

3 June 2022

TPP 0201
LS:MR

Supply Chain Team
Te Manatū Waka Ministry of Transport

By email only to: supply.chain@transport.govt.nz

Dear Sir and/or madam,

FREIGHT AND SUPPLY CHANGE ISSUES PAPER - FEEDBACK

Thank you for the opportunity to submit and provide feedback on the Freight and Supply Chain Issues Paper developed by Te Manatū Waka Ministry of Transport (Te Manatū).

Due to timing, we have not been able to discuss this through our Regional Transport Committee. This submission is therefore made by transport officers of Horizons Regional Council.

Background and context

By way of context, we thought it useful to provide some background on the Horizons region to highlight the strategic location of our region for freight and the challenges we face. The Horizons region lies in the lower central North Island, extending over 22,000 km² from Ruapehu in the north and Horowhenua in the south, to Whanganui in the west and Tararua in the east. The region is bordered by the Greater Wellington, Taranaki, Hawke's Bay and Waikato regions. Because of its central location, the Horizons region acts as a connector for freight and people heading north, west, east and south. Consequently, the region experiences large volumes of through traffic, particularly freight, which is a key motive for ensuring accessible, safe and efficient transport networks in the region. Between 2002 and 2018, the Palmerston North area saw a 188% increase in logistics growth.

The Palmerston North-Manawatū sub-area is now a major freight hub and has superseded Wellington in importance as a distribution centre. This is as a result of two important commodity flows:

- Palmerston North has become a key staging point for high-value imported and domestic freight between Auckland and Wellington or between Auckland and the South Island; and
- Palmerston North has good access to hinterlands that produce New Zealand export commodities and provides the staging point for export of these out of the ports in Napier, New Plymouth and Wellington, and possibly even Auckland and Tauranga.

The Horizons region's Regional Land Transport Plan 2021-31 (RLTP) highlights the importance of freight movement to the region and seeks to improve the efficiency, connectivity and resilience of the freight network as a priority. The RLTP anticipates this through better use of the rail network and road connections to rail.

General comment

Given the prominent and important role freight plays in the Horizons region, we support the development of a national level Freight Strategy. We also agree that change is needed to improve the efficiency, resilience and carbon emissions from the freight sector. However, we would like to see more discussion in the strategy as to how modal shift and decarbonisation of the freight sector could be supported financially through central government. Without this we believe there will be limited change given the accessibility and affordability of road freight.

Response to consultation questions

Dealing with the questions raised through the issues paper, we offer the following comments.

1. *Do you agree with the outlined description of the freight and supply chain system (Q1)?*

We broadly agree with the outlined description of the freight and supply chain system. The data on freight within and between regions needs to be better quantified to allow increased reporting and understanding resulting in any actions being the correct ones. The National Strategy should identify data gaps and the path forward to fill those gaps.

2. *Do you have any views on the outlined role of government in the freight and supply chain system (Q2)?*

We generally agree that greater government intervention is required in the freight and supply chain system to achieve better outcomes. However, while the paper acknowledges government's role as regulator, we suggest greater emphasis be given to the role of government as an investor in the infrastructure that supports freight movement.

The issues paper goes some way to identifying the role government plays in supporting decarbonisation of the freight and supply chain, however in our view this needs to be explicitly addressed. Adequate support through investment and guidance from government will be critical to realising the goals associated with freight decarbonisation and meeting the requirements of the Emissions Reduction Plan.

Further, we consider government investment is necessary to ensure projects that improve the safety, efficiency and resilience of key freight corridors are funded as a priority. In the Horizons region examples include, development of the Central North Island Regional Freight Hub and Palmerston North Integrated Transport Initiative projects which are specifically focused on providing safe, efficient and effective transport options for freight. Given the large amount of freight moving into and around our region, the development and success of these projects is critical to improving supply chain pathways and reducing the emissions from freight. In addition government investment into infrastructure such as hydrogen stations will be helpful.

3. *Do you agree with the outlined strategic context and key opportunities and challenges (Q3)?*

We agree that decarbonising road freight is central to meeting committed GHG reduction targets. With the right supporting infrastructure and incentives the decarbonisation of heavy vehicles could commence relatively quickly. However, it is our view that this won't happen until the risk associated with investing in more carbon efficient vehicles is minimised.

4. *Are there any trends missing that we should consider (Q4)?*

We agree with the value proposition for rail and coastal shipping, and the acknowledgement in the paper of the co-benefits of freight mode shift to rail and coastal shipping (road safety, road maintenance, air quality, etc). However, the resilience benefits of a shift toward rail and coastal shipping warrant greater consideration in this section. Greater frequency of high impact weather events is of increasing concern for all transport modes but particularly land transport infrastructure. Road networks in some areas of the Horizons region (particularly in the central plateau and Tararua District) are highly vulnerable to disruption from a range of natural hazards and the current reliance on road freight and just-in-time logistics is currently exacerbating the impacts of these disruptions on our communities.

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 and why (Q5)?*

There are three matters we consider most important in shaping the future of the freight and supply chain system.

The first point we consider most important is the transition to a low emissions freight system. We see this as a particular challenge for the freight sector given the costs and barriers associated with low emission options for freight. This includes not only access/costs of low emission vehicles but access to other lower emission modes such as Rail, which is constrained by lack of investment at present. Resolving this challenge is a priority given government direction provided in the Emissions Reduction Plan.

The second is ensuring efficient and resilient freight networks that utilise multiple modes. As a region that sees large volumes of freight moving around and through the region, we have seen the disruption an inefficient and vulnerable network can have on freight movement. We there is a real opportunity to better utilise the rail network for freight movement and our Regional Land Transport Plan 2021-31 focuses on this. We note the Central North Island Freight Hub currently in the planning and Notice of Requirement phase. This project will be critical to the safe, efficient and effective movement of freight through the region.

Lastly, a third challenge we see is land availability to support freight systems. The increasing demands for land are a strategic issue for the freight transport and logistics sector which is known to be a land-intensive industry, requiring large-lots, in expensive, flat land that is highly accessible to strategic transport networks yet buffered from incompatible land uses (e.g. residential). Sites that meet all these criteria are often scarce and competition is often intense, particularly for well-located sites. This imperfect competition is imposing greater costs on land-extensive occupiers such as the freight sector. We submit that integration between transport and land use needs to be better considered within the freight strategy.

6. *Do you agree with the outlined vulnerabilities of the current system (Q6)?*

We agree with the vulnerabilities identified in the strategy.

7. *Do you agree with the proposed outcomes and potential areas of focus (Q 8 and 9)?*

We have merged our answer to questions 8 and 9 together as they are related. We agree with the proposed outcomes and the priority given to each. We also generally agree with the focus areas. Having low emissions and improving resilience and connections as the top two priorities align with what we see as key issues for freight in the Horizons region. However, we suggest the proposed outcomes also touch on improved and clearer funding options via government. This will be an important part of achieving the outcomes sought.

9. *Which focus areas would be most important to prioritise (Q11)?*

We note the challenges we consider a priority above under point 5. The focus areas of the strategy should be clearly linked to these challenges as a means for improving the freight and supply chain system. With that in mind, we consider the highest-priority focus areas under the outcomes to be:

- a. Enabling the shift to zero and low emissions heavy vehicles; both hydrogen and electric through stronger incentives, regulation, and co-investment in supporting infrastructure (e.g., charging stations) to support this transition to occur at pace. We consider that a better understanding of the role that rail and coastal shipping will have in a low emissions environment will be important to any future freight strategy.
- b. Improving modal options and connectivity. Greater investment in rail and coastal shipping to make it easier and more efficient to shift between modes. Improving the efficiency and reducing the cost of modal transfers will make shorter distance freight movements by rail and coastal shipping more economically viable.
- c. Improving resilience across the freight and supply chain system. We see as being addressed through a mode shift to rail and coastal shipping and greater funding for, and investment in resilience projects within the land transport network.
- d. Improving freight data access and collection. All other focus areas, such as safety, urban access, and the current labour/skills challenges within the transport industry need to be acknowledged.

12. *What would successful stakeholder engagement look like (Q12)?*

We support a strong understanding of business needs, particularly those of smaller freight operators in more rural and provincial areas. We support taking an evidence-based approach that involves working with regional and local communities to help them to understand why change is necessary and what the longer-term benefits are, e.g. international competitiveness, efficiency and productivity.

We strongly suggest early, open engagement with local government, industry, mana whenua and with port and airport companies. This will ensure the strategy is well informed and supported.

13. *How could we best engage with Māori?*

We suggest engaging with Māori and extending an invitation for Maori to assist with developing the strategy. Horizons Regional Council have some strong

partnerships and lines of communication with our region's iwi, and we are open to assisting with opening lines of communication.

Thank you once again for the opportunity to provide feedback on the discussion document. We are of the view that a Freight strategy will be an important tool for improving freight efficiency in New Zealand and are looking forward to seeing the Strategy develop. Should you require any further information please contact Mark Read, Transport Manager on 0508 800 800 or mark.read@horizons.govt.nz or alternatively Leana Shirley, Senior Transport Planner at leana.shirley@horizons.govt.nz.

Yours sincerely,



Mark Read
MANAGER TRANSPORT SERVICES