



# Maritime Union of New Zealand

Representing New Zealand maritime workers since 2002

## Maritime Union of New Zealand response to Te rautaki ueā me te rautaki whakawhiwhinga o Aotearoa | New Zealand freight & supply chain issues paper

Thank you for the opportunity to make a submission on the *New Zealand freight & supply chain issues paper*. MUNZ welcomes this Government's focus on fixing systemic problems in the transport sector, rather than just building new roads ad hoc. We support the Government's recent announcement of funding to bring new vessels into the coastal shipping fleet that will improve our economic resilience, reduce emissions, and create good jobs.

### **Q 1 Do you agree with the outlined description of the freight and supply chain system?**

The description of the system is accurate, but underplays the potential and capacity that already exists for a more sustainable transportation system, including greater use of coastal shipping to move freight around the country.

Over the past 30 years, we have come to see a freight system dominated by trucking as natural and inevitable. In fact, it is the result of regulatory and investment decisions made by governments, which is not only heavily polluting but enormously expensive, with much of that expense borne by taxpayers and ratepayers, in the form of billions each year in roading investment. The infrastructure costs of freight trucking are not borne by freight users, whereas other freight modes, like coastal shipping, are given next to no infrastructure support and both ports and ships are expected to return a profit.

Just as governments made the current truck-centric model, so it can transform the freight system into a more environmentally sustainable and economically efficient model by giving equal consideration to all options to meet a given freight task, rather than funding roads by default.

### **Q 2 Do you have any views on the outlined role of government in the freight and supply chain system?**

The description underplays that the Government is responsible for planning, funding and, often, running core transport infrastructure - notably: roads, ports, and airports but also regulation. Simply put, without government investment there would be no modern transportation system. This is a far more important role than the way it is described in the paper.

This is important because recognising that the system rests upon the Government's role in providing the core transport infrastructure makes it apparent that Government choices fundamentally shape the transport system. For instance, if we're going to transition to more sustainable transport, including more coastal shipping, it will require government leadership to create the conditions for that to occur.



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**Q 3 Do you agree with the outlined strategic context and key opportunities and challenges? If not, please explain why.**

Climate change is clearly the most important part of the strategic context facing transport - both the issues that climate change will create for transport, and the transport system's contributions to climate change through emissions.

There needs to be proper consideration of transport alternatives when making investment decisions if we are to minimise the emissions generated through freight movement with modes considered on an equal footing. The current system remains heavily tilted towards road freight both ideologically and financially.

Coastal shipping is a major mover of freight and has massive untapped potential to expand as a cost-efficient, low-emission alternative to road freight. MUNZ has welcomed the Government's recent investment in boosting coastal shipping - this is the first significant investment from government in the sector in a generation, and restores hope for growth in the future. Yet, the funding allocated to it, just \$30m over the current NLTP, is a pittance compared to roads - the entire coastal shipping sector has less funding over three years than was spent on local road maintenance in Gisborne alone this year. And this \$30m is actually an increase from the zero dollars allocated to coastal shipping for the past decade plus.

We disagree, however, with the negative framing around the investment needed to expand coastal shipping. Yes, new investment will be required to boost coastal shipping to the degree it can take a significant bite out of freight emissions through mode shift but moving the road transport fleet to zero emissions would also require substantial investment in new vehicles - and ongoing larger investments in roads and in energy, road transport being inherently more energy-intensive than shipping. On top of this, the roading focus requires constant investments to try to reduce congestion, which just end up moving capacity chokepoints.

This goes back to the point made in answer to Question 2. The investment decisions the Government makes are crucial to shaping the transport system. If road freight is treated as the natural state of things and invested in accordingly, then the costs and pollution it creates will be perpetuated.

Governments have been, and are, very willing to spend huge sums of money on roading, yet coastal shipping gets less than what we considered a typical cost blowout in a major road project. Mode shift to low-emissions, low environmental impact coastal shipping needs serious investment, and it needs to be put on equal footing for funding with road transport. It seems that the potential of coastal shipping to reduce freight emissions is recognised, but it is expected to deliver this essentially for free, while roads have huge funds allocated to them. This inequity isn't logical and undermines the goal of mode shift for emissions reduction.

We agree with the comments on international shipping, the trend towards a "hub and spoke" model, and the statement "Importers/exporters also potentially face less shipping reliability and choice since using bigger ships could reduce the frequency of services and amplify the impacts of delays. Vertical integration



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could also reduce shippers' choice further up the logistics chain." There is a need for government leadership to coordinate port investments and strategy to optimise our port spending and ensure the capacity exists to support increased coastal shipping. This leadership will need to be backed by investment.

**Q 4 Are there any trends missing that we should consider? If so, please explain what they are.**

The tendency towards a hub and spoke model of shipping deserves more attention. Ever larger international freight vessels can only dock at certain ports in New Zealand, with the draft and cargo-handling capacity to accommodate them and unload/load them in a reasonable timeframe. It makes sense to focus on a strategy with a few hub ports that handle these vessels, while smaller coastal vessels service smaller ports and link them to these hubs.

An extension of the hub and spoke model is that some major shipping lines with very large vessels are not visiting New Zealand at all anymore, but are visiting Australian East Coast ports. New Zealand-flagged coastal shipping capacity will also create the ability to deliver New Zealand freight to those Australian ports and those other shipping lines, creating more opportunities for New Zealand exporters.

**Q 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?**

Our view is that coastal shipping is at a crossroads.

It has the potential to make a very significant contribution to reducing emissions through mode shift and adoption of low emission propulsion systems. However, coastal shipping has been so under-invested for so long that it is on the verge of losing the critical mass of skilled, experienced workers and the ships to train new crew. Continued lack of investment will see New Zealand lose the ability to ship freight on its own coast and become wholly dependent on international lines. Substantial investment will see coastal shipping make a major contribution to the decarbonisation of the sector.

**Q 6 Do you agree with the outlined vulnerabilities of the current system? If not, please explain why.**

COVID and the war in Ukraine have highlighted the fragility of a transport system that depends too much on international freight vessels carrying out coastal shipping and relies too heavily on fuel-hungry trucking for domestic freight needs.

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

It's important to note that New Zealand has lost its ability to transship oil with coastal tankers and is now wholly reliant on international tankers for the distribution of oil around the country. Other freight segments risk a similar reliance if there is not a turnaround in policy. And there is a very real danger that New Zealand is losing the critical mass of seafarers and the training capacity on coastal boats to maintain crewing for the vessels we do have.



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**Q 8 Do you agree with the proposed outcomes? If not, please explain why. Q 9 Are there more outcomes the strategy should focus on? If so, please explain what they are.**

We think that economic efficiency could be added as an outcome. This goes back to the argument that modes need to be treated on an equal footing, rather than perpetuating the truck freight model that has appeared in the last 30 years.

Currently, the freight system is economically inefficient due to an over reliance on costly and labour-intensive trucking, which diverts public and private resources as well as labour from other parts of the economy that could create more growth. Mode shift to coastal shipping would help lift the country's productivity by moving freight more cost-effectively and freeing up economic capacity for other sectors to grow.

A focus on cost-efficiency over a long-term horizon would lead to an increased focus on using coastal shipping to meet the freight task, especially when the entirety of trucking costs is considered - ie. road construction and maintenance, vehicle capital and operating costs, workforce utilisation, safety, and pollution including greenhouse emissions.

**Q 10 Do you agree with the potential areas of focus for the strategy? If not, please explain why. Q 11 Which of these areas of focus would be most important to prioritise?**

We support the emphasis on coastal shipping and ports in the proposed areas of focus. We think that more attention should be given to the workforce issues. Expanded coastal shipping will need crews. While New Zealand has sufficient seafarers available at present, the decades-long erosion of the coastal fleet, including the recent loss of the coastal tankers, has resulted in an ageing workforce, workers leaving for Australia, and not enough training capacity aboard vessels. Careful attention will need to be paid to growing the workforce alongside growing the coastal shipping fleet.

**Q 12 What would successful stakeholder engagement on the development of the strategy look like from your perspective?**

MUNZ would be keen to engage with officials and Ministers in person, both in direct meetings and in forums with other stakeholders.

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