

**New Zealand Freight and Supply Chain Issues**  
**Submission from TradeWindow**  
3 June 2022

**RECOMMENDATION** – That as a priority under the Freight and Supply Chain Strategy, the New Zealand government maintains a collaborative and co-operative 'New Zealand Inc.' approach, as well as a trans-Tasman Australia/New Zealand approach to address the key priorities. In particular, this should apply to the adoption of digital solutions that are 'low hanging fruit' and are easily accessible for parties across New Zealand's (and Australia's) freight and supply chain network.

### **About TradeWindow**

Founded in December 2018, TradeWindow is an NZX-listed software company that provides digital solutions for exporters, importers, freight forwarders, and customs brokers to drive productivity, increase connectivity, and enhance visibility. TradeWindow's software solutions integrate to form a cohesive digital trade platform that enables customers to more efficiently run their back-end operations, share information and securely collaborate with a global supply chain made up of customers, ports, terminals, shipping lines, banks, insurance companies, and government authorities. Our submission draws on our experience serving the needs of 450 customers including a number of New Zealand's leading exporters spanning dairy, meat, seafood, wine, grain and seed and manufacturing sectors.

### **High level feedback on the New Zealand freight & supply chain strategy**

- The four proposed outcomes of the strategy - *low emissions, resilience, productivity & innovation, and equity & safety* – make intuitive sense and seem attuned to current challenges and opportunities in the sector. Inherently we believe that productivity and innovation should take primacy in these outcomes as low emissions, resilience, and greater safety would be second-order outcomes if high productivity and innovation can be achieved.
- In our brief submission below, TradeWindow will focus on *productivity & innovation* as it relates to efficiencies in the supply chain. More specifically we will address the adoption of digital solutions to enhance productivity.
- As the Ministry of Transport's paper suggests, capabilities continue to be bolted onto segments of the supply chain in a piecemeal fashion, and many initiatives are progressing in isolation. The biggest hurdle at the moment is a lack of collaboration and co-operation.
- To drive cooperation, there must be leadership. At a time where disruption and uncertainty are the norm, now more than ever is the time for leadership, both domestically and globally. An opportunity exists for New Zealand's government to drive such co-operation within our own freight and supply chain sector, and on a bilateral government-to-government basis, especially with Australia.
- There is significant trans-Tasman trade activity, and many international logistics providers take the approach of looking at both Australia and New Zealand together.

- We agree with the sentiment that the government can do more to add value to the freight and supply chain system going forward. New Zealand should be now coming to the point where we constructively move forward from the discussion on freight and supply chain and look toward taking action.
- The New Zealand logistics industry offers on the one hand a wide spectrum of supply chain knowledge, which will be valuable to achieve progress and success, but on the other hand a very traditional and pragmatic approach to business. Success will hinge on a cultural shift within the industry that requires leaving the past behind and shifting to a focus on the future. This will have to include a high level of education across the spectrum of cargo owners and logistics providers, from the roots of these organisations right to the top.
- It is important that we extend the knowledge base as widely as possible and that everyone involved in conventional trade becomes a part of this drive. An example of future education would be the introduction of a logistics / supply chain apprenticeship to bring a new wave of talent and strengthen our supply chain workforce.
- We strongly believe that any logistics and supply chain strategy will need to address optimisation for the export sector, and simultaneously address the import and domestic sectors. The more integrated and interwoven our systems are in New Zealand, the better it is for everyone involved. We must ensure we work simultaneously across sectors on the four proposed outcomes.

### **Supply chain digitisation – the low hanging fruit**

- We believe the third proposed outcome, *productivity & innovation*, is a core part of the strategy and arguably the most important. At TradeWindow it is our mission to drive productivity for our customers – and as a result, this helps to build resilience into their businesses. The simple adoption of a digital solution can make a world of difference for the average exporter, freight forwarder or importer – and these solutions are available right here in New Zealand, right now.
- In December 2021, NZIER released a [report](#) commissioned by TradeWindow to quantify the possible economic benefits from increased adoption of digital trade. The study found that a further NZ\$9-18 billion of value could be unlocked over 10 years by trade between New Zealand and its APEC trading partners if digital trade is more fully adopted. The report notes that China has recently formally requested to join the other members and applicants of DEPA, and that the economic case is strong for it to do so. NZIER quantifies possible economic gains of NZ\$405 million - \$1,584 million per year in the New Zealand-China trade lane alone through the adoption of digital trade. Lead author Chris Nixon said the report found the potential for significant cost reductions. Recent examples showed that a single shipment could pass through 30 different organisations with up to 200 communications being generated about that shipment. These communications are impeded if they use systems that do not talk to each other, e.g. pieces of paper. If a form is missing or there is a problem with some information, then delays are inevitable.

- The IPEF (Indo-Pacific Economic Framework for Prosperity) is an example of a global economic initiative that will also support more resilient and modernised trade and supply chain systems, ultimately benefitting domestic growth for exports and imports.
- Unfortunately, there is a lack of education and awareness around the opportunities that exist for exporters and freight-forwarders to optimise and digitise their processes.
- An effective digital environment creates benefits for all stakeholders along the supply chain, not just one part. Encouraging digitisation through cooperation (e.g. via 'NZ Inc') also supports the other three outcomes of the strategy: *low emissions, resilience, and equity & safety*.
- Digital solutions enable parties across the entire supply chain to overcome current challenges more easily, and simply put, significantly reduces administrative effort. Our digital solutions are designed to make trade more efficient and secure. Our customer Greenlea Premier Meats has quantified the benefits to its business as follows:
  - 9x reduction in errors;
  - 100% paperless to the United States;
  - 37% reduction in courier costs; and
  - 4x faster documentation;
  - 33% increase in day-to-day efficiency of export operations.
- The efficiencies experienced by Greenlea Premier Meats demonstrate that the benefit from digital solutions is of significance to exporters – and these proof points are an example of the NZIER estimates provided above.
- Digital trade, based on shared rules, reduces costs which in turn allows for improved allocation of capital and higher levels of productivity. These benefits accrue for organisations big and small, city and rural, public and private.
- We advocate for the broader adoption of UN Model Law (also known as UNCITRAL) in New Zealand as this provides the legal foundations for the digitalisation of international trade.
  - **What is UNCITRAL?**
    - The United Nations Commission on International Trade Law (UNCITRAL) is the core legal body of the United Nations system for international trade law. It was established in 1966 to tackle disparities in national laws which obstruct international trade. As part of its mandate UNCITRAL plays a key role within the UN system in addressing legal issues related to the digital economy and has conducted pioneering work in the field of electronic transactions since the 1980s.
  - **What is 'model law'?**
    - UNCITRAL's work has led to the adoption of legislative texts widely considered as global benchmarks including the UNCITRAL Model Law on Electronic Commerce, enacted in approximately 100 countries (including New Zealand). As its name suggests, a model law is created

as a suggested pattern for law makers in national governments to consider adopting as part of their domestic legislation.

- **The digitisation of trade processes enabled by model law has the potential to:**
  - reduce the transactional costs of exporting and importing;
  - reduce barriers to trade and enhance our reputation as a country easy to trade with;
  - build and protect the provenance story for New Zealand exports; and
  - significantly enhance the productivity of New Zealand's export sector and grow the economy.
- Last year Singapore was the first country in the world to formally adopt the UNCITRAL Model Law on Electronic Records. This gives legal recognition to use, in electronic form, the documents that underpin trade logistics and financing, such as bills of lading, bills of exchange, and promissory notes (that previously could not be used in that form because they incorporate the right to claim money or goods in a piece of paper, which is a tangible document.) The Model Law aims to overcome that obstacle by establishing the requirements for functional equivalence between paper-based, transferable documents and electronic transferable records.
- Many countries were prepared to temporarily adopt electronic documents when the chips were down at the height of the COVID-19 pandemic in 2020, even when it was not enshrined in their domestic laws. All 21 APEC economies in 2020 were able to use electronic rather than paper-based certificates, however, now only seven are using electronic certificates. (Source: *NZ MFAT*).
- UNCITRAL texts are referenced both in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and in the Regional Comprehensive Economic Partnership, which directly concerns Singapore, and underpin the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific, the first regional treaty dedicated to paperless trade facilitation.
- New Zealand and other selected countries have also negotiated Digital Economy Agreements that provide a blueprint for implementing regional trade agreements and that explicitly refer to the desirability of considering the adoption of the Model Law on Electronic Transferable Records as part of the domestic framework for electronic transactions. It is anticipated that the adoption of the Model Law on Electronic Transferable Records by Singapore should demonstrate the benefits to other jurisdictions.
- The Model Law on Electronic Transferable Records provides generic rules that may apply to various types of electronic records based on the principle of technological neutrality and a functional equivalence approach. The principle of technological neutrality entails adopting a system-neutral approach, enabling the use of various models whether based on registry, token, distributed ledger or other technology.
- Transferable documents and instruments are essential commercial tools. Their availability in electronic form may be greatly beneficial for facilitating electronic commerce in international trade as this could allow for faster and more secure transmission. Transferable documents or instruments include: bills of exchange;

cheques; promissory notes; consignment notes; bills of lading; warehouse receipts; insurance certificates; and airway bills.

- What can the New Zealand Government do to play a more active role?
  - The New Zealand Freight and Supply Chain Strategy currently in development should include an active legislative programme to adopt the remaining two Model Laws which underpin the digitalisation of the trade processes that New Zealand's economy depends on (namely 'Electronic signatures' and 'Electronic Transferable Records.'

### **TradeWindow's suggested next steps**

Improving productivity via digitisation is achievable with the right combination of commitment, focus and leadership from both the public and private sector – neither can solve it alone. Technology is one part of the bigger picture and is not the silver bullet, to have everyone aligned on "where to from here?" there must be a clear strategy in place.

TradeWindow remains committed to supporting the New Zealand government and the Ministry of Transport in its trade digitisation journey and would suggest the following next steps:

1. New Zealand Government to adopt UN (UNCITRAL) Model Law for Electronic Signatures and Electronic Transferable Records.
2. New Zealand Government to consider how to support the adoption of digital trade for New Zealand importers and exporters with a focus on Australia/New Zealand trade.
3. So not to re-invent the wheel, we suggest workshops with selective key stakeholders to review, mapping out today's "best practice" digital logistics / supply chain status in detail (importer/exporter - domestic).
4. Map out a NZ Inc digital strategy for import, domestic and export for the next five years to provide an anchor for progress.

TradeWindow would welcome any future opportunity to discuss trade digitisation with the Ministry of Transport and Hon Michael Wood, Minister of Transport.

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## APPENDIX.

TradeWindow's responses to the New Zealand Freight and Supply Chain Issues paper questions:

- 1. Do you agree with the outlined description of the freight and supply chain system?**  
Yes, it provides a good high-level overview.
- 2. Do you have any views on the outlined role of government in the freight and supply chain system?**
  - Focused leadership and investment (tax incentives etc.) on future logistics / Supply Chain strategy of NZ INC.
  - Drive NZ Inc logistics and Supply Chain digitisation through supportive, central leadership.
- 3. Do you agree with the outlined strategic context and key opportunities and challenges? If not, please explain why.**  
Yes.
- 4. Are there any trends missing that we should consider? If so, please explain what they are.**  
No, not at this stage.
- 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?**
  - Digitisation drives optimisation across all logistics stakeholders.
  - Technology is available today at comparably low cost of entry.
- 6. Do you agree with the outlined vulnerabilities of the current system? If not, please explain why.**  
Yes, absolutely.
- 7. Is there any key information missing in understanding the vulnerabilities of the current system?**  
No.
- 8. Do you agree with the proposed outcomes? If not, please explain why.**  
Yes, we do agree. Still, the number one priority is Productivity + Innovation as it drives especially outcomes 1 and 2 and offers the best investment / return ratio in the short to medium term; most low-hanging fruit.
- 9. Are there more outcomes the strategy should focus on? If so, please explain what they are.**  
Consider a focus on Australia/New Zealand trade.
- 10. Do you agree with the potential areas of focus for the strategy? If not, please explain why.**  
Yes, as long as the priorities are defined clearly.
- 11. Which of these areas of focus would be most important to prioritise?**  
Productivity and innovation.
- 12. What would successful stakeholder engagement on the development of the strategy look like from your perspective?**  
Focus on quality over quantity.
- 13. How could we best engage with Māori on the strategy?**  
Support for Māori exporters to drive digitization within the sectors where they have significant operations. (e.g. Seaford, Forestry, Dairy).