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Submitted to New Zealand freight and supply chain issues paper | Te rautaki ueā me te rautaki whakawhiwhinga o Aotearoa
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Part 1: Understanding the freight and supply chain system in New Zealand

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

Please explain in the box below. :

Generally, yes we do. We also strongly support the development of a commercial, integrated national supply chain strategy as the cornerstone of the New Zealand economy. We believe this is an important consultation.

We recommend this consultation and the policy and strategy that flows from it includes the extent to which the cost of living and the performance of our economy are inextricably linked to the performance of our supply chains. Put another way, we would like New Zealand's supply chain to be considered as a key strategic contributor to core national social, economic and environmental objectives.

We are not able to provide feedback on our agreement to some of the system descriptions as the information is not referenced in order to be able to validate.

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

Please leave your comment in the box below::

We recommend considerable care is taken here.

We believe it is in the best interests of all participants in the supply chain, and for the national economy, if the eventual supply chain strategy is supported by appropriate policy and regulatory settings and frameworks, but delivered by commercial, competitive and transparent markets.

Where Government has a critical role in the supply chain is in the provision and maintenance of some core national supply chain infrastructure – primarily the national highway and rail networks – and on supporting importers and exporters through pro-trade foreign policy (for example, free trade agreements and the removal of trade tariffs).

Government investment in the core supply chain assets it owns is a major contributor to supply chain efficiency. Government investment can enable the effective and safe movement of freight while keeping costs down through ensuring its assets are fit-for-purpose in a modern supply chain and support efficiency.

Napier Port supports the development of a low emissions economy for New Zealand. As Government policy leads the transition towards cleaner transport fuels, there is a role for Government to ensure not just the adequacy of the roading network to support alternative fuel vehicles, but also the refueling network to ensure new fuels like hydrogen and electricity can be equitably and commercially accessed by the freight industry.

We recommend the role of Government covers:

- Setting of national strategy
- Investment in government owned infrastructure and solutions that are critical to supply chain efficiency and hence cost, i.e. road, rail and refueling
- Development of a policy framework to support a more commercial, competitive freight industry – for example through regulations governing the operation of the port sector.

Part 2: The strategic context for change

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

Please explain in the box below. :

Broadly, yes, although we would like to see the link between supply chain efficiency and performance and broader national economic interests – for example, the current cost of living – more explicitly recognised.

We think there is an opportunity for more evidence to support certain conclusions and statements in the document. For example, "if we do not reduce emissions from our freight and supply chain, it will pose significant economic risks with costs passed on to the consumer." While we understand the logic that carbon and climate-related costs may well flow through to consumers, it would be good to see some of the modelling and data that informs the statement in order to begin to quantify and more fully understand these impacts.

We agree the sector needs to adequately contribute to emissions reductions and play a leadership role, however this needs to be achieved through transparent commercial frameworks, such as the ETS, without negatively impacting export competitiveness.

This is an area where equitable Government investment in viable and accessible alternatives (vehicles and fuels) can be influential.

Our response assumes commentary regarding Government commitments to emissions reduction targets is not part of the scope of this feedback. However, generally we believe New Zealand will need a more strategic approach to decarbonisation of the entire supply chain, with scenarios quantifying the potential social, economic and environmental impacts, as well as scenarios around technology adoption and efficacy.

4 Are there any trends missing that we should consider?

If "yes", please write the trends we are missing in the box below. :

Additional trends (at a very high level) that we believe warrant further examination in the development of a supply chain strategy include:

- Quantifying the link – and the national economic opportunity – between supply chain inefficiency and the cost of living for all New Zealanders, including future supply chain cost scenarios.
- Understanding the trend for larger vessels and less frequent container ship visits to New Zealand in the future, and the potential implications for port, rail and road infrastructure configuration.
- The ability of New Zealand to store more cargo volumes associated with the potential for larger, less frequent cargo imports.
- The future shape of the Resource Management Act and the ability for Government to effectively facilitate the efficient development of the supply chain.
- The changing consumer landscape and the potential impact on New Zealand's supply chain infrastructure. This includes increasing B2C volumes and greater offshore purchasing as lower cost product is developed globally, e.g. Amazon and increasingly on-line shopping.
- Thinking about the freight of the future. International innovation, particularly in the area of 'last mile' freight e.g. robot/drone delivery and its impact on the supply chain landscape. A regulatory eye on emerging technologies like autonomous vehicles and on-port automation processes could also benefit future technology adoption rates and improved efficiency across the supply chain.

We agree that further cost / benefit analysis is required to better understand the potential for a transport mode shift from road to rail and / or coastal shipping. Regardless of whether transport is via rail or coastal shipping, an adequate roading network will be required to facilitate it and any transport mode transfer has an associated cost that needs to be well understood.

Consideration of the supply chain labour needs – both present and future – in all reviews and considerations relating to immigration settings could help ensure New Zealand is able to meet its supply chain / logistics labour requirements, particularly as they become more technical in nature.

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?

Please explain in the box below. :

In our view, the most important opportunity is not one of the four currently listed.

We believe the most important opportunity is the development of a national supply chain that enables the delivery of multiple objectives - efficiency, resilience, sustainability and safety - without negatively impacting the economy.

We believe the national economic impact of any and all supply chain changes needs to be assessed at every step of the process.

The Government can ensure these objectives will be delivered through:

- o Sustained, strategic investment in the provision and maintenance of quality road and rail infrastructure and rail services
- o Enabling a seamless and cost effective transition to more sustainable fuels
- o Ensuring New Zealand can continue to competitively access and participate in global trade with as wide a range of markets as possible on fair terms
- o Protecting the integrity and efficiency of the supply chain against potential unintended negative consequences. For example, local government regulations limiting supply chain operations, competition for access to major freight corridors from alternative personal and recreational transport modes (cycleways), and slowing the flow of freight through using behavioural measures to slow traffic on major corridors, as opposed to engineering safety solutions.

We see an important role for Government particularly in protecting the safe and efficient use of main freight transport corridors servicing ports and the regional industries they support.

Napier Port supports alternative personal transport modes, particularly where they contribute to emissions reductions, but believes more focus could be

applied by both central and local government to protecting and prioritising the safe, efficient and cost effective operation of the supply chain from policy initiatives that compromise this operation - cycle paths in certain freight or operational port zones, for example.

We believe Government focus on immigration, training and workforce development combined with policy to support supply chain automation could deliver significant efficiency gains across the supply chain over time.

Part 3: Current vulnerabilities of the freight and supply chain system

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

If not, please explain why:

The document observes that before Covid-19 the New Zealand supply chain system performed well in its role of connecting New Zealand domestically and internationally without severe disruptions.

However, severe disruptions, particularly following significant weather events, have occurred in our domestic freight network prior to COVID-19, primarily because our road and rail networks are not sufficiently resilient to the impacts extreme weather. With the growing incidence of extreme weather damaging supply chain infrastructure, the increasing impact of climate change is a significant vulnerability.

There are considerable vulnerabilities for consumers in the current supply chain operation, including in costs. The trend towards lowering speed limits on major freight roading networks will directly contribute to cost increases for consumers, particularly in major exporting / primary production regions of the country. This is an example of where Government investment in a safe, efficient and fit-for-purpose roading network can drive supply chain efficiency.

The development of a national supply chain strategy provides an important and timely opportunity to prioritise sustained investment in the infrastructure to support the operation of the national supply chain. Investment in a high-quality, resilient and efficient roading and rail network that supports a modern freight industry will improve public safety and lead to cost reductions through increased efficiency for consumers.

The cost of carbon as reflected in fuel prices and the need for organisations to hold greater inventory to mitigate current supply chain uncertainty also represents direct consumer cost pressures.

Napier Port welcomes the comments in the document around competitive settings in the ports sector and agrees this needs to be an area of focus.

New Zealand's port sector is a core part of our supply chain with most ports owned by local government on behalf of ratepayers. There is a wide and variable rate of returns to shareholders across ports in New Zealand and this may not be driven by competition settings but by Port ownership models and parochialism.

Napier Port holds some concerns around the ability of New Zealand's port sector to take an 'NZ Inc' perspective and operate in an efficient, commercial way to deliver regional and national economic benefits.

In 2021, a report from the Office of the Auditor General raised concerns around the operation of New Zealand's port sector, noting the potential for "stranded assets, underperforming capital, and low returns or further asset write-downs" if the growth assumptions underpinning commercial port investments do not come to pass.

The Auditor General noted that ports are supposed to operate as "successful businesses" but there is no definition of what this means. The Auditor General encouraged port boards and shareholders to "robustly assess the merits of significant capital investments... to ensure that the assumptions these investments are based on are realistic and are the best use of shareholder capital".

As a commercial port accountable to commercial investors as well as ratepayer shareholders, Napier Port believes this review provides an important opportunity to examine New Zealand's port performance and structure.

We would very much like to see the term "successful business" in the Port Industry Act more clearly defined along commercial lines as a part of this review, both to improve competitive outcomes for customers and potentially to improve the returns from port ownership to ratepayers.

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

If 'Yes' please explain here:

The gap between meeting New Zealand's domestic and international decarbonisation targets and the current viability / availability of low carbon transport solutions for freight has the potential to create a supply chain vulnerability / consumer cost pressure in the short to medium-term, assuming no rapid development of technology solutions.

The domestic supply chain network remains vulnerable from a resilience perspective – extreme weather, the age and quality of original infrastructure, as well as the ability to generate commercial returns for reinvestment.

The current age and quality of some core original supply chain infrastructure – for example, the current State Highway network – also compromises the safe operation of the supply chain.

The varying ownership structures, wide range of returns to shareholders and questions around commercial investments across the port sector also compromises an efficient, effective supply chain.

Part 4: Our proposal for developing a freight and supply chain strategy

8 Do you agree with the proposed outcomes? If not, please explain why.

Do you agree with the proposed outcome 1. Low emissions? - 1. Low Emissions - New Zealand's freight and supply chain system is underpinned by a low emissions freight transport system:

Disagree

If you have answered "Disagree" or "Strongly disagree" please explain why:

Low emissions – Somewhat Agree

This outcome was not contributed by participants in the workshops we attended, though we acknowledge the importance of New Zealand reducing carbon emissions, and every sector of the economy contributing to that.

We are committed to decarbonisation of the economy and the supply chain but believe this cannot occur at the expense of consumers already struggling with cost of living.

We disagree with an outcome that achieves decarbonisation targets at the expense of supply chain costs to consumers, or efficiency. One of the principle challenges in the supply chain is how to reduce costs to consumers, while cutting emissions. Identifying and adopting new technology and fuels, combined with infrastructure that supports safe, rapid freight transportation, lies at the heart of delivering against this challenge.

Do you agree with the proposed outcome 2. Resilience? - 2. Resilience - New Zealand's freight and supply chain system is resilient, reliable, and prepared for potential disruptions:

Disagree

If you have answered "Disagree" or "Strongly disagree" please explain why:

Resilience – Somewhat Agree

New Zealand does have a level of supply chain resilience in that we are quick to come up with alternate options as interim measures, depending on the nature of the event. Kiwis have developed a reputation as being very good at crisis management.

There is work to be done, but we cannot afford to maintain duplicate inactive infrastructure to improve resilience due to the costs to consumers. Work and investment is required in bolstering existing infrastructure in terms of maintenance and removing areas of weakness out of the network.

Do you agree with the proposed outcome 3. Productivity and Innovation? - 3. Productivity and Innovation - New Zealand's freight and supply chain system is highly productive and innovative, and performs well when measured against global standards:

Agree

If you have answered "Disagree" or "Strongly disagree" please explain why:

Productivity and Innovation – Agree

Competitiveness needs to be maintained, with innovation and solutions that achieve increased productivity. There are opportunities to potentially improve competition, commercial settings and freight efficiency – as well as returns to regional port ratepayer owners – through reviewing the adequacy of the Port Industry Act (1986) as part of this review.

Do you agree with the proposed outcome 4. Equity and Safety? - 4. Equity and safety - We transition to a low emission, resilient, productive and innovative freight and supply chain system in a way that is equitable and safe for all:

Disagree

If you have selected "Disagree" or "Strongly disagree" please explain why here:

Equity and Safety – Somewhat Agree

We believe that outcomes here should “support efforts to enhance safety on roads and in workplaces”, but in parallel with protecting and, wherever possible, enhancing the ability of the freight network to operate efficiently and optimally.

A current example is those areas of State Highway currently subject to behavioral safety controls - such as speed limit cuts - as opposed to engineered controls such as barriers, which provide a greater level of safety and support the efficiency of the freight network.

9 Are there more outcomes the strategy should focus on? If so, please explain what they are.

Please explain here:

We request the strategy brings consumers – including importers, exporters, manufacturers and end customers – more to the heart of the strategy and include a new outcome of "cost effective" – i.e. affordable.

The freight supply chain system should enhance and enable New Zealand's ability to compete globally for exports. It should not impact the cost of living for New Zealanders for imported and domestic product – other than to advantage consumers and the economy through greater efficiency and lower costs.

10 Do you agree with the potential areas of focus for the strategy?

If not, please explain why:

Yes. We agree with the broad strategy focus areas, with the inclusion of a new focus on "cost effective", i.e. not decreasing our ability to compete in a global market and delivering the best value for consumers.

We would ideally like to see the supply chain strategy acknowledged and referenced as a core element of the national economy and as an enabler for economic growth and productivity. While there is a critical role for Government in the supply chain, we also think it is important that the operation of the supply chain remains market-based and focused on commercial outcomes.

We support a reduction in emissions and transition to low emission transport across the supply chain, however at a pace that does not negatively impact the national economy or further increase supply chain costs to consumers.

11 Which of these areas of focus would be most important to prioritise?

Type your answer here:

Napier Port proposes the following five priorities to feature in the development of a national supply chain strategy:

1. Cost effectiveness / affordability: to preserve or advantage New Zealand's global competitiveness, reduce pressure on cost of living and maximise national economic productivity
2. Resilience: A stronger, more reliable and flexible supply chain within a light regulatory framework that protects and promotes commerce and competition
3. Productivity and Innovation: A strong focus on ensuring the rapid adoption of future technologies that can cut carbon emissions, improve operational safety and drive efficiency throughout the supply chain
4. Equity and Safety:
 - o Protect and enhance freight corridors and freight operations from being compromised by local government regulations, alternate modes of transport looking to use freight corridors / regions or 'reverse sensitivity'.
 - o Review the New Zealand port sector to ensure it is working commercially within a strong competitive context.
 - o Invest in the roading and rail network to ensure it is efficient, safe and does not generate additional costs for consumers (through delays, for example).

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

Type your answer here :

Stakeholder engagement needs to strike the right balance between engaging at a regional level while never losing sight of the significance of the supply chain to New Zealand's national social, economic and environmental objectives.

An NZ Inc perspective driving engagement and supply chain strategy development is, in our opinion, most likely to deliver the most resilient, sustainable, cost effective future supply chain.

We'd also like to see more structured engagement with the customer end of the supply chain and other high capital, fixed asset supply chain components: ports, warehouse providers, cargo owners, freight forwarders, major importers and exporters.

Currently, cargo owners do not appear to have a strong voice in the issues paper and yet they are the businesses that are using and paying for supply chain services. We would like to see them engaged and heard as much as the rest of the supply chain industry.

We see an opportunity for this review process for WakaKotahi and KiwiRail to be engaged in the strategy as infrastructure service providers and to engage around the needs of cargo owners. One of the most important elements of the eventual supply chain strategy focuses around the WakaKotahi strategy around roading development and maintenance in main freight corridors (primary regional highways).

We would expect there to be flexibility in the New Zealand roading investment and maintenance strategy to reflect the outcomes from this review.

13 How could we best engage with Māori on the strategy?

Type your answer here :

The process from here

Provide further feedback

14 Any general feedback on the consultation

Add your comments, ideas, and feedback here:

Closing comments

This is an important consultation. As a geographically isolated trading nation, our supply chain lies at the heart of our economy. It connects us to the rest of the world and facilitates much of our country's wealth.

Our supply chain deserves to be recognised and acknowledged for the level of contribution it provides. Yet it can operate much more efficiently and commercially within a strong competitive context.

With the right strategy, policy and regulatory support and coordinated investment, our supply chain can deliver much more for our consumers, our economy and for our natural environment.

This consultation and the strategy that flows from it is a unique opportunity to start to build a more resilient, commercial, affordable supply chain at a time when New Zealand most needs it.

Thank-you for the opportunity to review and provide feedback on this issues paper. We look forward to ongoing contribution and request acknowledgement that this submission has been received and considered.

15 Upload supporting documentation

Upload documentation:

Napier Port Response to MoT Freight Issues Paper F 20220602.pdf was uploaded