challenged due to high fixed costs. New market entrants, while welcome, are also challenging traditional transport companies. Online based operators have asset light balance sheets, and their labour can 'flex' with demand as they utilise an on-demand workforce made up of subcontractors or driver 'partners'.

In a highly competitive, diverse industry that is facing challenging economic times and disruptive business models, there is a propensity for a 'race to the bottom' on price. This should not come at the expense of safety, minimum standards, fair working conditions or award level wages. If we are going to attract the next generation of highly skilled professionals into the industry, they must have secure employment, reasonable working conditions (including working hours), the ability to grow and build their career but most importantly they should come home to their families safe.

On that critical element of getting home safe, progress has halted. The NTI has reported a stagnation in the overall safety performance of the heavy vehicle fleet. According to NTI data, 1 heavy vehicle is involved in a fatal crash per billion tonne kilometres of freight. This measure of safety performance consistently improved from 1.85 in 2004 to just over 1 in 2015, however is now remaining essentially static. Government statistics also indicate that some vehicle categories are going backwards. Fatalities involving heavy rigid trucks

[1] Australian Bureau of Statistics, February 2019, 8165.0 Counts of Australian Businesses, including Entries and Exits, June 2014 to June 2018.
[2] IBISWorld company report – prepared for Toll Holdings (March 2017)
[3] Total transport activity includes for-hire transport activity and in-house transport activity of businesses in non-transport industries.

increased by 17.5 per cent over the three years to June 2019, that's an additional 14 deaths on our roads[4]. This is simply not acceptable, and governments should be driving evidence-based reform as a matter of urgency.

Many of the recommendations in this submission have been proposed time and time again. There are various reasons for that, but generally it is because sections of the industry dislike them. Road safety shouldn't be about what some people like or not, it should be about all of us having the moral courage to say "I will do all that I can to ensure that everyone gets home from work safely."

To place these objections in context, there were several objections raised to the introduction of compulsory seat belt laws in the 1970s. A 1969 survey undertaken by the RACV in Victoria found that 53 per cent were NOT in favour of the compulsory wearing of seatbelts by the driver and their passengers. Some of the objections raised to the Victorian Parliament Committee and the Committee's response to these make for interesting reading.

Objection:
"In some vehicles handbrakes, control knobs, and auxiliary items such as radio controls and ash trays cannot be reached by a driver wearing a combination lap and sash belt."

Committee reply:
"It would appear that in this objection death or serious injury are considered secondary to convenience."

Objection:
"It has been suggested that the wearing of seat belts should be a matter of individual choice and that compulsion represents an infringement of personal liberty."

Committee reply:
"The Committee believes that there should not be compromise with death and injury where motor vehicle accidents are concerned."

Toll asks that we all accept that we should not compromise with death and injury on our roads.

[4] Fatal Heavy Vehicle Crashes Australia Bulletin – BITRE – April-June 2019

2. Recommendations

Recommendation 1:

The Committee recommend that the Government undertake a review into the increase in fatalities involving heavy rigids over the last 3 years as a matter of urgency.

Recommendation 2:

The Committee recommend that the Government introduce a construction logistics safety code for companies looking to tender for government projects to increase safety in the industry.

Recommendation 3:

The Committee recommend that the Government task the ATSB to conduct no-blame safety investigations for heavy vehicles.

Recommendation 4:

The Committee recommend the Australian Government implement safety reforms outlined within Toll's 6-point plan for road safety including introducing operator licensing, mandatory electronic work diaries, incentives for the purchase of newer safer vehicles and mandatory truck education through state-based graduated licencing schemes.

Recommendation 5:

The Committee recommend that the NHVR pursue prosecutions under Chain of Responsibility and review the effectiveness of enforcement along the supply chain on a biannual basis.

Recommendation 6:

The Committee recommend the Australian Government establish a heavy vehicle road safety incentive fund to encourage states and territories to harmonise drug and alcohol testing, speed limits, the definition of a truck and fatigue laws.

Recommendation 7:

The Committee recommend that the Australian Government fund an education and awareness campaign through the National Heavy Vehicle Regulator around the benefits to small operators from the use of telematics devices, both in safety and efficiency.

Recommendation 8:

The Committee recommend the Australian Government fund in partnership with industry a program to attract young people and women to the industry.

Recommendation 9:

The Committee recommend that the National Heavy Vehicle Driver Competency Framework be reviewed to ensure people entering the industry are well supported and have the right level of skills and training.

Recommendation 10:

The Committee recommend the Australian Government use the Road Freight Telematics Project to determine the top ten most underserved truck rest stops in Australia for targeted funding.

Recommendation 11:

The Committee recommend the Australian Government develop an incentive program for business that attracts young trainees, females and people from disadvantaged backgrounds into the industry.

Recommendation 12:

The Committee recommend the Australian Government mandate a fitness for duty standard in the road transport sector as occurs in rail, maritime and aviation.

Recommendation 13:

The Committee recommend the Australian Government mandate telematics in the road freight industry to ensure competitive neutrality and increase minimum standards.

Recommendation 14:

The Committee recommend the Australian Government look at options for incentivising smaller operators to install safety technologies.

Recommendation 15:

The Committee recommend that the Government establish a dedicated fund to cover upgrades to infrastructure and community awareness campaigns to increase High Productivity Vehicle access across the road network.

Recommendation 16:

The Committee recommend that the Government dedicate the funds paid for by heavy vehicle operators into infrastructure that supports the movement of freight.

Recommendation 17:

The Committee recommend that the Government use data captured as part of BITRE's Freight Telematics Project to better inform freight related infrastructure expenditure.

Recommendation 18:

The Committee recommend that the Australian Government undertake a review into whether private toll roads are an unregulated monopoly when concessional deeds restrict access to alternate routes.

Recommendation 19:

The Committee recommend that the ACCC develop a code of conduct setting out minimum obligations for suppliers when engaging transport operators for supply agreements.

Recommendation 20:

The Committee recommend that the Australian Government undertake a review of the effectiveness of P2P speed cameras with a view to educate and incentivise take-up within state and territory enforcement agencies.

Recommendation 21:

The Committee recommend that the Australian Government commission a regulation impact statement that looks at mandating electronic work diaries in Australia by 2025.

About Toll Group - Australia's leading road transport provider

Toll Group, proudly part of Japan Post, is the Asian region's leading provider of integrated logistics services. With annualised revenue in excess of $8 billion, we employ around 44,000 people through a network of 1,200 sites in more than 50 countries.

Toll Group's substantial international presence makes it one of the most geographically diverse Australian multinationals. In Australia, Toll Group directly employs around 20,000 people. Toll Group is an iconic company in Australia with a 125 year history of providing transport, logistics and warehousing services.

Toll Group is Australia's largest mover of freight. Our nearly 3,000 heavy vehicles travel around 300 million kilometres across the country to deliver 54 million consignments each year. Our fleet includes pick-up and delivery (PUD) vehicles, linehaul vehicles and custom built performance based standards (PBS) vehicles. The movement of freight is supported by a sophisticated network of consolidation and distribution centres, warehouses, intermodal facilities and dedicated driver residencies and change-over areas.

Toll aspires to be recognised as an industry leader in safety and believes that its approach to safety and compliance is a key market differentiator.

TOLL

3. The truck road safety crisis in Australia

Statistics tell us around 200 people are killed and another 1700 are seriously hurt on our roads because of crashes involving trucks each year. The real impact of this is that nearly 2000 families each year are suffering because of road trauma brought about by truck crashes. What government and policy makers will tell you is that, although shocking, the trend is tracking down and the industry is getting safer.

This may be the case for articulated trucks and buses however, alarmingly, fatal crashes involving heavy rigid trucks have been trending up over the last 3 years, and tragically an additional 14 people have died (see Figure 1). The increase in fatalities related to incidences involving heavy rigids requires urgent consideration by policy makers and researchers across Australia. Possible explanations could include that heavy rigids have lower safety features, attract less regulatory oversight, are generally older or there are more of them on the road. Some of these theories are explored in greater detail.

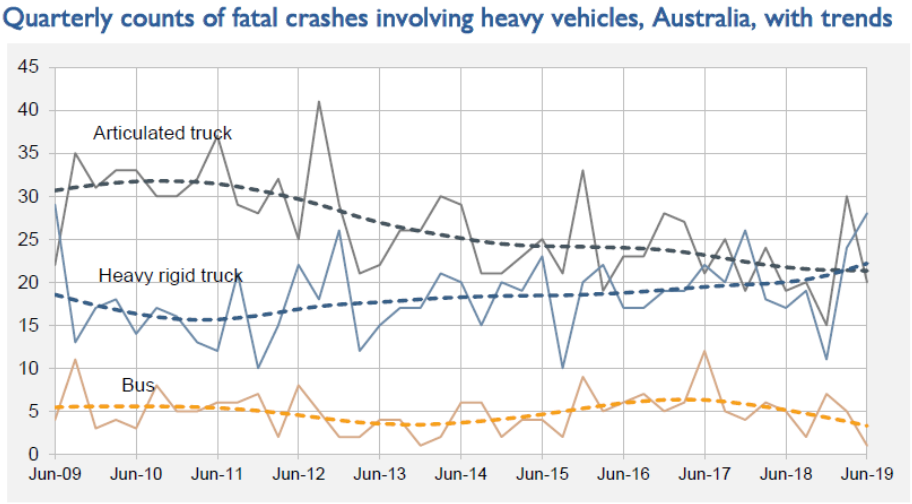

Figure 1: Quarterly counts of fatal crashes BITRE (2019)

From a review of heavy vehicle registrations, articulated trucks have grown at a rate of around 7.4 per cent over the last 5 years while heavy rigids have grown at 9.8 per cent since 2014 (see Figure 2). This indicates that the growth in registrations may in part explain the increase in fatalities, but is unlikely to explain all of the increase.

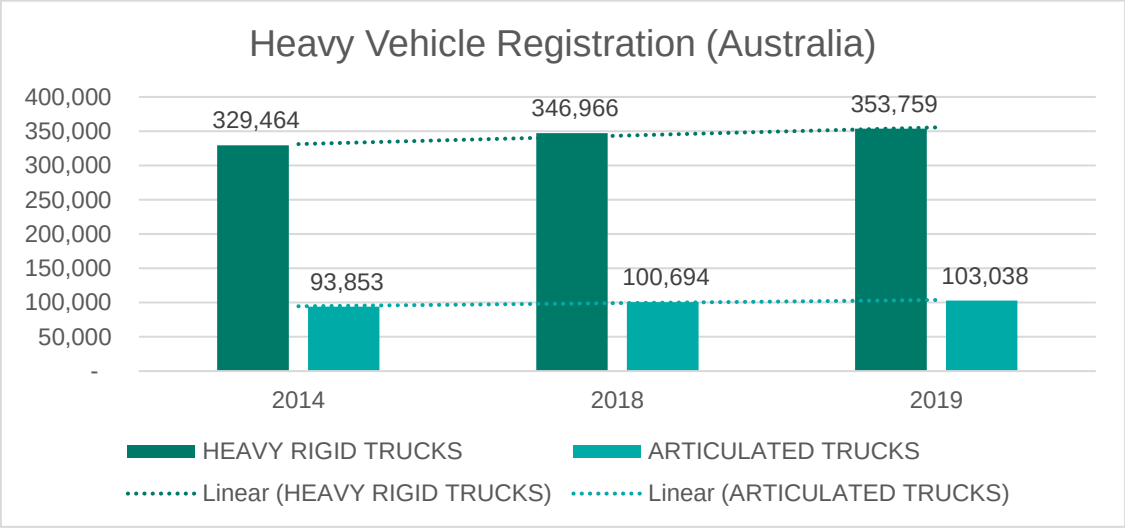

Figure 2: Heavy Vehicle Registrations ABS (2019)

Australia's heavy vehicle trucking fleet is one of the oldest in the developed world, however articulated trucks, on average, are around 4 years newer than heavy rigids. This makes heavy rigid trucks more dangerous in general, however doesn't fully explain the increase in fatalities over the last 3 years as the average age has remained static at around 15.6 years (see Figure 3).

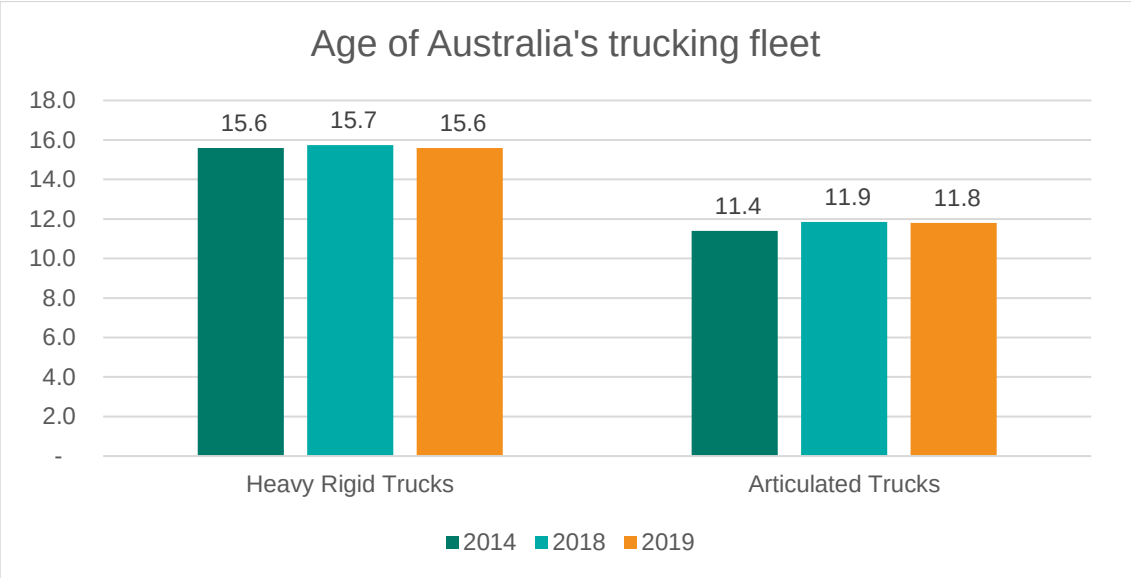

Figure 3: Age of Australia's heavy vehicle fleet ABS (2019)

Heavy Rigids are more likely to be involved in construction activity around Australia's metropolitan areas and this has been raised as a potential contributing factor by some in the industry given the large number of construction projects underway. There are question marks as to whether government – as the prime contractor – has sufficiently prioritised safety when making its construction transport purchasing decisions. In the UK, a Construction Logistics and Community Safety (CLOCS) standard was developed that demands collaborative action to prevent fatal or serious collisions between vehicles servicing construction projects and vulnerable road users[5]. Construction companies are incentivised to be CLOCS compliant to win major construction work. This model should be considered in Australia given the unprecedented construction activity underway and the significant increase in accidents involving heavy rigids.

Other contributing factors could include that the vehicle class is in a more affordable price range and therefore attracts operators that have lower capacities to invest in safe practices and technology. A government led review into the increase in fatalities should be undertaken urgently with a detailed policy response and action plan developed to address the crisis.

Much of this information would already be known to the industry and government if Australia had a system of no-blame safety investigations for heavy vehicles. Australia has an outstanding no-blame safety investigation agency, the Australian Transport Safety Bureau (ATSB), but it does not investigate heavy vehicle crashes – unless they occur at a level crossing. No-blame safety investigation is key to understanding the root causes of crashes and publishing the results will help industry learn from incidents and prevent recurrence. This should be introduced immediately.

[5] Construction Logistics and Community Safety – accessed at: https://www.clocs.org.uk/

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Recommendation 3:

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4. Toll's 6-point plan for road safety

Toll Group's Managing Director, Michael Byrne wrote to all transport and road safety ministers across Australia in January 2018 calling on them to urgently address six critical areas needed to improve road safety on Australian roads. Not only will many of these reforms address the safety of the industry but also, it's ongoing viability. Where operators can break the law through a lack of enforcement or enter the industry with minimal checks like whether they have the financial capacity to maintain a truck or pass a fit and proper person test, there will be a race to the bottom on price, with good operators penalised.

These critical reforms include:

1. **Legislation harmonisation:** have one rule book for heavy vehicles and heavy vehicle drivers across the country. No variations, no exceptions. This must cover a standard definition of a heavy vehicle as well as a national approach to mandatory stationary rest times for heavy vehicle drivers, speed limits for heavy vehicles and a driver licensing system.
2. **Operator licensing system:** Introduce a national operator licensing system.
3. **Community driver education:** Enhance community understanding of how to drive safely around trucks, including through the graduated licensing system and education campaigns.
4. **Fleet safety incentives:** Incentivise and reward safe, modern fleets with life-saving technologies.
5. **Vehicle telematics:** Make telematics mandatory for regulatory purposes. For example, an Electronic Work Diary should be mandatory by 2025.
6. **Industry representation**: Draw on private sector expertise from transport operators in any discussion on improving road safety outcomes pertaining to heavy vehicles.

Toll stands ready and willing to work with all stakeholders to progress the 6-point action plan but acknowledges that some stakeholders in the industry are influenced fundamentally by cost rather than safety. To address this issue, a seventh action may need to be added and that's REAL Chain of Responsibility (CoR).

CoR was first enshrined in the Compliance and Enforcement Bill of 2003 and replicated, largely unchanged, in the Heavy Vehicle National Law in 2014. It operates on an assumption of shared responsibility and accountability. The law infers, though doesn't explicitly state, that customers must select their freight carriers on factors other than price alone. Through the primary obligations and other provisions customers must assess the capacity of their carriers to manage the risks inherent in the transport task and make purchasing decisions accordingly.

For CoR to work, at least one of three pre-conditions must be met. Customers must (1) have a genuine commitment to safety, (2) be protective of their reputation and fearful of negative press exposure or, (3) view financial or other legal sanctions as sufficiently possible/probable that they are motivated to comply. If CoR is not deeply and consistently influencing the decisions that customers make, then the system is fundamentally flawed and must be reviewed. Outside of NSW, there is little evidence that CoR investigations occur. In addition to a review of CoR, innovative ways to incentivise customers to choose safe operators should be explored, for example 'black lists' could be developed by enforcement agencies or operators could be given regulatory concessions when certain technologies are adopted.

In addition to a review of CoR, a step change is required by governments and stakeholders in the industry. There should be a return to evidenced based decision making and governments should be courageous enough to stand for reform where benefits exceed costs. An incentive program should be established to reward states and territories to harmonise drug and alcohol testing, speed limits, the definition of a truck and fatigue laws.

In addition, to better inform the 98 per cent of the road freight industry that are classified as small businesses, the government should look at education and awareness campaigns that seek to inform operators of the benefits of key reforms like electronic work diaries or the use of telematics to manage speed.

Recommendation 4:

The Committee recommend the Australian Government implement safety reforms outlined within Toll's 6-point plan for road safety including introducing operator licensing, mandatory electronic work diaries, incentives for the purchase of newer safer vehicles and mandatory truck education through state-based graduated licencing schemes.

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“We have immediate, critical opportunities before us today that, when implemented, will save lives. We know what needs to be done. It is time for action.”

Michael Byrne
Toll Group
Managing Director

5. Attracting and retaining drivers in our industry

The rising cost of doing business in the road freight industry is impacting safety and the ability to maintain minimum standards. One of the largest, often hidden costs, is a critical shortage of drivers and other supporting trades. Driver shortages increase the cost to industry through higher wages, increased expenditure on recruitment and reduced productivity where trucks need to be grounded due to a lack of available labour. A recent report *National profile of transport, postal and warehousing workers in 2016* analysed workforce trends in the sector from 2011 to 2018[6] and found that:

- The single most important occupation is truck drivers, with 78 500 working in Transport Postal and Warehousing (TWP) in 2016, representing a decline of 6 400 from 2011.
- The gender mix has changed little over the ten years ended 2016, with males accounting for around 77 per cent of employed persons in both 2006 and 2016, in road transport this was higher at 85 per cent.
- The workforce has been ageing rapidly— the proportion of persons aged 55 and over stood at 19.4 per cent in 2006, and rose to 25.4 per cent in 2016, a rise that was 2 per cent higher than other sectors.
- The industry has the second oldest workforce after the agriculture, forestry and fishing industry, and road transport has the highest median sub-sector age at 47 with 30.1 per cent of workers aged 55 and over.
- Long working hours are particularly prevalent in road transport (where 30 per cent work 49 or more hours per week) and the median working week is 40 hours. While there has been an economy-wide shift away from extra-long working weeks, the shift has been much more pronounced in the TPW industry.
- Average weekly earnings growth for TPW has outpaced the all-industry total (averaging 2.9 versus 2.5 per cent growth per annum) and total weekly earnings at $1,610 is well above the current minimum award rates of pay for full-time long-distance truck drivers which range between $814 and $924 per week.

The report paints a sobering picture of the demographics in the industry. Despite comparatively good wages, deficits in safety and status combine to make it unattractive. We have made no progress on attracting women to the workforce, we have an aging workforce, second only to farming, and we've lost 6,400 truck drivers during a time where the freight task has doubled. Government and industry need to work together to map out a blueprint for attracting people to the industry. If truck drivers keep declining at the current rate, the industry could come to a standstill.

One of the major hurdles young people face when entering the industry is the licensing process. A heavy rigid (HR) licence is possible after two years of holding a car licence. A heavy combination (HC) licence is possible after one year of holding a HR licence. A multicombination (MC) licence is possible after one year of holding a HR or HC licence and undertaking a training course. By the time they're eligible to be truck drivers it is probable that younger people have already embarked on other career paths.

Women tend to be deterred from truck driving by a lack of facilities in rest areas (especially toilets), security concerns, shift work, long working days and/or family responsibilities. These issues have clearly not been addressed in any meaningful way over the last ten years. Upgrading truck rest stops along major freight routes should be an immediate priority to government. Not only would this investment provide much needed stimulus

[6] BITRE National profile of transport, postal and warehousing workers in 2016 accessed at: https://www.bitre.gov.au/publications/2019/files/is_104.pdf

to regional towns and communities, but it would also benefit the motoring public. Sites could be prioritised using travel information from the government's freight data hub so that investment is directed to the greatest need.

Attracting young people and women to the industry needs to be addressed as a matter of urgency by governments and the relevant skills authorities, however they also need to be well supported when they enter the industry. The National Heavy Vehicle Driver Competency Framework needs review to ensure people are supported into the industry with the right training. A May 2018 Austroads report found that the current framework was inadequate and that mandated training times and content should be made standard across all states and territories and that transport regulators take a more active role in setting and monitoring training standards[7]. This would also help create a national training package that could be marketed nationally.

Lastly, in relation to the aging workforce and often sedentary nature of the driving task, Toll is concerned that there is not enough focus within the industry on driver health and wellbeing. Around 12 per cent of the on-road and driver fatalities that involve Toll are caused by non-work-related issues.[8] These principally relate to drivers' cardiovascular health.

The approach to cardiovascular health in Assessing Fitness to Drive (AFTD) is limited in that it largely relies on driver self-report, does not include screening for diabetes or hyperlipidaemia, and does not include an ECG. This may account for why many drivers that die because of cardiovascular disease have no prior knowledge of the presence of the condition.[9] The Australian Trucking Association has also expressed reservations about the limitations of AFTD, principally with regards to diabetes, screening for sleep apnoea and cardiac screening.[10]

In response to this serious employee health and road safety problem, Toll is developing its own fitness for duty standard, however Toll's view is that the law should mandate fitness for duty standards as occurs in the rail, maritime and aviation sectors.

Recommendation 8:

The Committee recommend the Australian Government fund in partnership with industry a program to attract young people and women to the industry.

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[7] Austroads – Review of the National Heavy Vehicle Driver Competency Framework May 2018 accessed at: https://austroads.com.au/latest-news/review-of-the-national-heavy-vehicle-driver-competency-framework2
[8] Based on data from 30 June 2007 to 6 February 2019
[9] Routley, Staines, Brennan et al, *Suicide and Natural Deaths in Road Traffic – Review,* MUARC, August 2003, p. 20
[10] ATA, *Submission to Assessing Fitness to Drive: 2014 Review,* December 2014

6. Promoting technology in the industry

Australia's road freight industry consists of over 51,000 businesses, of which 53 per cent are non-employing owner drivers and 45 per cent are small businesses with 19 or fewer employees. This effectively means 98 per cent of the industry are small businesses. These smaller operators have limited resources and consequently limited capacity to invest in new technology.

The nature of the industry naturally influences government policy, including the question of how far and how fast to mandate technology uptake. Even where benefits clearly outweigh costs, governments hesitate or delay adoption. This impacts the sustainability of the industry in two ways. Firstly, good operators who invest in new technologies are penalised as they are often undercut on price by those who don't invest in safety, and secondly the social licence for the industry to operate is eroded through the public's perception of aged, dangerous trucks.

Truck safety features

A sobering example of how Australia lags internationally, is the time it has taken to mandate Autonomous Emergency Braking (AEB). Australia is currently 6 years behind Europe in mandating AEB for heavy vehicles. The Australian Trucking Association is now advocating for a further 12-month delay, which we do not support[11]. Toll mandates that all new equipment must have the latest safety features installed as standard. Toll has also recently invested $1.6 billion in new fleet and equipment[12]. Table 1 below shows the estimated impact on the road toll and economy through currently available vehicle technologies.

Table 1. Road toll impact through currently available technologies (Hoelzl, 2015)

Technology	Lives saved per year	$million per year
Autonomous emergency braking system	67	67-187
Lane departure warning system	16	45
Electronic stability control (ESC)	11	31
Fatigue warning system	10	28
Total	104	171-291

There are obviously natural inducements to adopting such technologies, even without government intervention. Many operators value their social license to operate and aspire to be good corporate and community citizens. Similarly, many customers are mindful of their reputations and will select carriers based on the safety of their fleet. However, the economic reality of the industry and its dominance by small businesses limits the benefits that would flow if take-up was extended throughout the entire fleet.

[11] Media release: Australian Trucking Association Reducing Heavy Vehicle Rear Impact Crashes accessed at: https://www.truck.net.au/advocacy/submissions/reducing-heavy-vehicle-rear-impact-crashes-autonomous-emergency-braking

[12] Estimate only – current at time of reporting.

Mandatory telematics

Toll Group believes that telematics should be mandatory in the Australian freight industry and that this is the most effective way of ensuring the safety of transport activity, meeting safety obligations and of ensuring competitive neutrality.

There are sectors within industry that fear the data from compulsory telematics would be used punitively to issue infringements and fines. This fear needs to be seen in the context of the economic and regulatory reality within which industry operates. Competition is fierce, and margins can be tight. An average infringement can cost an owner/operator around $600 – 'sufficient to nearly wipe out an entire week's wage'[13]. This economic reality, coupled with privacy concerns, explains some of the resistance to compulsory telematics in the industry.

A counterargument is that telematics may achieve what other policies have so far failed to do; that is: ensure a level playing field. Investment in safety and compliance costs money that must be recouped from consumers and customers through higher prices. What's more, responsible operators do not overload vehicles, run without permits or flout speed and fatigue regulations, leaving them at a competitive disadvantage.

Mandatory telematics can assist in levelling the playing field and promoting competition based on factors like service and safety rather than price alone.

Electronic Work Diaries

Work diaries are a means for drivers to record their work and rest hours to promote compliance with the law and reduce the risk of impairment. Although electronic work diaries are included in the Heavy Vehicle National Law and are entirely technologically possible, there is still not an accredited Electronic Work Diary (EWD) on the market and most of the industry remain opposed to mandatory adoption.

One of the reasons industry remains opposed to mandatory adoption is that the written work diary (WWD) records time in fifteen-minute increments, while EWDs record time precisely. This precision means there's a potential for inequity between the two systems. A driver using an EWD is visible, and potentially infringeable, from the second he/she exceeds allowable hours whereas a driver using a WWD has a fifteen-minute window within which to 'hide' and may, in fact, never be pulled over and checked. The debate is currently centred on whether allowing users of EWDs an 8 minute 'tolerance' that would build equity into the system and encourage uptake.

Implementation of EWDs is not expected until 2020, by which point many operators will simply have instituted their own electronic fatigue management systems. After all, an EWD can assist drivers in taking the 'guess work' out of a complex set of fatigue rules and provide warning of pending rest breaks. If coupled with advice about available space at upcoming rest bays (as happens on some routes in the United States), this could be a practical and valuable fatigue management tool.

In-vehicle cameras

Toll began introducing in-vehicle cameras in trucks in 2011 to better understand the cause of road safety incidents. The only jurisdiction in which the technology posed an industrial issue was in Victoria, where the Transport Workers' Union argued against the technology in a case before the Fair Work Commission. The Commission found in Toll Group's favour, noting that 'the evidence indicates the system can contribute to better safety outcomes in the road transport industry and should be considered by the parties in this context[14]'.

The competence and professionalism of drivers was noted by the Fair Work Commission which, having viewed some of the footage, stated that the cameras 'provided some significant examples of the skill and quick thinking

[13] NTC, Heavy Vehicle Compliance Review, Consultation Draft, September 2013
[14] FairWork Commission. (2014). 'Toll North Pty Limited; Toll Transport Pty Ltd v Transport Workers' Union of Australia', Melbourne, 22 July

of drivers, enabling them to avoid what would otherwise have been the disastrous consequences of the seemingly unlawful and negligent actions of other road users'[15]

Speed monitoring

Toll is a longstanding advocate for speed monitoring. From October 2013, when Toll introduced speed monitoring, to January 2017 the percentage of vehicles recording moderate speeding events fell from 23.23 per cent down to 6.55 per cent. While we acknowledge that not all operators are resourced to have a third-party overseeing speed, the cost of comprehensive 'back to base' telematics systems are coming down considerably and can be purchased for a small monthly fee.

Fatigue monitoring

Toll has invested significantly in fatigue management and prevention and at the end of August 2019 had around 1,400 Driver State Sensing (DSS) devices installed across the heavy vehicle fleet. Relative to no feedback being provided to drivers when fatigue events were detected, in-cab warnings resulted in a 66 per cent reduction in fatigue events, however when this was combined with real-time provision of direct feedback a 95 per cent reduction was achieved[16]. Toll has a 24/7 Control Room at Melbourne Airport that monitors DSS events and manages fatigue events directly with drivers in real-time.

Using DSS technology Toll can detect evidence of impairment by fatigue. This evidence takes the form of increased blink rate, head-rolling and eye-closure all of which can indicate micro-sleep. Toll's data suggests that most of our fatigue-related incidents happen in the early part of the journey, or early part of a particular leg of the journey. This runs counter to many long-held views in the industry and questions whether our 'fitness for duty' standards are enough.

The benefits of DSS to Toll Group have been proven. Since implementing DSS across our linehaul business we have not had a single truck rollover. An early trial within one of our mining businesses also found an 82 per cent reduction in fatigue related events. The technology is lifesaving, but the cost can be prohibitive for the 98 per cent of the industry that are small businesses. The Government should look at options through the NHVR, Australian Taxation Office and state and territory licencing bodies to incentivise take up through financial incentives to ensure more safety critical technology is rolled out across the fleet.

Recommendation 13:

The Committee recommend the Australian Government mandate telematics in the road freight industry to ensure competitive neutrality and increase minimum standards.

Recommendation 14:

The Committee recommend the Australian Government look at options for incentivising smaller operators to install safety technologies.

[15] As above.
[16] Fitzharris, Liu, Stephens and Lenne (2017) *The relative importance of real-time in-cab and external feedback in managing fatigue in real-world commercial transport operations* accessed at: https://www.tandfonline.com/doi/full/10.1080/15389588.2017.1306855

7. High productivity vehicles

High productivity vehicles (HPVs) are 'next generation' vehicles designed around performance outcomes rather than to prescriptive rules. This allows designers to innovate and maximise freight productivity while conforming to safety and stability outcomes. Productivity in the road transport industry has stalled in recent years, greater access to HPVs has the potential to relieve some of the cost pressures mounting within the industry while also increasing productivity.

A comprehensive 2014 Austroads study found that HPVs deliver markedly better safety, environmental and productivity benefits over conventional vehicles. The study found that there were 76 per cent fewer accidents in HPVs than would be the case for conventional trucks. 'This will lead to an estimated saving of 96 lives and $63 million in insurance claims by 2030'[17].

Despite these benefits, there are pockets of community resistance to HPVs. Other road users can experience HPVs as intimidating, slow and dangerous to overtake because of their size, resulting in terms like 'monster trucks'. Community concern promotes a conservative access regime, and limits the safety, environmental and productivity benefits possible from utilising the latest designs and innovations.

PBS vehicles are limited in where they can operate based on networks that are appropriate for their size, weight and level of performance. The regulator assesses vehicles and combinations against stringent safety and infrastructure standards to ensure they are safe and fit for use on existing road networks. The NTCs Regulatory Impact Statement for the PBS scheme anticipated that the emissions savings between 2011 and 2030 would be 3.75mtCO2-e reducing the number of vehicles on the road in 2030 by almost 4,500[18]. Further to the emissions reductions the infrastructure benefits of more PBS vehicles operating on our road network include:

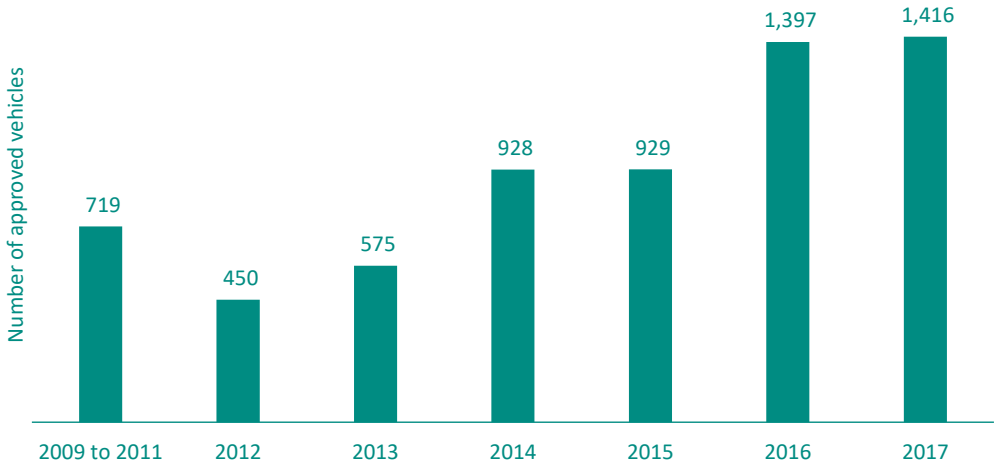
- reduced pavement wear due to reduction in trip numbers to complete the same freight task;
- pavement wear no worse than prescriptive combinations; and
- a consequent reduction in overall infrastructure maintenance cost.

The 2012 National Land Freight Strategy demonstrated the benefits Higher Productivity Vehicles could provide. An example is the route between Toowoomba and the port of Brisbane. The demonstrated benefits included the following reductions achieved without road upgrades:

- 50 per cent of truck trips;
- 1.8m vehicle kilometres travelled;
- 650,000 litres of diesel;
- 1,700 tonnes of greenhouse gas emissions; and
- 21 per cent in equivalent standard axles for same freight task (i.e. less road wear)[19]

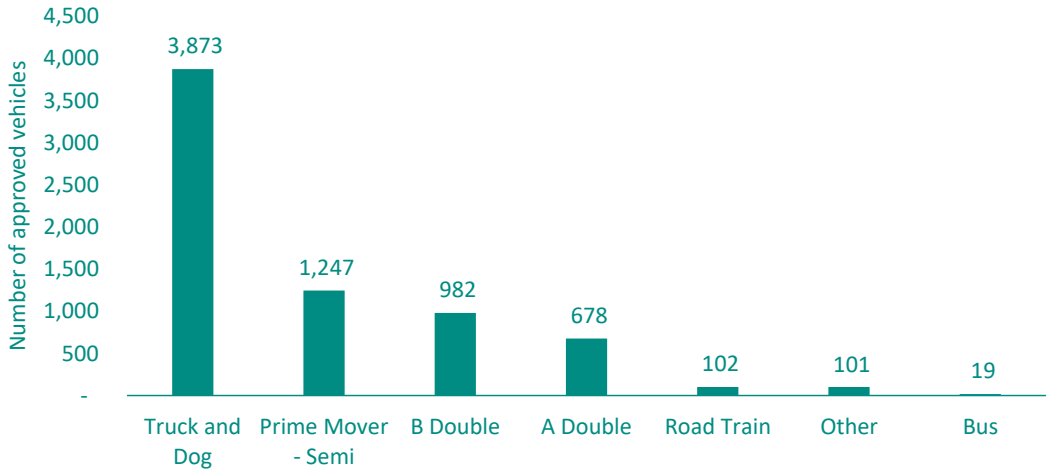
In 2017 there were 16,000 PBS registered trucks, trailers and buses, making up 7,000 combinations approved under the PBS scheme. Approvals from 2009 to 2017 have been increasing, but were relatively stagnant in 2016/17.

[17] Austroads, Quantifying the Benefits of High Productivity Vehicles, 2014 accessed: https://austroads.com.au/latest-news/quantifying-the-benefits-of-high-productivity-vehicles
[18] (National Transport Commission, 2011)
[19] (Standing Council on Transport and Infrastructure, 2012)



Approvals under PBS scheme by year (Source NHVR Report May 2018)

Articulated trucks are underrepresented in the PBS approvals. It is estimated that nationally there are 100,000 prime movers registered in Australia. In 2017 only 11% of new three and four axle prime movers were approved under the PBS. This is compared to 73% of the three-axle rigid market.[20]



Number of approved vehicles (Source NHVR Report May 2018)

One potential reason for a lower number of registrations is access to roads on the main freight corridors. The current process to gain access to the road network is through the NHVR which must negotiate with over 400 different road managers nationally, these are primarily made up of local governments. Many of these can have limited resources, which cause delays in decision making and approvals. Access can also be restricted due to uncertainty about the weight tolerances of bridges across the network. One bridge can effectively restrict access to an entire freight route, which limits the productivity of the sector.

Further, there is no "circuit breaker" if a road manager does not make a decision within a stipulated timeframe. Under s.156 of the Heavy Vehicle National Law, a road manager must decide to give or not give consent after 28 days, or 14 days after giving the NHVR a notice of objection, or not more than 6 months if agreed to by the Regulator. There is no power in the HVNL to compel a response if these timeframes are not met. The average permit request time in the system for Toll is just over 72 days: well over the nominal 28-day period.

[20] (National Heavy Vehicle Regulator and the Australian Road Transport Suppliers Association, 2018)

Recommendation 15:

The Committee recommend that the Government establish a dedicated fund to cover upgrades to infrastructure and community awareness campaigns to increase High Productivity Vehicle access across the road network.

Recommendation 16:

The Committee recommend that the Government dedicate the funds paid for by heavy vehicle operators into infrastructure that supports the movement of freight.

Recommendation 17:

The Committee recommend that the Government use data captured as part of BITRE's Freight Telematics Project to better inform freight related infrastructure expenditure.

8. Congestion and our growing cities

Congestion costs Toll Group $8.20 per vehicle per day in lost productivity and going forward, we are estimating that it will have a 2-4 per cent cost impact on our business[21]. That's almost $350 million in lost business time costs, extra vehicle operating costs and air pollution costs. In addition, every year Toll spends between $15-$20 million on toll road charges. Based on this data, Toll spends around $8-10 per day per vehicle on road charges in Australia[22].

In a competitive landscape with 51,000 operators, many operators like Toll wear these cost increases. This is because clear indices for the cost of congestion are hard to pin down and even harder to include in customer contracts.

Rising congestion and strained government budgets are forcing policy makers to become increasingly dependent on the private sector to build roads. Deals with private toll road operators are done behind closed doors with little input from competition authorities and industry.

Newer projects are increasing the charges paid by trucks and including clauses that turn the new roads into unregulated monopolies. For example, the Victorian Government recently signed off on a new even higher charge for bigger trucks on the new west gate tunnel project with fees soaring to 4.5 times that of light vehicles. As part of concessional deed, certain truck routes will be closed and trucks travelling on CityLink and the West Gate Tunnel Project will now pay a toll for a single trip of $27.94 for a 'Heavy Commercial Vehicle' and $41.91 for a new category of 'High Productivity Freight Vehicle'. That's almost $50 for a single trip in a truck and will generate Transurban an additional half a billion dollars in revenue in nominal terms.

The NSW Government has also announced that when NorthConnex opens in mid-2020, trucks and buses (over 12.5m long or over 2.8m clearance height) travelling between the M1 and M2 will need to use the NorthConnex tunnels unless they have a genuine delivery or pick up destination only accessible via Pennant Hills Road or meet certain exclusion criteria. Trucks and buses that do not comply will be fined $191. Two gantries will monitor trucks and buses on Pennant Hills Road – in the north at Normanhurst and in the south at Beecroft and West Pennant Hills. It will cost the industry an additional $23.03 per truck and this is now mandatory.

[21] Estimate only – accurate at time of reporting.
[22] Estimate only – average accurate at time of reporting.

Light vehicle drivers will have alternatives, truck operators will not. This effectively creates an unregulated monopoly. While we are happy to pay higher tolls where the benefits at least equal costs, this needs to be assessed through an open and transparent process by an independent third party.

Case study – no value for money in higher tolls

Private toll road operators and governments across Australia often advise the industry that paying new or higher fees is 'value for money' due to new roads increasing efficiency and productivity. This is not always the case. An analysis of one of Toll's Victorian based manufacturing customers found that toll charges have doubled, increasing by $500,000 since April 2017, with little to no travel time savings. An analysis of 12 routes found that travel times increased by 1.3 per cent, while fees increased by 100 per cent.

Congestion and private toll road fees are two significant costs that transport operators struggle to pass back onto consumers. Ours is an industry characterised by low margins, where customers expect discounts over the life of a contract, rather than scheduled cost increases. With the cost of congestion set to double by 2031 and more private toll roads on the horizon, industry needs assistance from government through an industry code administered by the ACCC. The code would set out minimum obligations for suppliers when engaging a transport operator so that safety is not compromised, unfair contract terms are removed and the race to the bottom on price is halted.

Recommendation 18:

The Committee recommend that the Australian Government undertake a review into whether private toll roads are an unregulated monopoly when concessional deeds restrict access to alternate routes.

Recommendation 19:

The Committee recommend that the ACCC develop a code of conduct setting out minimum obligations for suppliers when engaging transport operators for supply agreements.

9. Stronger enforcement

Australia's unique geography makes catching operators who flout the law particularly challenging. It is unrealistic to police our vastly dispersed network using traditional enforcement methods. The corollary of this is fairly low chances of detection and correspondingly low levels of deterrence. A 2013 NTC report found that 'more than 11 billion vehicle tonne kilometres were travelled by heavy vehicles but only 332,214 on-road intercepts occurred'[23]. Enforcement innovations such as point to point (P2P) cameras and electronic work diaries are two ways enforcement agencies can effectively target operators breaching fatigue and speed laws.

Enforcing speed

P2P technology can deliver an elevated chance of detection and thereby act as a behaviour modifier. P2P is used fairly extensively in New South Wales and has the advantage that it is more likely to identify persistent, habitual speeding than a single camera (which may identify an inadvertent, uncharacteristic speeding event). There is credible evidence for the efficacy of P2P systems and they are generally perceived as fairer than on-the-spot cameras by drivers. Despite the fact that Victoria's Road Safety Act recognises P2P systems, they are not widely used outside of a stretch of the Hume Highway. There may be scope to consider P2P systems along major rural and regional freight routes.

[23] Heavy Vehicle Compliance Review: Consultation Draft September 2013

Enforcing fatigue

The current system of Written Work Diaries is open to fraud and can be complex and confusing for drivers. Australia is one of the last developed countries in the world not have an electronic version of fatigue management. A US analysis of the Electronic Logging Device (ELD) Mandate (US version of EWDs) found that drivers increased compliance with intentional violations declining by 43.0% for independent owner operators, and 46.9% for firms operating between two and six trucks.[24.]

In a regulation impact statement, the US Department of Transportation found that mandatory ELDs would result in an estimated net benefit of $844 million, reflecting $3.1 billion in benefits versus $2.3 billion in cost[25]. In Canada a report commissioned by Transport Canada found that the present value of the net benefit of mandatory ELDs was up to $288.0 million. [26]

In addition to the safety and compliance benefits, the administrative cost savings of EWDs would be significant. Toll Group requires that a sample of at least 50 per cent of work records over a 28-day period be checked for compliance with the rules. This helps to identify where drivers do not understand the rules and where we have scheduling issues. However, we also require that a sample of 10 per cent of trips per quarter be audited against corroborating evidence to confirm that the driver was in fact where they said they were. At Toll we currently employ six administration officers to conduct these tasks at significant cost.

Mandating EWDs across Australia's Heavy Vehicle fleet would not only reduce administrative cost, but also help introduce smaller operators to other telematics products that assist with safety and productivity i.e. speed management, engine and fuel optimisation, scheduling efficiency etc.

Recommendation 20:

The Committee recommend that the Australian Government undertake a review of the effectiveness of P2P speed cameras with a view to educate and incentivise take-up within state and territory enforcement agencies.

Recommendation 21:

The Committee recommend that the Australian Government commission a regulation impact statement that looks at mandating electronic work diaries in Australia by 2025.

10. Conclusion

This submission has outlined several opportunities available to the Australian Government to improve the safety, productivity and financial sustainability of the industry. Levelling the playing field by enforcing minimum standards and increasing mandatory requirements for all operators, while also tackling unsustainable cost increases will improve safety and sustainability.

[24] Did the Electronic Logging Device Mandate Reduce Accidents? Michigan State University https://www.researchgate.net/publication/330425892_Did_the_Electronic_Logging_Device_Mandate_Reduce_Accidents

[25] Regulatory Evaluation of ELD, US Department of Transportation https://www.dot.ny.gov/divisions/operating/osss/bus-repository/Regulatory_Evaluation_of_Electronic_Logging_Devices_and_Hours_of_Service_Supporting_Documents_Final_Rule.pdf

[26]Transport Canada ELD for Commercial Drivers Cost Benefit Analysis http://www.obac.ca/sitespice/files/misc/ELD%20COST%20BENEFIT-English.pdf