IKEA Australia Submission to Productivity Commission inquiry: Impacts of Heavy Vehicle Reform

January 2026

This submission from IKEA Australia ("**IKEA**") is made in our capacity as a values-driven business with a vision to create a better everyday life for the many people. As a leading retailer in home furnishings in Australia over the past 50 years, we believe we have a responsibility to play an active role in society advocating for, and promoting, positive change based on our values.

Background

In 2018 Ingka Group, the largest IKEA retailer, made a global ambition for all home deliveries to be made by zero emission vehicles by 2025. We decided early on to take a leadership position on this topic to show that transitioning to zero-emission is not only possible but a top priority, even if we don't have all the answers, yet. The global goal has been revised to aim for 90% of all deliveries by 2028.

In 2022, just 5% of truck orders were made via a zero-emissions vehicle by IKEA Australia. In December 2025, we delivered 84% of truck orders via a zero emissions vehicle, which is almost all metro customer orders (metro orders are approximately 90% of IKEA home deliveries).

The remaining 10% is our regional volume - we aim to achieve this as soon as technology allows.

We have achieved these results in partnership with our delivery partners, including All Purpose Transport, Australian National Couriers (ANC Delivers), and Kings Transport. These companies now operate more 120 electric vehicles for IKEA Australia in Western Australia, the Australian Capital Territory, New South Wales, Victoria, Queensland, and South Australia.

We stay committed to driving change in our own operations and sharing our experience is an important part of how we do this. We appreciate the opportunity to make a submission to the Productivity Commission and contribute to this inquiry.

Executive Summary

IKEA Australia welcomes the Commission's focus on heavy vehicle productivity reform. To meet our customer service, sustainability and safety objectives, we refer to and support the reform areas:

1. Increase heavy vehicle road access to reduce emissions and increase productivity.
2. Accelerate the establishment of a National Automated Access System to streamline road access decision making for all heavy vehicles.
3. Accelerate implementation of the National Heavy Vehicle Driver Competency Framework.
4. Remove administrative and regulatory barriers to improve the availability of heavy zero emission vehicle charging infrastructure.
5. Reduce or remove curfews for heavy zero emission vehicles.

We add two additional areas for consideration:

6. Incentivise commercial EV uptake (vans and trucks) through simple financial incentives (vehicles and charging)
7. Include health, productivity and congestion outcomes.

Further, we note the following:

- Electric light commercial vehicles (vans and utes) perform a large share of delivery and trade work yet often fall between "car" and "heavy vehicle" policy. We recommend complementary recognition and support for light commercial vehicles, given the significant potential to decarbonise road freight logistics using these types of electric vehicles which are readily available at competitive cost and availability, and which can utilise car charging infrastructure.
- The definition of truck (heavy vehicle) is broad. There is a need to consider the different electric truck sizes across their applications – from supply chain to replenishment to delivery etc.
- Ninety-eight per cent of trucking operators in Australia are small and family businesses, with 70 per cent of these only owning one truck.[1] Additionally, drivers of the road freight sector are typically subcontractors - with less than 0.5 per cent of all operators owning more than 100 trucks in their fleet.[2] Any reform must cater to this delivery eco-system, and the individual owner-operators who make up this critical service sector.
- The Future Fuels Fund (ARENA funding) does an important job in supporting large scale investment in freight electrification – demonstrating success in major projects. The opportunity moving forward is to develop an incentive program that enables access to funding for the small and medium business owners, owner operators, and contractors who own and operate the majority of Australia's freight sector.

[1] ATA & EVC (2022) Page 5.
[2] ATA & EVC (2022). Page 5.

- For the purpose of this submission, the term *commercial vehicle* includes utes, vans, and trucks (light, medium, heavy, trailer etc).

We have outlined below the key challenges IKEA has faced in transitioning to electric vehicles for home deliveries, along with our recommendations to address these challenges with note to the relevant reform areas of the inquiry.

The battery weight impact of electric trucks on emissions reduction and productivity

Relevant reform areas:

- Increasing heavy vehicle road access to reduce emissions and increase productivity
- Accelerate implementation of the National Heavy Vehicle Driver Competency Framework.

Issue:

Zero emission truck batteries are heavy, therefore increasing overall Gross Vehicle Mass (GVM). This reduces the maximum carrying capacity of an electric truck (maximum payload) compared to the ICE (internal combustion engine) equivalent.

For zero emission delivery, that could mean more trips, more vehicles, more drivers, and more kilometres to move the same volume - eroding productivity and increasing cost.

These trucks also come with higher purchase prices and limited driving range, resulting in commercial viability only for specific work and customers.

Recommendation:

Introduce a national and harmonised mass allowance to preserve payload parity with ICE vehicles, conditional on safety certification and network capability.

Issue:

The additional battery weight of an electric truck means that electric heavy vehicles may be restricted in the roads that they can access. Given that electric trucks already have limited range, the compounding negative impact is that vehicles may not be operating efficiently – by driving more kilometres with less volume, due to the reduced carrying capacity.

Recommendations:

Coordinate, expand, and harmonise access road networks nationally across all levels of government.

Issue:

Licensing requirements for light rigid trucks present operational challenges when transitioning to electric trucks.

In Australia, you can drive a vehicle up to 4.5 tonnes GVM (including payload) on a standard car licence. The vehicle weight means the maximum carrying capacity of the vehicle is reduced to around 1.2 tonne. Once this vehicle is electric, you also need to consider battery weight, which

further reduces carrying capacity to around 1 tonne (20% drop). This means that when transitioning to the electric version on the same license, the vehicle is less productive and less cost effective for the same operation.

To size up to an electric truck with the same carrying capacity as the ICE truck, a driver is required to get a Light Rigid License (4 – 8 tonne GVM). This is a time and cost commitment for drivers that may disincentivise them to go electric. The broader productivity impact is that a business may require more electric trucks to deliver the same volume of goods compared to the ICE equivalent.

By reforming GVM limit for car license drivers, productivity gains would be delivered to the freight industry through expansion of the driver cohort in the light duty segment, ultimately freeing up skilled heavy vehicle drivers for operating heavy vehicles.

Recommendations:

Review licensing thresholds to support payload parity from the ICE to electric equivalent for light duty trucks.

Electric vehicle driving and charging operations require upskilling

Relevant reform area:

- Accelerate implementation of the National Heavy Vehicle Driver Competency Framework.

Issue:

Zero emission commercial vehicles require new skills to ensure efficient operation. Driver development to manage vehicle range, regenerative braking, and charging infrastructure is part of the electric fleet transition process. Once drivers have been equipped with these skills, they report improved driver experience. The challenge is that drivers are learning on the job, which can have operational impact.

For example, driving an electric truck in a similar way to an ICE may reduce vehicle range if the benefit of regenerative braking is not well understood. An integration of new micro-skills would support futureproofing freight and logistics operators.

Recommendations:

Accelerate competency framework modernisation to futureproof driver training for electrification.

Access to charging infrastructure for commercial & heavy electric vehicles

Relevant reform area:

- Remove administrative and regulatory barriers to improve the availability of heavy zero emission vehicle charging infrastructure.

Issue:

Different size commercial vehicles – utes, vans, light/medium/heavy vehicles – have different accessibility and charging power requirements. However, current public charging networks are designed to only support the passenger vehicle fleet and investment in dedicated networks for commercial and heavy vehicles is limited.

There are many operating models for electric commercial vehicles and different operating models for commercial vehicles will require different charger sizes (kW and MW) and applications (home, on street, public, hub, and depot).

For example, (but not limited to),

- Single/small operators/subcontractors/renters, who own 1-2 vehicles, do not own a depot and/or may drive their vehicles home, would rely on and utilise fast public charging infrastructure (public/hub) and/or depot (retail investment) and/or home charging (home/on street).
- Retailers, who do not own the fleet, and/or may have limited capacity and/or multiple freight suppliers and/or own and/or lease their land, invest in infrastructure (depot) to support their delivery partners and operators.
- Larger operators, who may have bigger vehicles and/or a larger number of vehicles and/or with back to base operations could require upgrades that require applications spreading years.
- Regional and/or supply chain operators, who likely have larger vehicles, travelling larger distances, would rely on a mix of public fast charging infrastructure and/or depot charging.

For each charging model, there is a cost, resource, and time commitment across multiple stakeholders, who are required to deliver the project (council, state govt, energy operators, delivery partners, retailers, consultants etc). Planning, regulation, and legislation at different levels of government can result in multiple/different requirements for similar projects across the country.

For a charging company, retailer, operator etc. to invest in a network, this reduces efficiency and increases cost.

Recommendations:

- Develop a charging investment strategy for the different vehicle sizes and use cases
- Provide simple incentive program for drivers to install EV chargers at home
- Prioritise investment in charging networks for commercial vehicles (hub, depot, public)

- Work with the EV and energy sector to reduce regulation and increase capacity in priority areas for commercial vehicles
- Simplify and harmonise the planning and regulatory process across government and energy bodies to secure approval, access, capacity, and upgrades to invest in charging networks nationally

---

Issue:

Many of the electric utes, vans, and light duty trucks on the road today could utilise the existing passenger vehicle charging network based on battery size and charger speed. The limitation, however, is vehicle height and length.

For example, in the public network, on street parking & other public charging bays are designed for a car (5.4m long). By extending the parking bay length in these charging locations, accessibility for commercial vehicles is gained. By ensuring the access to charging infrastructure is not height restricted, e.g. certain areas of a shopping centre car park, there is an additional productivity and accessibility gain.

Recommendations:

- Passenger vehicle charging infrastructure investment should consider accessibility for commercial vehicles as part of committed investment funding.

Issue:

There is often a limited number of chargers at charging locations, resulting in congestion and driver down time.

This causes challenges for two reasons:

1. Where there is no charging bay access for electric trucks they may utilise passenger vehicle bays. This can cause tension between the two user groups, reduce efficiency for both vehicle segments, increase negative sentiment around electrification and create an uncomfortable experience for the electric truck driver.
2. The time waiting for a truck driver to access a charger has a cost, efficiency, and productivity loss. Waiting for a charger results in fewer orders delivered while increasing time on the road.

Productivity gains could be made through designing charging networks to be flexible to vehicle type with an increased number of chargers to reduce congestion.

Recommendations:

- Passenger vehicle charging network investment should increase the number of charging bays to reduce congestion at the chargers
- Passenger vehicle charging infrastructure investment should consider accessibility for commercial vehicles.

- Prioritise investment in charging networks for commercial vehicles

---

Issue:

Australia's geography poses many challenges when considering electrification. In metro and near-regional areas, the density of the population can enable a high penetration of electric commercial vehicles but access to streets, charging infrastructure and distance can pose a problem. Beyond the city centres, as the distances get more significant, the limitation to reach further with existing vehicle technology increases.

For metro delivery, most work can be done on a 'back to base', depot or hub charge. However, without the ability to extend vehicle range - as can be done with petrol stations currently - it is almost impossible to fully decarbonise a truck fleet.

Given that road freight for delivery and supply chain frequents regional highways and freight corridors, investment in these areas should be accelerated to enable equity of access to road freight electrification.

To increase efficiency, investment should be considered in areas where drivers are already required to stop, and/or where they are likely to use amenities and/or where there are existing industrial centres.

Recommendations:

- Commit dedicated investment to support the uptake of electric trucks suitable for regional work.
- Upgrade existing truck stops to include and support EV charging infrastructure for trucks.

Case studies:

IKEA Delivery Partner - operations

An IKEA delivery partner ran a trial with some electric vehicles (EV) for a client that did not have charging at the loading facility. For the subcontractors to make enough money they needed to access public charging daily to increase the vehicle range to maximise the jobs per day.

Over a month-long trial all three EV drivers struggled to find public fast charging and had to spend an hour in the middle of the day charging at slower charging options. This reduced their ability to handle enough jobs to earn the income required.

IKEA Australia – charging infrastructure network

Identifying charging infrastructure as a major barrier for delivery vehicle electrification, IKEA has invested more than $4.5 million to install an electric vehicle charging network to support our delivery partners and their drivers. Across seven stores and three distribution centres nationally, IKEA has provided 72 chargers, with three more installations to be completed. This charging network support mores than 120 electric vans and trucks.

This charging infrastructure has been a key enabler to IKEA reaching 84% of its customer truck orders delivered in a zero-emission vehicle.

However, the process to scope this project was time, cost, and resource intensive. Expert knowledge of charging infrastructure and fleet operations, transport consultants to support with application, multiple stakeholders internally at IKEA (asset management, facilities management etc.) as well as significant support from our charging parter (Jet Charge) was required to submit the application for the charging infrastructure projects at each site.

The timeline to scope and approve was up to 12 months in some instances. This process reduces efficiency and increases cost due to the prolonged approval timeline.

Noise reduction benefits of electric commercial vehicles through curfew exemptions

Relevant reform area:

- Reduce or remove curfews for heavy zero emission vehicles.

Issue

Outbound goods flow (delivery) requires strong productivity and efficiency processes to secure delivery KPIs, including orders packed correctly, trucks loaded securely, safely, and on time, and orders delivered to customers within the right window. This presents operational pressure in two areas of retail fulfilment:

1. outbound fulfilment (picking, packing, and preparing the order) and
2. delivery operations (loading and delivering the goods).

Some of key challenges for fulfilment operations include the space to organise orders for loading, the number of docks, the volume of goods, and the customer delivery windows. These are business operations, which are defined by the business.

However, truck curfews were introduced by government to limit the noise pollution of diesel vehicles operating in residential areas. This means that commercial vehicles cannot access outbound areas until the curfew is lifted, with congestion on outbound docks as orders wait for vehicles to arrive. Once loaded, this puts delivery vehicles onto the road during peak congestion, which in turn results in delayed order deliveries.

The impact of the curfew on delivery is limited services growth, limited delivery windows, and the ability to meet customer expectations e.g. delivery lead time. With electric freight, because noise pollution is reduced, the need for the curfew reduced.

Inbound goods flow (supply chain and replenishment vehicles and trailers) also face operational challenges due to truck curfews, as fulfilment replenishment activities typically occur during curfew hours. This presents efficiency, productivity, and cost losses to the business.

For example, inbound operation hours may overlap with the curfew, which means that the container cannot be live unloaded at the time. To ensure the stock is replenished according to availability needs, that container must arrive a day earlier. The result of this is increased lead time, reduced turnover at the docks, and limited efficiency (as goods sit unpacked). The curfew reduces productivity to a 12-hour window.

There is an opportunity to drive efficiency for inbound and outbound fulfilment, enables future volume growth for both inbound and outbound, and reduces road congestion through an exemption for electric commercial vehicles.

The productivity benefits of this will be felt in all areas of fulfilment from replenishment, picking and packing, and delivery.

Recommendations:

Introduce curfew exemptions or extended windows for zero emission delivery vehicles to enable 24 hours operations, avoid peak traffic, increase unit productivity, and support scaling to higher replenishment and delivery volumes.

The following issues do not fall under a relevant reform area identified by this inquiry but we consider highly relevant to consider in the reform agenda.

Health benefits of transport electrification

Issue:

Internal combustion engine vehicles produce gases and fine particulate matter (Nox and PM2.5) that cause respiratory, cardiovascular, and carcinogenic health issues. These toxic fumes pollute our streets, parks, playgrounds and neighbourhoods.

The impact of ICEV pollution on the public health sector should be considered across reform areas to understand where dollars can be saved by incentivising the uptake of zero emission vehicles and reducing pollution.

The individual health benefit of commercial vehicle electrification is the improved driver experience. It is commonly noted that the vehicles are smoother to drive, with less noise and vibrations, and no diesel fumes.

Electrification of commercial vehicles should be considered as an efficiency driver not only in freight but also in public health. Work should be done to measure the reduced cost impact on the public health system with the increased uptake of electric vehicles.

Recommendation:

- Recognise and quantify the public health benefits of electrification across all vehicle segments

Incentivise commercial EV Uptake through simple incentives

Issue:

Upfront zero emission commercial vehicle costs remain high, and the delivery ecosystem is complex. With 98% of Australia's road-freight market made up of SMEs and subcontractors who manage a fleet of 1-2 vehicles with a low profit margin,[3] the reason to electrify is often goal and contract driven.

In the case of IKEA, we do not own most of the delivery vehicles, and neither do our delivery partners. For those that own the vehicles, access to funding is challenging as it can be time intensive, project resource intensive, and require significant co-investment.

Efficiency can be driven by enabling access to the broader ecosystem with upfront incentives, tax incentives and/or other quick and simple mechanisms to reduce the purchase price of an electric commercial vehicle. This will increase commercial viability of electric trucks in the long term, bringing them closer to total cost of ownership parity with diesel vehicles.

Recommendation

Develop point-of-sale grants for commercial electric vehicles

A point sale grant will enable quick and easy access for all stakeholders across the delivery and heavy vehicle ecosystem, complemented by ARENA funded projects that seek to close industry gaps.

For example:

1. The New Zealand EECA Low Emissions Heavy Vehicle Fund directly reduces the upfront cost of an electric truck by up to 25% for purchases and conversions. IKEA New Zealand has been through this process, which was a pre-filled online form completed by the vehicle dealer. It took a total of 10-minutes to complete.
2. The United Kingdom has boosted the Plug in Truck Grant to increase the program that provides a discount of up to £120,000 (depending on the truck size). The discount is applied via the dealer to truck purchases at point of sale.

Case study

IKEA has worked with Kings Transport for more than 10 years, working together to achieve zero emission delivery since 2022. Kings predominately work with owner-operator and sub-contractor drivers, who have shared their experience below.

IKEA Delivery Parter – Kings Transport

"While the cost of the vehicles (particularly the vans) has reduced they are still at the high end of entry, and with a range restriction of approx. 200 per charge, it limits the options of where a subcontractor can work as earnings need to be at the higher end to offset the upfront cost."

[3] Energy Futures Foundation (2025) *Securing Australia's net-zero future through clean freight*

Kings' subcontractor

"Lack of commercial fast charging, queue times and no targeted incentives make EV operations economically challenging; adoption is driven by contract requirements rather than compelling economics."

Conclusion

IKEA Australia supports the heavy vehicle productivity reform package and proposes access, approvals, skills and incentive changes tailored to the realities of commercial zero emission transport deployment. These reforms will strengthen national productivity, accelerate decarbonisation of freight, and deliver tangible health and congestion benefits for Australian communities.

We welcome any future opportunities to engage with government on this topic, please get in touch.

About IKEA

IKEA offers well-designed, functional and affordable, high-quality home furnishing, produced with care for people and the environment. There are several companies with different owners, working under the IKEA Brand, all sharing the same vision: to create a better everyday life for the many people. IKEA was founded in Sweden in 1943. **www.ikea.com.**

The first IKEA store in Australia opened in 1975 and has evolved from a 'cash and carry' business to become an omnichannel retailer. As of August 2025, we employ approximately 3,800 co-workers who meet the needs of thousands of customers across Australia each day in-store, online and over the phone.

We currently operate 10 stores in Australia, across 6 states and territories, and 2 plan and order points (Perth, Sydney) which are bespoke planning studios to support customers with more complex home furnishing purchases, such as kitchens or wardrobes.

Customers can also shop online through our website and IKEA app, place their orders with one of our IKEA specialists over the phone, online chat or book a virtual planning appointment for personalised design advice for almost any room in their homes through remote shopping. For our small business customers, we have a range of personalised services and design tools through "IKEA for Business."

Ingka Group

With IKEA retail operations in 32 markets, Ingka Group is the largest IKEA retailer and represents about 90% of IKEA retail sales. It is a strategic partner to develop and innovate the IKEA business and help define common IKEA strategies. Ingka Group owns and operates IKEA sales channels under franchise agreements with Inter IKEA Systems B.V. It has three business areas: IKEA Retail, Ingka Investments and Ingka Centres. Read more on **www.Ingka.com**.

IKEA is committed to the Paris Agreement and to contribute to limiting the global temperature rise to 1.5°C. This includes a commitment to reducing absolute GHG emissions from the value chain by at least 50% by FY30, compared to a FY16 baseline, and to reach net-zero emissions by the latest FY50, without relying on carbon offsets to meet this absolute reduction target. In addition, IKEA will remove and store carbon through forestry, agriculture, and products, along with contributing to additional reductions in society by going beyond our value chain. As we enter a pivotal decade for climate action, Ingka Group, through Ingka Investments, is significantly boosting its renewable energy investments to EUR 7.5 billion, targeting 100% renewable energy throughout its value chain. Since 2009, Ingka Investments has allocated around EUR 4 billion to wind and solar.