

The Chartered Institute of
Logistics & Transport

Australia

ABN: 47 367 894 930



27th January 2006

Ms. Roxane Le Guen
Committee Secretary
Senate Rural and Regional Affairs and Transport Reference Committee
SG 62
Parliament House
CANBERRA ACT 2600

Dear Ms Le Guen

Thank you for your letter of 15th December inviting comment on the Inquiry into Australia's future oil supply and alternative transport fuels. On behalf of the Chartered Institute of Logistics and Transport, I am pleased to provide the following comments:

1. The Private Motor Car

It is important to recognise that the private motor car uses a main part of the petroleum product in Australia. One task is to convince the population that cars are a problem in this respect. It is equally important that there are viable alternatives proposed to the use of the private motor car.

2. The Public Transport Alternative

It is not a simple matter of a higher investment in public transport. The facts of the matter are that 85% of the Australian population travel by motor car compared to approximately 8-10% by public transport. Indeed, the population consider the motor car to be an essential household resource.

Empirical research in Australia and overseas indicates that people will travel by motor car rather than public transport, particularly, for the sake of *convenience*.

In simple terms, *convenience* in this respect is considered to be: journey time, reliability, comfort and access.

Unless public transport can compete with the private motor vehicle in terms of total journey time, then people will consider the motor car as being the best alternative for their travel.

Patron: His Excellency Major General Michael Jeffrey AC CVO MC (Retd)
Governor-General of The Commonwealth of Australia

THE CHARTERED INSTITUTE OF LOGISTICS & TRANSPORT IN AUSTRALIA INCORPORATED

PO Box A2333
SYDNEY SOUTH NSW 1235
Email: cilta@bigpond.net.au
www.cilta.com.au

Telephone: (02) 9267 7538

Facsimile: (02) 9264 4738

3. *Land Planning*

Land planning is strategically important because it is possible to encourage a greater usage of public transport if the transport is centred on known passenger trip generators – such as shopping centres, schools, universities, places of employment, and the like.

4. *Road Pricing*

One cannot leave the point of road use with including the option of road pricing. Road pricing (or congestion pricing) was introduced to Singapore in 1974. More recently, congestion pricing was introduced to London. In both instances, the effect has been a marked reduction in the number of private motor vehicles entering the City area. In turn freight movements are more efficient and the environment is better off.

5. *Alternative Fuels*

The basic issue is to get the best out of existing fuel resources. The waste not, want not theory.

However, it is important to look to the future in the knowledge that at one time or other Australia's existing fuel resources will not be available.

•• 5.1 *Ethanol*

Ethanol has the benefit of reducing the content of petroleum and also provides a cleaner emission.

It is a product that is readily available in Australia and which is not currently used to its fullest extent.

5.2 *Battery Power*

The use of batteries to power motor vehicles has been tested by the French Government since the eighties. One of the difficulties in the use of battery power has been the number of units required to meet the task. However, at the present time and into the future attempts are being made to utilise batteries as an alternative to petroleum products, especially in motor car usage.

5.3 *Residual Oil*

At the present time, examinations are being undertaken in the United States of America in the use of residual oil. Residual oil is that part of the product which is in a solid (wax-like) form which is not extracted in the drilling process.

The testing under way is looking at means of converting the residual oil to usable fuel product. It is estimated that if the option is practical it could significantly extend the availability of usable oil in the USA.

6. *Pricing of Petroleum*

Econometric studies have indicated that the price of petroleum fuel is not a significant variable in the demand for travel/transport. In fact, the variable of petroleum price is relatively inelastic.

This is not to say that an increase in the price of fuel will not have the effect on usage. It does mean that increased fuel prices would lead to increased income, but with no marked reduction in the usage of the product.

What would occur, however, is that price increases in transport fuels would affect the end cost of products to the market place. Having said this, transport costs represent approximately 15-20% of total costs; hence, a 50% increase in fuel prices would equate to an approximate increase of 7.5-10% increase in total costs. Of course, this increase would be compounded in the event of multiple transport movements.

Whilst a main part of the fuel usage in Australia is directly related to the private motor vehicle, the motor car is considered by Australians as being an essential household resource. Likewise, petroleum is considered an essential resource to the extent that in the event of petroleum price increases, the population is more likely to reduce household expenditure on "luxury" goods rather than reduce the use of the motor vehicle. Certainly, there is little likelihood the car traveller will transfer to public transport in the event of petroleum price increases alone.

The Chartered Institute of Logistics and Transport is pleased to assist the Committee in this Inquiry. Please contact me directly if you require any other assistance.

Yours sincerely



L.J. HARPER BA, MEd, FCILT, FCPA
National Chairman and Executive Director

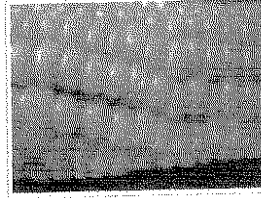
Ethanol can reduce fossil fuel dependence: study

Friday, January 27, 2006

A NEW study has found ethanol, the chemical compound produced from corn and other plants, is more energy efficient than previously thought and could be developed as an alternative to fossil fuels.

Some prior studies suggested that more energy – derived from non-renewable sources – was used in ethanol production than was available in the resulting fuel.

But a re-examination of those studies, published in the US journal of Science, shows that current corn-ethanol production technologies are much less petroleum-intensive than petrol, even though both fuels have similar greenhouse gas emissions.



"We find that ethanol can, if it is made correctly, contribute significantly to both energy and environmental goals," said Alexander Farrell at the University of California, Berkeley.

Farrell said that to "really evaluate this fuel we need to look at other indicators like petroleum and greenhouse gas emission."

Farrell and other scientists say that new technology could dramatically boost the environmental performance of ethanol.

While ethanol is not a major source of fuel, it is blended with petrol in some US states and accounts for about 2% of total transportation fuel.

In Brazil, where ethanol is produced from sugar cane, the fuel powers the majority of the country's road transport.