

Submission by



to the

**Ministry of Transport**

on the

**New Zealand Freight & Supply Chain  
Issues Paper**

**3<sup>rd</sup> June 2022**

## **1. GENERAL DISCUSSION**

- 1.1 Business New Zealand, Export New Zealand, and the BusinessNZ Energy Council (BusinessNZ) welcome the opportunity to contribute at this early stage on the Ministry of Transport (MoT) New Zealand Freight & Supply Chain issues paper.
- 1.2 Given New Zealand's distance from large international markets, and dependence on trade for economic prosperity, New Zealand Inc. needs a robust and reliable freight and supply chain system. The Covid-19 pandemic highlighted the many flow-on impacts of supply chain disruptions.
- 1.3 BusinessNZ has heard from businesses unable to receive components to complete the manufacture of their products, unable to secure container space, paying up to 400 per cent more, and having to lease warehouse space for extra storage of raw materials. In fact, 'shipping and logistics' was the number one issue for exporters according to the 2021 ExportNZ DHL Barometer. Many of these businesses were unable to increase their prices as they needed to remain globally competitive. Businesses felt the full impact of New Zealand's distance from international markets.
- 1.4 BusinessNZ agrees that there are significant opportunities to review and design the system to achieve the best outcomes for New Zealand.

## **COMMENTS ON NEW ZEALAND FREIGHT & SUPPLY CHAIN ISSUES PAPER**

***Which of the opportunities and challenges do you believe will be most important in shaping the future of the freight and supply chain system in New Zealand and why?***

## **2. INVESTING IN NEW ZEALAND'S TRANSPORT NETWORK HOLISTICALLY**

- 2.1 While there is little the New Zealand government can do to fix the current disruptions to the global supply chain, ensuring that domestic supply chain systems are robust and allow businesses to be agile is key to developing a futureproof supply chain system strategy.
- 2.2 BusinessNZ would like to see investment in New Zealand's domestic freight and supply chain system prioritised. The announcement in May that the Government has committed \$30 million of funding to improve domestic shipping services, reduce emissions, improve efficiency and upgrade maritime infrastructure is a welcome start.
- 2.3 Further investment in upgrading and increasing coastal shipping and KiwiRail capacity is essential to ensuring domestic freight moves smoothly

regionally is vital to building a robust domestic supply chain. New Zealand ports have become adept at dealing directly with international lines. For coastal shipping to work efficiently, ports will need to develop the infrastructure and capacity capable of handling the extra movements the double-handling of containers will create. BusinessNZ understands that currently, no New Zealand ports are equipped for coastal-to-international shipping transfers.

- 2.4 More coastal shipping and rail capacity would help increase the resilience of the supply chain and help regional ports to get goods to market. Investment in infrastructure such as freight hubs and greater port capacity would unlock multi-modal options. Having capacity in these modes is likely to become more important as incentives to decarbonise increase.
- 2.5 But no one mode of transport should be relied upon in a dominant way. As Covid has shown us, all modes of transporting freight are fragile and vulnerable, and therefore we must utilize all options available to us when it comes to transporting goods.
- 2.6 New Zealand needs to ensure it has a balance of options both domestic and international for transporting goods in the most cost and time-effective way, while also ensuring the process emits as little carbon emissions as possible. MoT's strategy needs to support a range of supply chain options and ensure these options are fit for purpose for appropriate use – that means improving air and sea freight capabilities, and also ensuring that the road and rail options are also available to businesses transporting goods domestically.

### 3. **LABOUR SHORTAGES**

- 3.1 BusinessNZ agrees with the Ministry's statement in the issues paper that *"There have been chronic labour shortages in parts of the freight sector, which will require more collaborative and longer-term planning across employers, unions, and government to ensure the right conditions to build a sustainable labour force"* [pg. 6].
- 3.2 Stakeholders in the supply chain system, including transport and logistics providers, importers and exporters from a range of industries, industry associations, and transport unions agreed that labour shortages are one of the top issues in the sector.
- 3.3 BusinessNZ supports the Ministry's view that making sure the sector is able to attract workers will include *'creating higher quality, higher-skilled, and safer jobs for New Zealanders, and ensuring an adaptable workforce through further education and training'* [pg. 40]. Both industry and government need to work in partnership to ensure that the pipeline of talent

for these roles is available by making training in these roles attractive and accessible.

- 3.4 Immigration is a vital part of New Zealand's labour market. The current direction of travel for immigration settings is a focus on accepting skilled immigrants rather than unskilled immigrants (from July, this would be as defined by being paid the median wage.) While immigration for jobs paying below that level will become harder, this is where most of the labour market demand is. Because a job pays below the median wage does not make it non-essential. Classifying such jobs as unskilled with immigration more difficult will simply add to the freight sector's problems.
- 3.5 Like many industries, the freight and supply chain system relies on a simple, clear, sustainable immigration system to help to fill its labour force. Internationally, there is a sustained and ongoing shortage of highly skilled workers both globally and throughout New Zealand in the freight and logistics industry. New Zealand's immigration policy needs to support the attraction of migrant workers in this field.

#### **4. PORT OWNERSHIP AND PRODUCTIVITY**

- 4.1 BusinessNZ agrees with the Ministry's assertion that *'Our freight system will have to be more productive and efficient to clear the higher volume peaks brought by larger ships. Improving the system in this way will also maintain New Zealand's attractiveness to international lines, which strengthens the resilience of our international connections'* [pg. 35].
- 4.2 New Zealand's supply chains have undoubtedly been affected by the global Covid-19 pandemic and continue to be affected by international affairs. However, businesses and stakeholders have commented that there were supply chain issues long before the Covid-19 pandemic hit our shores. The supply chain system 'scraped by' thanks to the strong collaboration between the various parties involved. Increasingly, the system has struggled with growing volumes, but without the new resources and investment to cope with the rising demand.
- 4.3 The high level of local authority port ownership amongst New Zealand ports could be leading to inefficient investment in ports for parochial reasons. A mixed ownership model, where ports are more commercially operated, such as the port of Tauranga, has resulted in increased productivity. However, encouraging local councils to give up their commercial activities voluntarily, without either covert or overt pressure from central government may be difficult.
- 4.4 BusinessNZ advocates for movement and streamlining of infrastructure projects that are of National significance in building capacity and resilience

to New Zealand's supply chain. Projects such as the Stella Passage Project in the Port of Tauranga should be fast-tracked through the resource consent process and red tape should be cut given the benefits to the supply chain system. This was recently highlighted in the 30-year Infrastructure Strategy from the NZ Infrastructure Commission which noted that approval for key infrastructure projects in New Zealand faces more widespread appeals than almost all other OECD countries.

## 5. **CLIMATE CHANGE**

- 5.1 BusinessNZ agrees with the Ministry's assertion that '*Ports, airports, and rail will need to decarbonise their operational emissions. This will require significant investment in current and new infrastructure, certainty around government investment and the future of our port system, and certainty around future energy supplies*' [pg. 27].
- 5.2 Many of the actions New Zealand must take to achieve emissions budget levels will be made by the private sector. Businesses will have to change their behaviour, make new investments with different criteria, and take the commercial risk that will arise from the quest to meet the emissions budgets.
- 5.3 BusinessNZ believes that a strategic approach to decarbonising the freight and supply chain is important, however, we must be wary of 'betting the house' on any one technology or method. The Government should be careful about picking winners.
- 5.4 The Government should focus on creating an outcome-based regulatory environment that enables the private sector to innovate and forge a market-led path to 2050. We must allow for flexibility on how to decarbonise the New Zealand economy. The Government should not be too prescriptive.
- 5.5 Robust trialling, piloting, and clear policy frameworks will level the playing field for technology development and adoption and help increase our options in the face of uncertainty. The Emission Trading Scheme should be allowed to do its job and other interventions should follow only where there is a clearly articulated positive net benefit.
- 5.6 A strategy for the New Zealand freight and supply chain sector should represent an informed, sequenced, and holistic approach developed jointly by the relevant government agencies, the private sector and the relevant communities.
- 5.7 The most value to New Zealand will be gained by using this model to move boldly and smartly together to engage effectively with many diverse

stakeholders during the energy and transport system transition. We need to take a strategic approach to reducing transport emissions.

- 5.8 The Sustainable Business Council's (SBC) Low Carbon Freight Pathway<sup>1</sup>, reflected in the Climate Change Commission's final advice, has established the feasibility of halving emissions by 2030 and net zero for the sector by 2050. The Freight Group includes leaders from nine New Zealand companies committed to low carbon freight: Countdown, Fonterra, Lyttelton Port Company, New Zealand Post, Ports of Auckland, Swire Shipping, The Warehouse Group, TIL Logistics Group and Toll.
- 5.9 The Pathway models horizons for decarbonising freight based on reducing emissions by optimising the use of existing vehicles, replacing fossil fuels with biofuels, and ultimately eliminating internal combustion engines. The Pathway shows an ambitious emissions reduction goal for freight, 35% by 2035 as committed to in the Emissions Reduction Plan, is achievable if work starts now. Actions need to be developed now, in the first emissions budget period, to enable investment decisions fuel switching options (e.g. biofuels, electrification, hydrogen, etc.) will require investment decisions to be made in the following years.

## 6. **DIGITALISATION OF TRADE**

- 6.1 BusinessNZ supports MoT's sentiments regarding the benefits of paperless trade. We believe there is a massive opportunity to help exporters make significant gains in productivity, transparency, and predictiveness through the adoption of a paperless-documentation system for trade.
- 6.2 A New Zealand Institute of Economic Research (NZIER) paper in 2021 cited potential cost savings in APEC economies of between 15 per cent and 45 per cent, depending on the development stage of digital trade initiatives in the economy.<sup>2</sup>
- 6.3 There is an important opportunity to work with other countries and economies through New Zealand's bilateral and multilateral free trade agreements, and even the US-led Indo-Pacific Economic Framework, to improve the movements of goods cross-border. Paperless documentation trade systems will be particularly important to supporting faster transfers at ports and this would require New Zealand's ports to have the adequate technology and infrastructure to handle paperless processes.
- 6.4 BusinessNZ supports a transition to a paperless documentation trade system and believes New Zealand should be an early adopter to then lead the conversation at the APEC level. Any investment or redevelopment of New

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<sup>1</sup> Sustainable Business Council. (2021). Low Carbon Freight Pathway Report.

<sup>2</sup> NZIER. (2021). Digital trade is the way forward. A report for TradeWindow.

Zealand's ports must include investment in digital technology able to support and facilitate businesses, logistics companies, and the ports themselves transitioning to a paperless system.

## **7. PLANNING FOR THE FUTURE**

- 7.1 New Zealand is not a small country. We are a large country with a small population. How big do we want to be by 2050 and are we planning for sustainable growth? Bigger populations lead to economies of scale and increased investment in infrastructure and logistics. The OECD suggests that Australia's scale more than compensates for the adverse effects of distance from markets.
- 7.2 BusinessNZ advocates for any long-term freight and supply chain strategy to factor in the growth of New Zealand's domestic population and invest accordingly. A larger domestic population would lead to more demand and would put pressure on the existing supply chain system. Investment in our supply chain networks needs to follow the population growth to keep up with increasing demand.
- 7.3 BusinessNZ would suggest hosting workshops on this area of work with targeted groups, businesses, and individuals. BusinessNZ is happy to assist the Ministry in engaging businesses and associations where possible.

## **ABOUT BUSINESSNZ**

The BusinessNZ Network is New Zealand's largest business organisation, representing:

- Business groups [EMA](#), [Business Central](#), [Canterbury Employers' Chamber of Commerce](#), and [Business South](#).
- [BusinessNZ](#) policy and advocacy services.
- [Major Companies Group](#) of New Zealand's largest businesses.
- [Gold Group](#) of medium-sized businesses.
- [Affiliated Industries Group](#) of national industry associations.
- [ExportNZ](#) representing New Zealand exporting enterprises.
- [ManufacturingNZ](#) representing New Zealand manufacturing enterprises.
- [Sustainable Business Council](#) of enterprises leading sustainable business practice.
- [BusinessNZ Energy Council](#) of enterprises leading sustainable energy production and use.
- [Buy NZ Made](#) representing producers, retailers and consumers of New Zealand-made goods.

The BusinessNZ Network is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

The BusinessNZ Network contributes to Government, tripartite working parties and international bodies including the International Labour Organisation ([ILO](#)), the International Organisation of Employers ([IOE](#)) and Business at OECD ([BIAC](#)).

