LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PLANNING, TRANSPORT, AND CITY SERVICES
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Submission Cover Sheet

Inquiry into electric vehicle (EV) Adoption in the ACT

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INQUIRY INTO ELECTRIC VEHICLE ADOPTION IN THE AUSTRALIAN CAPITAL TERRITORY

Standing Committee on Planning, Transport and City Services
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INTRODUCTION

Woolworths Group welcomes the opportunity to submit on the opportunities for electric vehicles (EVs) in the ACT, barriers to EV adoption and the incentives necessary to support this transition.

Background - Woolworths Group's logistics operations

Woolworths Group (Woolworths) is Australia's largest retailer and private sector employer, with over 170,000 team members and 27.8 million customers served online each week across more than 1,300 stores nationwide, including over 1,000 supermarkets and smaller format Metro stores. In the ACT we operate 15 supermarkets, four Metro stores and five Big Ws, employing over 3,000 team members.

As a result, Woolworths operates one of the largest logistics businesses in Australia, including 2,400 haulage trucks and light commercial vehicles, both directly and via third party contractors, alongside 800 passenger vehicles nationwide. Our scale and expertise mean we can help lead broader change in both policy and business across Australia.

Transport forms part of our 30-year climate change strategy to deliver on our Paris Agreement targets to restrict temperature rises to no more than 1.5 degrees celsius. Our ambition is to be "net positive" in our emissions profile by no later than 2050 - that is, our business negates more greenhouse gas emissions than it generates. Woolworths is committed to a 63 per cent reduction in Scope 1 emissions from 2015 levels and a 19 per cent reduction in Scope 3 emissions by 2030. Our targets and pathway to achieve them have been verified by the UN-backed Science Based Targets Initiative.

Decarbonising our vehicle fleet is a critical element to achieving this goal and the prospect of alternative fuels or electrifying our fleet presents both opportunities and challenges. COVID-19 accelerated change across our business, including the uptake of online ordering and deliveries, more than doubling demand and requiring an expanded fleet of online delivery trucks to service households. The sheer scale of Woolworths' operational footprint and supporting logistics network ensures transport is a critical focus for our business.

In 2018, we began trialling larger EVs for supermarket deliveries, testing their capabilities and needs as a long-term technology solution. We are also trialling seven EV Last Mile delivery vehicles

across Sydney, Melbourne and New Zealand, which have been converted to electric from standard Internal Combustion Engine (ICE) vehicles.

Our transport fleet is split into three categories:

- **Last Mile Operations**
    - COVID-19 changed the needs and behaviour of consumers in Australia, rapidly accelerating uptake of online retailing and the infrastructure to support this change.
    - Woolworth's eCommerce business ("eComX") provides convenient ways for customers to shop for groceries online. Online grocery orders are picked and packed by personal shoppers in-store or at a Customer Fulfilment Centre (CFC), and made available for pick up or delivered to homes and businesses.
    - The eComX business delivers groceries to homes using a fleet of over 1,000 temperature-controlled Light Commercial Vehicles (LCVs) (<4.5T GVM), in which a refrigerated body is attached to 2-door cab chassis. eComX's Last Mile fleet operates across every state and territory in Australia. The Last Mile delivery fleet is managed by a logistics partner.
- **Supply Chain**
    - Primary Connect is Woolworths' logistics business offering end-to-end solutions for both Woolworths Group brands and external partners. It is the largest logistics operator in Australia and New Zealand, operating 18 distribution centres nationwide with a further six in development, enabling the rapid, reliable and efficient storage and distribution of fresh produce and consumer products.
    - Connecting global and local supply chains, Primary Connect relies on a multi-modal approach, including road, rail, sea and air transport. In Australia, this year to date, Primary Connect averaged over 28,000 outbound and 7,000 inbound truck movements per week to over 1,300 Woolworths Group retail sites. Additionally Primary Connect , services over 1,300 supply partners to handle 1.46 billion cartons this year.. Our road fleet includes over 1,100 road trailers and 66 contracted transport carriers who operate to Woolworths' safety and equipment specifications.
- **Tools of Trade**
    - Woolworths operates over 800 passenger vehicles for use by our team to undertake their duties across the country. This includes vehicles for:
        - Store Managers in their local community;
        - Area Managers overseeing a geographic spread of stores;
        - State and territory support teams that have vast geographic coverage; and
        - Support office team for fleet vehicles, mostly in urban and suburban areas.
    - In addition, we directly own and operate several trolley collection vehicles to collect displaced trolleys and will shortly be trialling electric vehicles in this segment. Nationwide, we contract out a fleet of over 700 trolley vehicles.

SUBMISSION

- Woolworths is a national business and supports an integrated, whole-of-Australia policy for EVs. We strongly encourage a unified, nationwide approach to support the uptake of EVs, like that seen in Europe. We encourage the standardisation of state and territory policies, to minimise complexity and uncertainty for industry and support investment. From an operational perspective, a fractured policy environment creates significant challenges.

- In our view, **the availability of EVs across commercial vehicle classes and access to EV charging infrastructure are the greatest barriers to an accelerated uptake of EVs in Australia**. Many factors contribute to this.

- In relation to EV availability, Australia is a unique market that presents challenges to global EV suppliers, including:
    - a vast geographic spread
    - a comparatively small population (unit sales)
    - right hand drive market
    - relatively low proportion of renewable energy generation
    - an inconsistent and uncertain policy environment
    - restricted width (2.5m) for heavy vehicles compared to international markets

- The vehicle charging process, which can take a number of hours, and the charging asset ownership model, is different to refuelling a vehicle at a fuel station. For example, when a fleet is managed by a logistics partner, consideration needs to be given to the fleet operating model, particularly *where* and *when* EVs are charged, and which parties are responsible for providing and managing EV charging assets and infrastructure.

- Additionally, the power requirements at a local level will place significant and as yet, largely unknown pressure on the electricity network and it is likely to need substantial investment.

Incentives

- **Light passenger vehicles (cars):** Industry would benefit from access to a greater range of utility vehicles and SUVs. Woolworths maintains a fleet to support our stores across metropolitan, regional and rural locations. Incentivising EV suppliers to enter the market would expand the supply of a greater variety of vehicles and help to drive lower acquisition costs and reduce the total cost of ownership.

- **Light commercial vehicles (LCVs) <4.5t:** This segment of the commercial vehicle fleet requires greater focus in EV policy as it represents a strong opportunity to rapidly accelerate EV uptake for a growing segment of operators that perform Last Mile deliveries, while spurring local industry development in the EV value chain. For Woolworths, these vehicles are our fleet of Last Mile delivery vehicles that deliver online grocery orders to customers' households. Our Last Mile fleet continues to grow rapidly as Australians embrace the convenience of online shopping post-pandemic.

- State and territory government incentives, including exemptions for vehicle registration and stamp duty, flexible and supportive operating regulations, and extensive recharging

infrastructure, should be the focus of state and territory interventions, particularly with respect to freight vehicles.

- Local supply of OEM-produced EVs does not exist and current EV prices do not support a wide-scale rollout to replace ICE Last Mile delivery vehicles.
- Incentives around stamp duty reduction or removal for commercial vehicles would be beneficial to drive uptake of EVs, noting there is a sizable capital cost difference for EVs in commercial fleets, which slows the rate of transition.
- Also valuable would be support for property owners to design and develop sites that facilitate EV charging, as well as retrofit and convert existing sites to support EV uptake. This could include dedicated vehicle parking zones for LCVs and considerations for electrical infrastructure upgrades.
- Governments can further address barriers to EV uptake by mitigating the impact of upfront EV costs, including a removal of stamp duty or an exemption in application of road user charges (RUCs). Woolworths supports EVs contributing to road funding, but notes that RUCs could act as a disincentive to EV uptake if imposed at the wrong stage of the technology's development.
- A potential solution is to offer RUC exemptions for EVs to incentivise uptake. Any exemption should be temporary so as to balance the need for government revenue for transport infrastructure without unduly curtailing EV adoption. Thresholds to determine the application of RUCs to EVs may include:
    - when the proportion of EVs within the total national / state fleet reaches a certain percentage; and /or
    - when the total cost of ownership of EVs (purchase price and operating costs) over an EV's useful life is comparable with ICE vehicles.
- Consistency between state and territory governments on RUCs for commercial vehicles is essential to give confidence to both buyers and suppliers of EVs. Like fuel excise, we note that it would be preferable and logical for RUCs to be managed by the Commonwealth - supply chains are national in scope and not limited to state boundaries.

Dimensions and weights

- A reconsideration of additional mass limits for LCVs would also incentivise EV adoption. Currently, gross vehicle mass (GVM) for operation on standard car licences is restricted to 4.5 tonnes.
- The cab chassis of EVs that may suit Woolworths' Last Mile use case weigh 400 kg more than a comparable ICE delivery vehicle due to the extra weight of the EV's batteries. In the United Kingdom, EVs are given an additional 750kg allowance, reflecting the additional battery weight while meeting existing operating parameters. Concessions for EV tare weight should be considered in relation to operation on a standard car licence in Australia.

- Support for wider dimensions for heavy vehicles would enable access to additional models from the US and Europe, which operate to a maximum width of 2.6 metres. For example, the Tesla semi will only be produced as a 2.6m wide variant, 10cm wider than the maximum allowance in Australia for this vehicle class.

Efficiency and emissions standards

- We support efforts to mandate fuel efficiency and emissions standards. For the majority of the Woolworths heavy vehicle fleet, we adhere to the Euro 5 or 6 standard. This has the added benefit of prompting a newer fleet with better safety performance.

Phase-outs

- Woolworths notes the ACT Government's plan to ban the sale of new internal combustion passenger vehicles from 2035. This sends a strong signal to industry and consumers, but should be paired with government support to encourage the supply of suitable and affordable vehicles for the Australian market, and the development of an extensive after-sales support and maintenance network, and EV charging infrastructure.
- This would increase the scale and variety of low and zero emissions vehicles available to Australian business and consumers, reducing purchase costs, increasing uptake and spurring the necessary support network.

Automotive industry transition

- The following elements are critical to the success of EV uptake in Australia:
    - **Vehicle supply:** Local supply should provide increased vehicle options and greater competition, leading to more suitable vehicles at lower vehicle prices. An opportunity exists for government to spur local component manufacturing and assembly that would also support development of after-sales support and maintenance services. Currently there are only a handful of suppliers of electric LCVs and in most instances these are not yet at scale.
    - Support for these suppliers to scale and engage the Australian market would be welcomed, though would likely require leadership by the Commonwealth in conjunction with local industry in attracting investments. The National Reconstruction Fund is one potential avenue to fund this kind of industry development initiatives.
    - **Maintenance and repair services:** Crucial to the success of EV expansion is the development of widespread support and maintenance services for these vehicles. This includes supporting training for repair technicians and asset write-down provisions for existing service providers to retool and transition to EV support.

- **Fuel emission standards:** The introduction of fuel emission standards will incentivise OEMs and manufacturers to increase the supply of a wider variety of vehicles into this market

Charging and refuelling infrastructure

- Supporting the charging infrastructure to support growing fleet numbers is crucial. Range anxiety is a barrier to EV uptake across Australia. The ACT is unique in that its compact size significantly reduces range anxiety concerns for EV operators. Nonetheless, investment in charging infrastructure is required to drive confidence that conversion will be supported and not create additional operating constraints.

- Feasibility studies to determine preferred locations and structures for charging infrastructure would be beneficial to maximise investment returns and align prioritised fleet conversions. For example, deploying higher capacity charging infrastructure in industrial areas to target commercial and delivery vehicles over commuters who might charge at home.

- Using existing refuelling networks to support recharging infrastructure is a sensible starting point. There are also locations not traditionally associated with refuelling but present opportunities to introduce recharging, such as car parks, offices, shops, cafes and restaurants. Owners and operators of these facilities need support to introduce recharging where appropriate.

- Many of Woolworths' LCVs are parked overnight at a range of off-premise locations after completing their delivery sessions. In many instances, the drivers of these LCVs are not responsible for the vehicles overnight. The range of overnight garaging locations requires a range of charging solutions - charging unit locations, cost arrangements, responsibilities. Multiple stakeholders - landlords, businesses, fleet operating partners, drivers (workers) and councils need to be engaged in designing a charging solution that is fit for purpose for LCV fleets.

- Additional electrical infrastructure and upgrades may be required at sites where EV charging is occuring at scale or at the same time. A complete transition to electric LCVs would have considerable impacts on Woolworths' electricity use, with an estimated increase of up to 60 per cent. This can create challenges for grid infrastructure, that is partially mitigated by likely scheduling of recharges to lower demand periods. Nonetheless, there would likely be an impact on the capacity of grid infrastructure in and around our stores.

- Beyond EVs, there is also the prospect of considerable use of hydrogen, particularly in long haul freighter fleets. The "Hydrogen Highway" from Queensland to Victoria is spurring considerable interest in the technology across industry. It would be beneficial for the ACT to be involved in the project and Woolworths sees considerable potential for the ACT in this critical infrastructure program. We would welcome further direct engagement on the issue.

Community operations

- From a freight perspective, we would support the creation of designated EV loading zones, particularly in inner-city areas. Given the challenges of last mile freight delivery, particularly in inner urban areas, these measures would provide a strong incentive for the adoption of EVs in commercial trucking fleets.
- Governments should retain flexibility for retail delivery hours as an incentive to adopt quieter, less polluting technologies and practices in the freight sector, including EVs and loading dock process improvements.
- Most Australian jurisdictions adopted emergency regulations during the COVID-19 pandemic in mid-2020 to permit flexibility in delivery times, overriding the usual timeframes set by Councils. While this was introduced in response to elevated demand experienced throughout the pandemic, NSW adopted these permanently, reflecting the significant improvement to neighbourhood amenity from newer, quieter vehicles. A similar regulatory approach would further encourage uptake of EVs in the delivery vehicle segment.

CONCLUSION

Woolworths appreciates the opportunity to submit on the adoption of EVs in the ACT. Decarbonising our fleet is an essential component to achieving our long-term climate change objectives. The ACT has an opportunity to quickly adopt the measures needed to spur adoption of EVs across multiple vehicle classes. Woolworths looks forward to working with the ACT to deliver on this ambition.