Submission on Te Manatū Waka, Ministry of Transport

New Zealand Freight & Supply Chain Issues Paper

Introduction

The Customs Brokers and Freight Forwarders Federation of New Zealand Inc (CBAFF) is the leading industry association representing customs brokers, freight forwarders and related service providers in New Zealand's part of the international supply chain. The representation for such service providers also extends to their clients being importers and exporters. Those service providers and their clients are the parties subject to control of the New Zealand Customs Service, the Ministry for Primary Industries and Inland Revenue Department, together with other agencies such as the Ministry of Transport, Maritime New Zealand, Civil Aviation Authority, Environmental Protection Authority and the Ministry of Foreign Affairs and Trade. CBAFF has a long history of engaging with the NZ border agencies on matters relating to the regulation of the passage of goods in and out of New Zealand and relating to wider trade policy issues such as the development and implementation of Free Trade Agreements and the development of cargo security initiatives.

CBAFF is a member of FIATA – the International Federation of Freight Forwarders Associations and the Federation of Asia Pacific Aircargo Associations and works closely with other associations representing similar groups to those CBAFF represents. This includes the International Forwarders and Customs Brokers Association of Australia with whom CBAFF works collaboratively.

In undertaking these roles, CBAFF draws upon the expertise of its members and their long history of representing service providers in the supply chain and those importers and exporters in the supply chain.

The membership of CBAFF comprises some 125 companies delivering supply chain services for international trade to New Zealand and overseas companies. Supply chain services include:

- government agency compliance,
- arranging and/or providing transportation – international and domestic,
- warehousing / storage,
- repairs / maintenance,
- reverse logistics and
- order fulfilment.

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1 Do you agreed with the outlined description of the freight and supply chain system?

The supply chain currently has many fragile parts which have been particularly highlighted by the events of the last two years.

The top three issues confronting industry are labour supply, reliability and certainty of service and competition. Climate change and de-carbonisation are matters that larger players in the supply chain have resources to be considering these matters at this time, however SMEs are often reliant on regulation or competitor actions to effect change.

2 Do you have any views on the outlined role of Government in the freight and supply chain system?

The outlined role of Government is appropriate.

We suggest that there should also be investigation into the feasibility of an Australasian-owned shipping line being involved to better serve our two markets.

3 Do you agree with the outlined strategic context and key opportunities and challenges?

We have the view that the shipping lines' vertical integration will leave limited options for New Zealand Inc and particularly negatively affect the SME sector.

We support the concept of an independent Ministerial supply advisory board drawn from the different components of the supply chain. This must include representation of SME. The Federation records its willingness to be involved in such a group.

Government has demonstrated its ability to be heavily engaged with the supply chain through its establishment of the *Maintaining International Air Connectivity (MIAC) scheme* to support continued air services, the Federation contends that ocean freight should also be receiving support to ensure New Zealand products remain competitive in the international market.

An increase in coastal shipping will assist with the Government's de-carbonisation goals as it will result in a reduction of trucks on the road. Currently freight is being trucked between islands to connect with air and sea services ex Auckland or Tauranga.

Kiwirail creates congestion by not having a reliable ferry service to handle (rail) volumes. We note the arrival of electric ferries is some 2-3 years away.

Government's $30 million support for coastal shipping is a very small investment (particularly, when compared with the Government's investment in rail). There are a number of other factors that will need to be addressed particularly New Zealand's cabotage rules.

The supply-chain specific 'shovel ready' projects that are now held up by Resource Management / Environment Court requirements should be fast-tracked allowing greater capacity and infrastructure to be available. The Port of Tauranga's plans to extend their berth capacity is a prime example – as an extension of this, more cranes and rail infrastructure will be required, including increased rail capacity to move cargo to Auckland and other destinations. Additional employment will naturally flow from this growth.

The government does not appear to recognise labour shortages in the supply chain and logistics areas of employment. We need both a short and long-term approach; an immediate fix is to add these categories to the critical worker category for immigration.

We recognise that 'congestion pricing' is implemented as a lever to drive behaviour change, however, suggest that unintended consequences may include further labour shortages, with staff not prepared to work 'unsocial' hours, further price increases and a lack of storage capacity.

The strategy should consider the further impact of labour shortages in all aspects of the supply chain – for example shortages in warehouse / coolstore / production facilities compound shortages in other parts of the supply chain including port / depot congestion and delays, supply of containers and the speed of product to market.

4 Are there any trends missing that we should consider?

Nil

5 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?

Incentives for New Zealand trucking companies to convert the fleet to electric or hydrogen will be required. First and last mile vehicles will probably be the 'low-hanging fruit' and critical in this initiative. The exponential growth of the 'express' freight will continue to drive the growth of courier services that will include autonomous delivery.

6 Do you agree with the outlined vulnerabilities of the current system?

Vulnerabilities include the current behaviour of shipping lines to advise a few days (+/- 5 days) of a decision to omit a port on their schedule and/or to re-route to another port. This results in significant re-work of documentation / approvals and the cost of re-positioning transport to deliver cargo (import or export) to the new port; this could also mean that the shipment is no longer competitive in the market and/or the New Zealand company ceases to trade. This also adds to carbon miles expended for shipments.

The Ports of Auckland (POAL) bottleneck and inefficiencies and delays causes a significant flow-on effect to the rest of New Zealand's ports. Carriers are unable to uplift to their capacity, leaving containers behind; congestion impacts schedule reliability, which in turn impacts how long POAL is able to allow ships to be on berth.

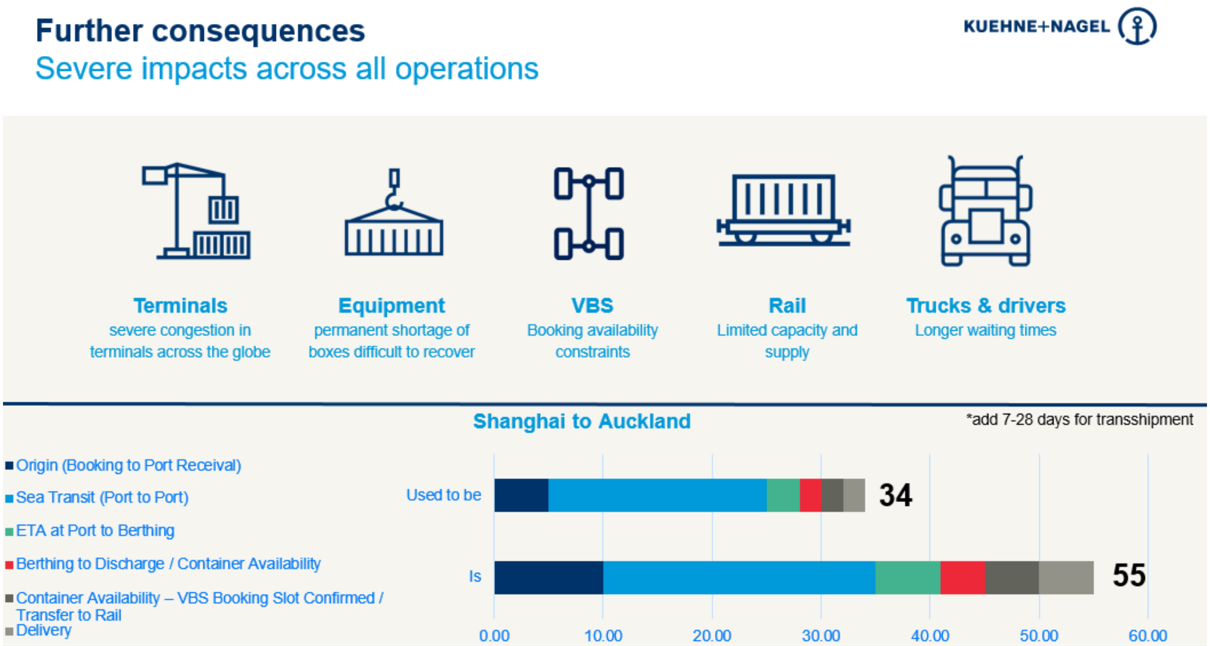
Additional fees being charged by POAL (on and off peak Vehicle Booking System (VBS) surcharge / excess dwell charge), implemented to drive behaviour change and designed to relieve port congestion and improve container flow, creates bottlenecks elsewhere in the system.

New Zealand cannot rely on Northport to 'ease' pressure on POAL / Auckland. A fit for purpose port at Northport relies heavily on infrastructure, both road and rail. Northport is significantly more challenging for customers and the end consumer. Our members are experiencing costs of at least $1,800 to transport a container from Northport to Auckland; in addition shipping lines are calculating detention from the time of discharge from the vessel, however the container is not available for uplift / released by Northport for transport for some 3-4 days after discharge irrespective of whether or not the shipping line, NZ Customs or the Ministry for Primary Industries have released the container for movement.

New Zealand SMEs are vulnerable on a number of levels – cash flow, storage capacity, lack of volume. These factors mean that they are often unable to achieve the best freight rates and while their agent, the freight forwarder works to optimise all facets of shipping by delivering a very customised service, changes that have occurred in the supply chain mean that pricing and reliability are being sacrificed.

Congestion in the supply chain results in the need to increase personnel, storage, transport – which in turn adds significant cost and carbon expended – in order to achieve delivery expectations. Employers are always endeavouring to ensure safe work environments, however maybe compromised because of circumstances beyond their control.

We include a diagram illustrating the changes to the supply chain and impacts. These delays are adding carbon miles and stress to all facets of the supply chain.



7 Is there any key information missing in understanding the vulnerabilities of the current system?

Data is held by all freight forwarders. There is an opportunity to create an independent repository of data that can be utilised by supply chain participants to facilitate decision-making and strategic planning. Such a repository could be a collaboration between Government and the Customs Brokers and Freight Forwarders Federation of New Zealand Inc. We would welcome an opportunity to discuss such an initiative with officials.