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## PORT OF TAURANGA SUBMISSION ON THE NEW ZEALAND FREIGHT AND SUPPLY CHAIN ISSUES CONSULTATION DOCUMENT

Port of Tauranga Limited is New Zealand's international freight gateway. It operates the country's largest container terminal, handling 1.25 million TEUs annually or 42 per cent of all shipping containers. The Port handles 32 per cent of all New Zealand cargo and 36% of all New Zealand exports.

Port of Tauranga also has shareholdings in Northport Limited and PrimePort Timaru. It operates inland ports in Auckland and Christchurch and is developing an inland port at the Ruakura Superhub near Hamilton in partnership with Tainui Group Holdings.

Port of Tauranga believes that, with targeted and timely investment in key infrastructure developments, the New Zealand supply chain can serve the country's growing needs for at least the next three decades, without the need to build a new "greenfields" port.

An integrated, efficient and cost-effective supply chain can be achieved with Government assistance in removing regulatory and legislative barriers, and investment in transport networks, particularly rail. Currently legislation and policy does not encourage or facilitate investment, even when it is environmentally sound.

It is in this context that Port of Tauranga makes submissions in response to the following questions in the Ministry of Transport's New Zealand Freight and Supply Chain Issues Paper. Our submission is consistent with the Western Bay of Plenty Transport System Plan. Thank you for the opportunity to comment.

<p><b>1. Do you agree with the outlined description of the freight and supply chain system?</b></p>	<ul style="list-style-type: none"> <li>• The report correctly states that the global supply chain is complex, extensive and interdependent. This is true at a local level too. For example, congestion as a result of poor operational performance at one port has a flow-on effect to all other ports in the supply chain.</li> <li>• A supply chain system description should include the role of inland ports, logistics hubs and empty container facilities in the aggregation and storage of cargo, and provision of containers to exporters. Without these facilities, transport networks and ports would soon become clogged with containers. They also have a role to play in potential managed retreat from areas at risk from future climate change.</li> <li>• Northport is not the largest bulk import port. It is adjacent to the Marsden Point facility, which is the country's biggest bulk import port (petroleum products).</li> <li>• The description should also acknowledge regional rail lines, as they avoid the need to transport key bulk cargoes, including export logs, by road between Murupara/Kinleith and Tauranga.</li> </ul>
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**2. Do you have any views on the outlined role of government in the freight and supply chain system?**

- Central Government is the major funder and decision maker with regard to national road and rail networks, and more recently, coastal shipping.
- It is important that the Government has a clear strategic plan for this national infrastructure, aligned with its objectives (e.g., decarbonisation). The market will then be free to make complementary investments to support the Government strategy. For example, Government investment in building the rail spur to Northport will allow Northport to invest in expansion to accommodate larger volumes of containerised cargo. Another example is Government investment in the Waikato Expressway, facilitating the significant iwi and private investment in the Ruakura Superhub and Ruakura Inland Port
- The Government's strategic plan should prioritise investments with the most impact. For example, with regard to KiwiRail, more than 9 million tonnes of cargo are carried via rail into and out of Port of Tauranga each year. This equates to around 50% of the total tonnes carried on the entire national rail network. As a customer of KiwiRail, Port of Tauranga has spent in excess of \$300 million on rail transport between Tauranga Container Terminal and MetroPort Auckland over the past 10 years. Therefore, the resilience and efficiency of this part of the supply chain network is of vital importance nationally.
- Linked to a national supply chain strategy, Government has a crucial role to play in prioritising infrastructure developments across both the public and private sectors by removing barriers to commercial investment. This includes creating a regulatory framework that facilitates infrastructure investments of national significance, without costly delays, e.g., the Stella Passage development at the Port of Tauranga.
- Central Government could also have a role in the facilitation and support of the infrastructure necessary for shipping companies and other transport providers transitioning to low or zero emissions fuels. Such support could accelerate implementation timeframes, especially if there is little or no commercial benefit in the short term. Examples include Government investment in clean electricity generation and distribution, biodiesel and hydrogen.

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

- Climate change and decarbonisation will be key drivers in shaping the future supply chain and will inevitably lead to greater consolidation of cargo in hub locations, connecting to ports servicing larger container vessels.
- Larger vessels have fewer emissions than smaller ships, as does coastal shipping over land transport. Rail has fewer emissions than road transport. Therefore, Government investment should focus on aggregation points and the transport networks (road, rail and coastal) to feed them, as well as in urban areas near major transport hubs where local roading infrastructure requires continued investment to ensure efficient freight movement.
- Together, larger vessels, coastal shipping and rail offer a compelling opportunity to reduce emissions over the entire supply chain.
- Inland ports and logistics hubs will have a key role to play in aggregating, storing and staging cargo volumes and these facilities need to be incorporated into urban planning and facilitated by local government and the appropriate regulatory environment.
- It is also POTL's view that, over time, the major import distribution facilities currently located in south Auckland will migrate to the Waikato region due to the cost of land differential and the ease of distributing from this location.
- Advances in automation technologies have a role to play in reducing emissions as well as improving efficiencies and creating higher-quality jobs. The legislative framework could have a role in encouraging and prioritising developments that could have a positive climate change impact. For example, if Port of Tauranga is able to increase its berthage capacity for larger vessels through its berth extension project, it will justify the business case to automate container handling and storage in the adjacent terminal. Automated electric stacking cranes have around 75% fewer emissions than a comparable traditional diesel straddle carrier operation.
- Our networks must be flexible and resilient, with built-in redundancy in case of extreme weather events or natural disasters.
- The ownership model for many New Zealand ports (i.e., local government ownership) has led to many non-commercial, parochial investment decisions. Ports are highly capital-intensive operations and being able to make an adequate return on capital is necessary to allow Ports to continue to appropriately reinvest into their assets.
- Decarbonisation will require significant capital investment in new technology. It is important that the Auditor General continues to focus on rational capital investment.

	<ul style="list-style-type: none"> <li>• Competition across the sector is very important to control prices and ensure higher quality services.</li> <li>• In certain non-competitive areas, Ports should be encouraged to collaborate in order to better serve the supply chain. Ports should look to standardise the method of supplying, receiving and making data available to the supply chain. PortConnect Limited (50% owned by Port of Tauranga and Ports of Auckland) is already used by Northport, Timaru Container Terminal, Port of Lyttelton, Ports of Auckland and Port of Tauranga to provide information to the supply chain in single standardised manner.</li> <li>• The real-time provision of supply chain data will allow participants to optimise supply chains and reduce inefficient transport movements.</li> </ul>
<p><b>4. Are there any trends missing that we should consider?</b></p>	<ul style="list-style-type: none"> <li>• In addition to population growth in existing urban areas, industry will also gravitate to (for example) the Waikato and Bay of Plenty regions from Auckland in search of space and less congestion. The transport, housing and amenity requirements of the workers in these new commercial and industrial areas will need to be accommodated (as well as protecting freight corridors).</li> <li>• While the trend to larger vessels is discussed in the paper, as previously mentioned there is also a clear benefit in regard to emissions – larger vessels have fewer carbon emissions (savings of up to 30% on a typical route between Asia and New Zealand). Increased coastal shipping could also improve emission profiles (as acknowledged on page 35).</li> </ul>
<p><b>5. Which of the opportunities and challenges do you believe will be the most important in shaping the future of the freight and supply chain system in New Zealand and why?</b></p>	<ul style="list-style-type: none"> <li>• We believe the key issues will be: <ul style="list-style-type: none"> <li>○ Decarbonisation/climate change</li> <li>○ Space (protecting industrial zones and freight corridors, creating new ones) as population and densification grows</li> <li>○ Creating the right legislative framework, especially the relevancy of the current provisions of the Resource Management and Public Works Acts.</li> <li>○ Automation. Due to improvements in technology, a requirement to engineer out any health &amp; safety risks combined with a lack of skilled workers for certain key operational roles, ports will continue to move to automate their terminal operations.</li> </ul> </li> <li>• Current council district plans and policies appear to do little to protect or enhance transport routes, or to deal with residents' sensitivities.</li> </ul>

<p><b>6. Do you agree with the outlined vulnerabilities of the current system?</b></p>	<ul style="list-style-type: none"> <li>• The paper talks about relatively balanced import/export volumes. However, there is some complexity to this in that the source/destination of exports and imports can be unbalanced. For example, the majority of imports are destined for the large population centre of Auckland, yet NZ exports are primarily produced in rural regions. This creates challenges including the relocation and timely supply of empty shipping containers. Understanding these flows is the key to designing an efficient and integrated supply chain. Port of Tauranga has long been an advocate of the “hub and spoke” model utilising larger vessels at hub ports supported by coastal feeders from regional ports to aggregate cargo.</li> </ul>
<p><b>7. Is there any key information missing in understanding the vulnerabilities of the current system?</b></p>	<ul style="list-style-type: none"> <li>• The strategy should be flexible enough to accommodate factors that are beyond New Zealand’s control, including but not limited to: international trade and environmental policy, geopolitical tensions including trade conflict and war, and international shipping line consolidation/decision-making/investment.</li> </ul>
<p><b>8. Do you agree with the proposed outcomes?</b></p>	<ul style="list-style-type: none"> <li>• Port of Tauranga is supportive of the four proposed outcomes: Low Emissions, Resilience, Productivity and Innovation, and Equity and Safety. Long-term resilience should include the need for capacity to anticipate and meet demand.</li> </ul>
<p><b>9. Are there more outcomes the strategy should focus on?</b></p>	<ul style="list-style-type: none"> <li>• The strategy should articulate short, medium and long-term priorities. While many of the necessary investments are generational by their nature, Port of Tauranga believes there are relatively simple, low-risk, public and private investments that could have a quick and profound impact on supply chain efficiency.</li> </ul>
<p><b>10. Do you agree with the potential areas of focus for the strategy?</b></p>	

<p><b>11. Which of these areas of focus would be most important to prioritise?</b></p>	<ul style="list-style-type: none"> <li>• Central Government should focus on creating the appropriate legislative framework, regulatory settings, policy statements and incentives (including labour supply, emissions and environmental outcomes) to facilitate sound commercial investment.</li> <li>• Having created the right conditions to encourage healthy competition, investment and efficiency, a natural hierarchy of ports (the hub and spoke model) will naturally evolve.</li> <li>• Port of Tauranga agrees that overcoming obstacles in infrastructure planning and investment should be the number one priority for the strategy. The consenting process is complex, time-consuming and costly. It prevents the adoption of new technology (and its economic and environmental benefits), ensures that we are always “playing catch up” with capacity and stops existing assets from being used to their full potential.</li> </ul>
<p><b>12. What would successful stakeholder engagement on the development of the strategy look like from your perspective?</b></p>	<ul style="list-style-type: none"> <li>• It is important that the customer voice is well-represented in the strategy. This includes consumers and freight owners. Shippers will naturally choose the most efficient and cost-effective supply chain options.</li> </ul>
<p><b>13. How could we best engage with Māori on the strategy?</b></p>	<ul style="list-style-type: none"> <li>• Māori are represented in all parts of the supply chain (e.g. port and transport industry workers, consumers and cargo owners) and so engagement should reflect the diversity of perspectives. Māori are already successfully coinvesting in the supply chain through initiatives such as the Ruakura Superhub and Inland Port and their continued investments into these areas are welcomed.</li> </ul>