

SUBMISSION ON NEW ZEALAND FREIGHT AND SUPPLY CHAIN ISSUES PAPER

3 June 2022

- 1 Christchurch International Airport Limited (CIAL) welcomes the opportunity to contribute at this early stage on the Ministry of Transport (MoT) New Zealand Freight & Supply Chain issues paper.
- 2 As a geographically isolated nation dependant on international connectivity for trade and domestic consumption, it is critical that New Zealand has a highly functioning and resilient freight and supply chain ecosystem.
- 3 Covid:19 has brought to the fore some of the fragilities of New Zealand's system and the flow on effects to the supply of goods into and out of the country.
- 4 The impact of technology and climate change stands to reshape the global freight system further over the coming decades. It is imperative that a future focused approach is taken that allows New Zealand to insulate itself from the risks and capitalise on the opportunities that will be created.
- 5 CIAL is therefore very supportive of the development of the New Zealand freight & supply chain strategy seeing it as a critical piece of work to ensure a highly functioning, robust and future proofed freight ecosystem. As a first step, an aim of the work toward the strategy should be to promote wide understanding of how the system works, its gaps, pinch points, resilience issues along with future opportunities.
- 6 In our view the issues paper represents a good starting point for defining the issues however it significantly underplays the importance and growth of air freight for New Zealand. New Zealand's physical isolation from the rest of the world means aviation will remain a critical way to stay globally connected.
- 7 Whilst only 1% of volume air freight makes up 16% of our export value and 22% of import value. More importantly airfreight is often time critical goods such as vaccines, medical equipment, manufacturing components that are required to ensure lives and livelihoods are maintained. Exports are high value perishables such as fresh fish, meat and fruit. When these goods get to market quickly and with less handling they demand a much higher premium with consumers than if they are delayed by even a day. When high quality air freight is available, these premiums support niche producers and a greater diversity of markets for New Zealand goods.
- 8 Digitisation and the impact of Covid:19 has accelerated New Zealand businesses into online retailing. This is in line with the governments Digital Aotearoa strategy which aims to accelerate businesses (especially SME's) into the digital economy. Air freight is the key enabler of this for international trade, meaning that airfreight requirements will continue to grow, however as noted in the paper capacity is likely to be constrained over the short to medium term. The result of this, unless there is a solve, is that businesses that have digitised will be unable to get their products to market or realise premium pricing.
- 9 It is worth noting that whilst airfreight capacity was maintained through Covid:19 through government support schemes (something that CIAL was both very

supportive of and thankful for) that pre Covid there was a significant air freight capacity gap. For example, a PWC report commissioned by CIAL identified that only half of the potential airfreight from the South Island was able to be carried due to a lack of widebody or dedicated freighters at Christchurch Airport, currently the only airport in the South Island capable of handling wide bodied aircraft. This means these goods are likely being sold into a lower value market than they could be. (PWC report available on request).

- 10 Consideration should also be given to the interdependencies with other sectors of the economy, such as the visitor economy. The government support schemes provided through Covid:19 highlighted the "subsidy" that international passenger movements provide to high value air freight. An example of this is that while a daily wide body service attracts circa \$160m of visitor expenditure and creates circa \$500m of freight value per year, the revenue model focuses on the passenger, resulting in them underwriting the freight component.
- 11 An efficient freight and transport system uses carbon efficiently and to its highest value use, ensuring our living standards are supported as we transition to a low carbon future. All its participants must also play their part to enable the decarbonisation of that ecosystem within the regulatory frameworks. As New Zealand moves towards net zero emissions by 2050 the measure of foreign exchange earned per tonne of CO₂e will ultimately determine which sectors can pay the highest price for carbon under a shrinking ETS. Sectors that rely on aviation as a transport network produce the highest foreign exchange and therefore air freight will grow as a share of total freight activity. CIAL has demonstrated this in Appendix A.
- 12 To ensure a robust and resilient air freight ecosystem, further work is needed to better define the resilience risks in the system. For example, the national mail and parcel centres are only located in Auckland which means that these are the only points of entry for these items. This creates a concentration risk, if for example there were future lockdowns or restrictions on workers and is less efficient than a two-node system would be

Further work is required to understand the fitness of existing transport infrastructure to support New Zealand's future needs in the context of a changing climate. Some ports, both sea and air, are exposed to climate risk and others are unable to meet expected future demand as our population patterns change. The climate risk to ports, both sea and air, due to changes in temperature, wind, extreme weather events and ongoing sea level rise is one of the climate risks the National Adaptation Plan seeks to address and should be included in any long term freight strategy.

- 13 It is important that our freight and transport system is adaptive, and its infrastructure well located if it is going to be resilient and efficient for the future.
- 14 Whilst the paper seeks to define the issues that the freight and supply chain face, it is worthwhile for the strategy to also consider the opportunities that exist. CIAL believes that there are two areas that are worth further exploration:
 - The role New Zealand can play in global supply networks. This could be in the form of New Zealand as a distribution hub for Australia or South America. The New Zealand China Council's report into the Southern Link opportunity (www.nzchinacouncil.org.nz/wp-content/uploads/2021/11/NZIER-

[SouthernLink-report-FINAL-17-11-2021.pdf](#)) is a good example of the potential for New Zealand to play a greater role in global networks.

- The role of new technologies in supply chain logistics. Autonomous drones, trucks and the likes stand to present different ways to move products around that will be more efficient and environmentally friendly. Airport's role may evolve to become hubs for last mile drone deliveries using "highways in the sky". These types of concepts need to be envisioned in any long term strategy as they stand to disrupt the traditional delivery modes.

15 In summary, CIAL supports the development of the New Zealand freight & supply chain strategy and welcomes the ability to contribute to the issues paper. CIAL would like to see the significant role of airfreight better reflected in the issues paper (and ultimately the strategy) as airfreight will become more important with digitisation and climate change.

