

New Zealand Freight and Supply Chain Issues Paper – MPI Response

Executive Summary

The proposal to develop a freight strategy that spans the full supply chain is long overdue and will be valuable for long term planning and improving the resilience and productivity of the system. MPI endorses the overall issues paper and believes it is a step in the right direction for our freight and supply chain systems.

In developing a strategy, the longevity of key infrastructure (bridges, road pavements and wharves), needs to be factored into the timeframe of the initiative. The issues paper encompasses a lot of differing needs, all within a 30-year timeframe. Given the nature of investments needed, we would recommend reflecting short-, medium- and long-term planning within the issues paper. New Zealand's recent experience with major infrastructure projects has shown that the planning, approvals, and construction phases alone can take more than a decade. A strategic horizon of 50 years for long term demand planning and investment would therefore be preferable to a 30-year timeframe, where core investments may not come on stream until late in the process.

MPI's feedback reflects our role of ensuring the food and fibre sector thrives sustainably for the long-term benefit of all New Zealanders. The primary sector is a major user of freight systems, accounting for 82% of total trade in New Zealand and 11% of GDP. The varying needs of the primary sector need to be reflected in a freight and supply chain strategy, both current and future. The way the system is used will change greatly over the next 30 years, but the primary sector will continue to be a key player within the system.

We believe there are several key areas that are either not covered in the issues paper or need to be further explored. These areas are outlined below with specific examples and feedback from across MPI's sectors. We look forward to working with the Ministry of Transport further during stakeholder engagement activities on shaping the strategy.

As mentioned in the paper, collaboration will be at the heart of the process for developing and implementing the strategy. A long-term view to collaboration should be considered, so that each sector can effectively track the progress of the strategy. This will also promote ownership of the transformation. Having an active governance group and clearly defined and measurable 'Key Performance Indicators' is advised.

The key areas discussed below include: ports, types of shipping, airfreight, future land-use changes, innovation and data management, labour shortages and the Māori economy.

In addition, we would like clearer acknowledgement of the important role that our biosecurity system plays in supporting trade. MPI works closely with overseas governments, exporters, and importers to ensure products coming to New Zealand do not harbour unwanted organisms. Border clearance services play a vital role in this – while this is included in a brief reference in Appendix two, efficient and effective border processes are a key part of a healthy supply chain.

Ports

The issues paper briefly touches on ports and their importance to our exporting businesses, but a more in-depth analysis of the future of ports in New Zealand is needed. Ideally, a 50-year timeframe would be applied to the strategic view of ports in New Zealand and infrastructure changes needed.

Two examples of long-term changing infrastructure requirements are the Port of Auckland and Port of Tauranga. The Port of Auckland is mentioned in the issues paper, but the Port of Tauranga is not, nor are any South Island ports. There is a current Treaty of Waitangi appeal against the Port of Tauranga, if this is upheld, there could be a push to relocate the port. There is no mention of building the capacity of any South Island ports in the paper, this is an option that many of our stakeholders believe should be considered. The issues paper needs a greater focus on changing infrastructure needs at ports and planning for possible relocations.

The issues paper discusses the concept of 'green ports'. This would use a 'hub and spoke' approach to international shipping and see New Zealand as one of the spokes. This could create issues for New Zealand, as our trade volumes are not as high as other countries. Being part of a wider schedule (with Australia and South East Asian countries) leaves the country vulnerable to schedule changes, and periods of peak demand in larger volume locations.

Types of shipping

There are three (major) types of shipping used in New Zealand, but only two are mentioned in the issues paper. Log exports account for the majority of New Zealand exports by tonnage, which means there needs to be a significant emphasis on maintaining and improving infrastructure that can support bulk shipping. The issues paper doesn't fully explore how ports and export facilities will need to change and improve over the next 30 years to continue efficiently processing, treating, storing and shipping logs.

Break-bulk shipping was not discussed in the paper. Options need to be presented for break-bulk shipping as some of our most valuable exports use this option, including kiwifruit. Currently the only port that supports break-bulk shipping is the Port of Tauranga but this may need to be expanded in the future.

Containerised shipping is of high value in New Zealand but the container imbalance currently means that there is a significant proportion of empty containers needing to be repositioned at significant cost. During periods of cargo congestion, accessing sufficient containers can be difficult.

In periods of strong demand for cargo space, the availability of handysize and handy-max vessels for long charters becomes very tight. Escalating charter rates also eat deeply into the profit margins of low value, bulk commodities, such as log exports.

Airfreight

Airfreight only carries a small proportion of New Zealand's exports, but it is essential to many sectors. The issues paper recognizes that currently, most of the cargo needs to be freighted via road or rail to Auckland and then air freighted from Auckland. This creates significant inefficiencies and vulnerability. The issues paper and subsequent strategy should further explore options for improvement in air freight in New Zealand, including improvements to Christchurch airport as a viable second hub for air freight transport.

The issues paper also needs to recognize that air freight is reliant on passenger movements as these are most valuable to the airlines and airports. The objectives of the Maintaining

International Air Connectivity (MIAC) scheme reinforced this point, including: ensuring imports that are important for health, business operations, and other critical tasks continue to be brought to New Zealand, and maintaining air connectivity with key trading partners ensuring our exports that travel by air still make it to those markets.

Land-use future changes

The issues paper focuses on increasing urbanization and a changing population but not necessarily how land-use will change, especially for the primary sector. Although the primary sector is only one part of the supply chain, it is a significant player, accounting for 80% of our exported goods. The way that the primary sector uses land will change over time, as will rural communities that support the sector.

One example of this is changing needs in a rural community in Wairoa. Wairoa is a region with a large network of rural roads and infrastructure such as roads and bridges that have been struggling to support the level of heavy vehicle traffic in the area (particularly logging trucks). Locals such as school teachers or families driving to access services in the nearest town reportedly select the road they might drive on based on whether that is a logging truck route because they are concerned the road is not wide enough. Unsealed road damage has been caused by a combination of logging trucks and recent heavy rain events, and this is making some roads difficult to traverse without a 4WD. This therefore influences the choice of vehicle that locals are using, and they may need to choose higher emitting vehicles that do not align well with the Emissions Reduction Strategy.

Examples such as this have pointed towards the need for long term planning of rural roads and bridges to support potentially heavy traffic by heavy vehicles for intensive periods such as harvest. While this strategy is about freight and supply chains, it does point to the importance of understanding the needs of industry and the experiences of broader communities and providing funding or support to work through potential issues.

A second example is from the viticulture industry. The vintage for 2022 is one of the largest ever crops for the industry and this will continue to grow as plantings continue to increase. Most of the product is shipped from Nelson port as the majority of growers and winemakers are based in the Marlborough region. Exporters have been reporting major disruptions and delays with shipping from Nelson port with low container availability and unwillingness of some shipping lines to dock there. One exporter reported that it took two months to get a booking for Nelson port, causing cashflow pressures as the importer doesn't pay for the product until it is received. Managing these timing and cashflow pressures will continue until the problems with the port are resolved.

The strategy could comment on the private infrastructure networks beyond the public system (farm through to energy company networks). For example, the forestry sector maintains a significant internal roading network, for the first stage of the log freight supply chain. While this investment is primarily for the benefit of the land / resource owner, these networks may have other shared uses (for accessing remote areas, emergency access and so forth). There are also cases where forestry companies work with local roading authorities to maintain stretches of road, particularly during the harvest period.

In addition to the comments about urban densification, there needs to be a comment on greenfields development and the encroachment into rural and semi-rural land. This creates competition for fertile land between housing and primary producers.

Innovation and data management

The issues paper discusses innovation for freight and supply chain, but alongside that is data management. Data is currently hard to access and is often commercially sensitive.

Increasing innovation in the sector and striving for growth through innovation will require thought given to how data is owned and transferred and the security of the data needed.

Collaboration and transparency will pave the way to data sharing. Appropriate incentives and governance structures may motivate different actors to share their data. The lack of data is currently a challenge, not only for the primary sector to make informed decisions, but also for government to effectively support the solutions and identify/address the issues that the sector is experiencing.

The prioritisation of the areas of focus in this paper could be enhanced by using more detailed data on where the major pain points for the sector are. Such data could include but not be restricted to economic, social or environmental dimensions, effectively following the wellbeing framework.

The sector may also take greater advantage of technological advances such as artificial intelligence (AI) for forecasting demands and picking up short-term consumer patterns and trends. Use of the internet of things (IOTs) and cloud computing for getting real time data from physical attributes of the supply chain (e.g. truck route optimisation and limiting downtime from route disruptions) could also be explored.

Outcomes in issues paper

The four outcomes proposed in the issues paper are critical (low emissions, resilience, productivity and innovation, and equity and supply), but a stronger connection could be made with the needs of the businesses and communities that the freight sector supports. The focus in the four outcomes is on the management of the supply chain (which is essential), but the purpose of resilient and productive supply chains is to ensure that the businesses and communities which underpin them are sustainable and are achieving their economic and social goals. Output four encompasses some of this thinking, but we would suggest the inclusion of a further output to link a sustainable freight sector with sustainable communities and business – ‘Sustaining and enhancing New Zealand communities and businesses’.

This output could take a more ground-up (business and community) perspective to freight and supply chain needs. For example:

- A greater focus on network analysis, to determine the long term infrastructure needs of New Zealand’s dispersed communities, primary producers, and processors;
- Improved coordination of infrastructure assessment (across the full network) to improve the scheduling of upgrades and to support the roll-out of new technologies and deployment of higher productivity vehicles;
- Improved data collection on road roughness and vehicle movements / volumes (through eRUCs and other tools) to better coordinate maintenance and replacement work;
- Detailed regional and district analysis of the implications of climate change on the integrity of freight and supply chain networks, to identify those communities, businesses and land uses that are more vulnerable, and where additional system redundancy is required; and
- Changing land use practices, production systems and demographic trends are monitored to better match services and infrastructure to emerging needs.

Obtaining these insights into the freight needs of businesses and communities at a district or regional level will require successful stakeholder engagement with the users of the freight and supply chain and those who manage and operate it. Additionally, there should be

proactive engagement with other government organisations working on strategies and plans that will impact the specifics of the Freight and Supply Chain Strategy e.g. the Industry Transformation Plans (ITP) for Forestry and Wood Processing, Advanced Manufacturing, Agritech, Construction, Fisheries, Food and Beverages, and Tourism.

Consideration should also be given to working closely with the Ministry for the Environment to ensure impacts of the Resource Management Act reform are taken into account. The Ministry for the Environment's National Adaptation Plan (adaptation to living in a changing climate) should also be considered in drafting the freight and supply chain strategy.

Labour shortages

The initiatives that the primary sectors (in association with MITO) have put in place to recognise and support driver skills and promotion could be commented on, and supported in the paper - <https://www.mito.org.nz/news/training-our-people-is-integral-to-our-business/>.

Labour recruitment is critical to the long-term sustainability of primary sector freight operators. The discussion on page 40 is fully supported, but there needs to be a greater focus on the wellbeing of the driver and their family/community. Within the forestry sector there has been recent research on fatigue management, sleep apnoea and similar issues that affect driver wellbeing. Improving driver conditions and recognising their skill set is critical for retention and building the image of the industry.

The shortage of labour is a much broader issue than the freight sector, with labour and skill issues across the supply chain. The generation coming into the workforce tends to be less attracted to the repetitive tasks involved in the supply chain. Automation and robotics are key to helping address this issue, and for attracting and retaining workforce. Upskilling the workforce from doing repetitive tasks to managing and driving automated systems is necessary for achieving this. This is related to Outcome 2. (Productivity) and 3. (Resilience).

Māori economy

Further engagement, consultation and a partnership approach should be taken to incorporating Māori perspectives into the issues paper. Currently, very little is mentioned about respecting our Treaty partnership, but Māori enterprises are a significant part of Aotearoa's primary sector. Māori own \$13 billion in primary sector assets, including 30% of all beef and lamb production, and Māori horticulture has grown 300% in 12 years. Therefore, Māori are also significant users of freight and supply chain systems.