

Addressing the decline in E10 usage across the NSW government following the 2018 Budget Estimates hearings

Issue	The Secretary of the Department of Finance Services and Innovation (DFSI) has asked NSW Procurement (NSWP) to <u>investigate the decline in E10 usage across the NSW government and detail what actions are being taken within the NSW government to address its decline.</u>
Analysis	Several policy amendments and other relevant actions contained in the report (Tab A) will be implemented to address the decline of E10 usage across the NSW government.

Recommendations and Actions

Approve NSWP to implement the recommendations of the report across the NSW government.

Minister's signature:



30.10.18
Date:



Key reasons

NSW government agencies operate their vehicles and fleets with mandates to use E10 fuel for all compatible vehicles

The primary mandate is in Premier's Memorandum M2012-08, Use of Biofuels. The NSW Biofuels Act 2007 sets minimum requirements for biofuel content in fuels sold in NSW. The report (Tab A) identifies the various policies and guidance that support the mandated use of E10 fuels in government vehicles and fleets, and makes recommendations to strengthen the requirements for agencies to use E10 fuels.

NSWP conducted a survey across the NSW government to gain a greater understanding into the reasons for the decline

In addition to the policy review, NSWP surveyed drivers across all NSW government agencies to understand their awareness of the Premier's Memorandum, their location and their refuelling habits. 5,337 drivers responded to the survey. The survey feedback was classified into five key themes (further detail is contained in Tab A):

- Drivers being dissuaded from using bio fuels or E10
- Availability of E10
- E10 is not an efficient fuel
- Fear of damaging the vehicle
- Awareness of the requirement to use E10

All of the unleaded vehicles on the Approved Vehicle List (AVL) are E10 compatible

Currently all of the unleaded vehicles on the approved vehicle list are E10 compatible. With E10 fuel, the most common Research Octane Number (RON) is 91 or 95. In Australia availability of E10 fuel with RON of 95 is limited. Of the 123 unleaded vehicles on the AVL that are E10 compatible 87 (71%) are 91 RON compatible and 36 (29%) are 95 RON compatible.

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The following actions will be taken by NSW to address the decline in E10

- Quarterly monitoring of E10 usage by the Fleet Category Management Working Group with procurement board oversight
- Procurement Board request for clusters to reinforce the Premier's Memorandum
- Implementation of recommended rules and policy updates
- Vehicle selection committee to consider E10 compatibility when approving unleaded vehicles to be on the AVL

The data contained in the table of section 1.1 of the report is subject to change

The data provided by Fueltrack is currently being audited by NSW and DFSI Procurement and some discrepancies have been found regarding the organisations and fleet cars that sit under the DFSI cluster. NSW is also auditing the data for Whole of Government. For this reason, the data in the table will change although the overall trend will remain. It is expected that the data discrepancies will be validated by the week commencing 12 November 2018.

Context

Background

The Secretary, DFSI has asked NSW to complete a report in order to provide an update to the Minister for Innovation and Better Regulation on what actions are being taken within the NSW Government to address the decline in E10 usage following 2018 Budget Estimates hearings.

Approval

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Approved by: Charles Jobson, A/Executive Director, NSW Procurement		
Position	Signature	Date
A/Deputy Secretary, Government and Corporate Services		23/10/18
A/Secretary		24/10/18
Minister's Office		



Addressing the decline in E10 usage across the NSW government.

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1. Problem definition

1.1 Problem definition

The Secretary of the Department of Finance Services (DFS) and Innovation has commissioned this report to provide an update to the Minister for Innovation and Better Regulation on what actions are being taken within the NSW Government to address the decline in E10 usage following 2018 Budget Estimates hearings.

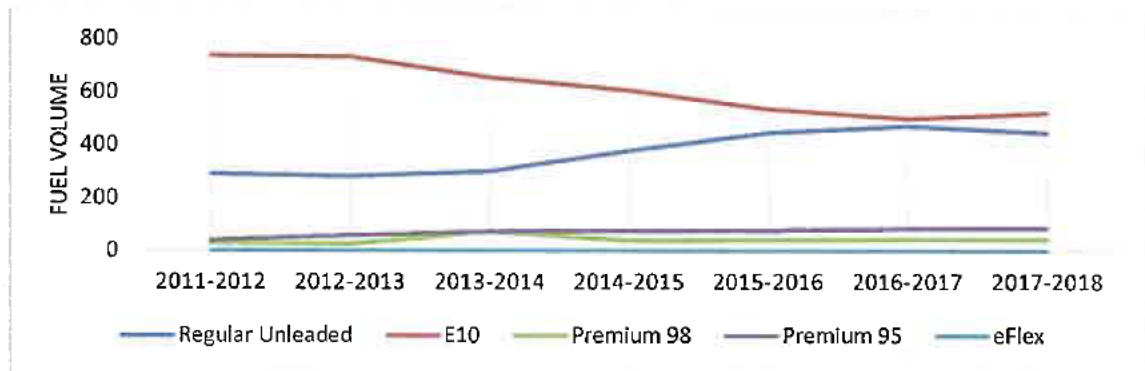
The analysis of data obtained from Fueltrac, indicates a downward trend in E10 usage across all agencies. This data shows a trend towards the use of regular unleaded rather than premium fuels.

Percentage of E10 used by each Department within NSW Government	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Department of Education	62%	59%	55%	52%	46%	44%	44%
Department of Family and Community Services	73%	75%	72%	69%	65%	61%	63%
Department of Finance, Services and Innovation	65%	65%	61%	59%	54%	48%	49%
Department of Industry	63%	62%	44%	45%	43%	31%	49%
Department of Justice	70%	70%	67%	64%	57%	52%	53%
Department of Justice (Police)	75%	73%	66%	57%	50%	45%	36%
Department of Planning and Environment	70%	69%	59%	54%	49%	46%	50%
Department of Premier and Cabinet	72%	71%	56%	48%	42%	44%	44%
Department of Transport	69%	69%	63%	57%	48%	47%	45%
Ministry of Health	62%	61%	55%	51%	45%	44%	48%
The Treasury	58%	58%	56%	50%	38%	37%	42%

These figures are a percentage of E10 over the total volume of E10, Unleaded, Premium 95, Premium 98 and eFlex 85 per Department. Source: Fueltrac

1.2 Whole of Government Trend

Over the last seven years the overall trend for fuel use across Whole of Government indicates a shift away from E10 and a preference for regular unleaded fuel (ULP). In most instances regular unleaded fuel is being used in vehicles that accept E10. The graph below illustrates the trend in fuel over time.



2. Context of the rules

2.1 Introduction

NSW Government agencies operate their vehicles and fleets with mandates to use E10 fuel for all compatible vehicles. The primary mandate is in Premier's Memorandum M2012-08 *Use of Biofuels*. The legislation that sets minimum requirements for biofuel content in fuels sold in NSW is the *Biofuels Act 2007*. Several policies and guidance support the mandated use of E10 fuels in government vehicles and fleets, including the NSW Government Operational Guidelines. This section of the Report identifies the various policies and guidance, and makes recommendation to strengthen the requirements for agencies to use E10 fuels.

2.2 Biofuels Act 2007 (NSW)

<https://www.legislation.nsw.gov.au/#/view/act/2007/23> Published by NSW Parliament

The *Biofuels Act 2007* provides for minimum ethanol and biodiesel content requirement in respect of petrol and diesel fuel sales in NSW and requires reporting in respect of such sales. The Act's focus is about targets for wholesalers and retailers, and not about requirements for NSW Government agencies. DFSI does not recommend changing the Act to address agency usages issues at this stage.

2.3 M2012-08 Use of Biofuels (Premier's Memorandum) (3 July 2018)

2.3.1 Current situation:

<https://arp.nsw.gov.au/m2012-08-use-biofuels> Published by DPC

Premiers Memorandum M2012-08 *supports the NSW Government's commitment to promote biofuels as part of the long-term transport fuel mix in NSW, and also to provide continued community leadership of higher biofuels use by mandating E10 fuel and biodiesels by government agencies.*

2.3.2 Gap:

M2012-08 should be retained as the main NSW Government requirement for agencies to E10. It should be enhanced to strengthen the present wording *requiring all agencies to use*

E10 and biodiesels “whenever possible” to “must use for all compatible vehicles”. Additionally, NSW Procurement should enquire with DPC whether this Premier’s Memorandum should be issued as DPC Circular instead to strengthen its mandate (generally DPC Circulars for action, Premier’s Memoranda are for noting), and also update the out-of-date contracts and broken links in the Memorandum.

2.3.3 Recommendation 1

NSW Procurement to recommend to DPC that the present wording in M2012-08, *“all New South Wales Government agencies, including State Owned Corporations, are now required to use E10 and biodiesel blends where possible...”* be strengthened to *“all New South Wales Government agencies, including State Owned Corporations, are required to use E10 and biodiesel in compatible vehicles”.*

2.3.4 Recommendation 2

NSW Procurement to check with DPC whether M2012-08 should be issued as DPC Circular instead to strengthen its mandate; and also fix outdated contracts and broken links.

2.4 NSW Government Travel and Transport Policy (7 Nov 2016)

2.4.1 Current situation:

<https://www.procurepoint.nsw.gov.au/buying/travel-and-related-services/travel-policies>
Published by NSW Procurement

The NSW Government Travel and Transport Policy is the main policy document for NSW Government agencies. The Policy includes requirements and guidance for government fleet and vehicle use, but in keeping with the rest of the document, this is presented at the high level and principles based, so specific mandates are not included.

2.4.2 Gap:

The Policy states that clusters/agencies should produce further guidance for internal use as required. Wording could be added to the Policy, under Section 4 *Agency Guidelines*, to the effect that agencies must follow specific government requirements relating to travel and transport to strengthen the mandate while also keeping the document at the high level. (Also, and the reference to the Procurement Board issuing Operational Guidelines should be removed, the Procurement Board does not issue such operational level guidance.)

2.4.3 Recommendation 3

NSW Procurement to strengthen the wording in the Travel and Transport Policy under Section 4.2 *Fleet and car use guidelines* that clusters and agencies are to put in place adequate guidance to cover all government requirements for government vehicles and fleets, including the mandated use of E10 fuel.

2.4.4 Recommendation 4

NSW Procurement to strengthen wording in the Policy under Section 4 *Agency guidelines* that agencies must follow government requirements (as issued) relating to specific travel and transport while keeping the document at the high level; also, to correct the reference about the Procurement Board issuing operational guidelines.

2.5 Motor Vehicle Operational Guidelines (3 June 2016)

2.5.1 Current situation:

https://www.procurepoint.nsw.gov.au/system/files/documents/dfs_i_mvog_20180305_v1.8_0.pdf Published by DFSI

The Motor Vehicle Operational Guidelines were issued by NSW Procurement to support the NSW Government Travel and Transport Policy by offering specific vehicle and fleet management guidance for agencies.

2.5.2 Gap:

Section 2.2.10 *Environmental* of the Operational Guidelines already states that all public service staff and executive officers are required to use E10 fuel where “practicable, available and cost-effective”, but this should be strengthened to wording that states that all staff and executives must use E10 petrol in all compatible government vehicles (to give focus to E10 fuel, further to other environmental protection measures). All of this should also be moved to a more general area of the Operational Guidelines eg under Section 1.3 *Responsibilities*; and also be included in Section 3.8.4 about the use of Premium Fuel to be minimised.

If the Operational Guidelines are updated NSW Procurement should issue a Procurement Alert to agencies to state: that (1) the Operational Guidelines have been updated with strengthened wording for E10 fuel use, and (2) clusters/agencies should adopt the Operational Guidelines for their internal use if they don't have anything equivalent to it.

2.5.3 Recommendation 5

NSW Procurement to strengthen the requirement in the Motor Vehicle Operational Guidelines to use E10 fuel presently in Section 2.2.10 *Environmental* with wording that E10 fuel must be in all compatible government vehicles; and move this content to a more general area of the Operational Guidelines like Section 1.3 *Responsibilities*; and also include Section 3.8.4 *Reduced used of Premium Fuel*.

2.5.4 Recommendation 6

If the Operational Guidelines are updated NSW Procurement to issue a Procurement Alert to agencies to state: (1) that the Operation Guidelines have been updated (for E10 use), and (2) that clusters/agencies should adopt the Operational Guidelines for their internal use if they don't have anything equivalent to it.

2.6 NSW Government Procurement Policy Framework (July 2015)

2.6.1 Current situation:

<https://www.procurepoint.nsw.gov.au/policy-and-reform/nsw-government-procurement-policy-framework> Published by DFSI

The *NSW Government Procurement Policy Framework* is the overarching policy document for government procurement. It does not mention travel, fleet, or fuel (or government vehicles in the context of fuels to be used), however it is designed to be meant to be high level and principles based, and is structured to guide readers to locate the specific information they are seeking.

2.6.2 Gap:

NSW Procurement is developing the new Procurement Policy Framework 2018 which is scheduled for Procurement Board approval on 21 Nov 2018 - this presents an opportunity for NSW Procurement to investigate whether a stronger mandate for agencies to E10 fuel can be introduced to the new document while also maintaining this new content at the same high level as the rest of the document.

2.6.3 Recommendation 7

NSW Procurement to investigate whether a stronger mandate for agencies to E10 fuel can be included in the new Government Procurement Policy Framework, while also maintaining this new content at the same high level as the overall document.

2.7 DPC Circulars C2004-19 *Motor Vehicle Policy - Requirements for CEOs (DATE)* and C2002-45 *Motor Vehicle Policy (DATE)*

<https://arp.nsw.gov.au/c2004-19-motor-vehicle-policy-requirements-ceos>
by DFSI

Published

<https://arp.nsw.gov.au/c2002-45-motor-vehicle-policy>

Published by DFSI

C2004-19 and C2002-45 are earlier general policies for the use and management of government vehicles in the NSW Public Sector Service. When the Procurement Board approved the NSW Government Travel and Transport Policy in March 2016 it was meant to replace all previous policies like these, so these DPC Circulars should be withdrawn.

2.7.1 Recommendation 8

NSWP to recommend to DPC that Circulars C2004-19 and C2002-45 be withdrawn.

2.8 DFSI Travel and Transport Policy (12 Dec 2017) [DFSI only]

2.8.1 Current situation:

http://fastrac.finance.nsw.gov.au/mobile0c9a66/common_assets/Fastrac/docs/policies/DP1173.pdf Published by DFSI

Issued by DFSI's Corporate Procurement Section as the Department's Transport and Travel Policy the Policy contains additional and DFSI-specific practices to complement the NSW Government Travel and Transport Policy. It states clearly, under heading 2.4.1 *Business Rules* (p.8), that "E10 fuel must be used in vehicles marked by the manufacturer as being compatible with E10 fuel".

2.8.2 Gap:

So, the document should be left as it is however from a local DFSI perspective, DFSI CPO or Corporate Services should issue an internal memorandum that the DFSI Travel and Transport Policy's mandated use of E10 fuel, and other mandatory requirements, must be followed.

2.8.3 Recommendation 9

DFSI Government and Corporate Services should issue an internal memorandum that the DFSI Travel and Transport Policy's mandated use of E10 fuel and other mandatory requirements must be followed (this has been completed).

3. Fuel Usage Survey and Reasons for Decline

3.1 Surveying Drivers on E10

NSW Procurement surveyed drivers across all NSW Government agencies to understand their awareness of the Premiers Memorandum, their location and their refuelling habits. 5,337 drivers responded to the survey.

Awareness of the Premiers Memorandum on the use of biofuels is reasonable with 69% of those surveyed being aware of the requirement to refuel with E10 where possible.

The key takeaways from the survey are:

- 69% are aware of the Premiers Memorandum on Biofuels
- 30% of drivers surveyed are in Sydney Metro, 70% are in Regional NSW
- 85% use E10 when they refuel a NSW Government vehicle
- 90% would use E10 the next time they refuelled
- 45% said there is a lack of E10 pumps at the Service stations they visit
- 40% fill up with whatever fuel is available first

3.2 Free Text Driver Feedback

As part of the survey drivers were asked if they had any other comments regarding the use of E10 Fuel in NSW Government Vehicles.

The feedback can be grouped into 5 themes:

Driver being dissuaded from using bio fuels or E10.

- We have never been encouraged to use E10. We are guided to use 95. Many staff with new personal cars have also been encouraged to use fuel other than E10. Have those who prescribe E10 had the correct advice regarding the most suitable fuel for our cars? Just a thought.
- Science is not convincing. NRMA has in the past advised against it. Some car marks do not recommend it.

Availability of E10

- E10 fuel is not available at the local petrol station
- I aim to refuelling NSW Govt unleaded vehicle with E10 in Regional NSW whenever it is available for the service station that we are provided fuel cards for - however it is not always available at each service station out in the bush.

E10 is not an efficient fuel

- E10 is a farce. The energy equivalents of e10 vs regular petrol is inferior meaning that you get less out of a tank of e10 so what is the point
- The efficiency of E10 is not as good as 91 unleaded petrol

Fear of damaging the vehicle

- Worried that E10 may harm the vehicle, not my car so no chances taken

Awareness of the requirement to use E10

- I was not aware of the stipulation to use E10 fuel.
- I simply was not aware that it was required. I will amend my processes from this point onward.



4. Actions to address the decline

4.1 Actions being taken by NSW Procurement

- Quarterly monitoring of E10 usage by the Fleet Category Management Working Group with procurement board oversight
- Procurement Board request for clusters to reinforce the Premiers memorandum.
- Implementation of recommended rules and policy updates.
- Vehicle selection committee to consider E10 compatibility when approving unleaded vehicles to be on the Approved Vehicle List.

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