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Feedback of South Island Regional Transport Committee Chairs on Te rautaki ueā me te rautaki whakawhiwhinga o Aotearoa

The New Zealand Freight and Supply Chain Issues Paper

The South Island Regional Transport Committee Chairs Group ("the Chairs") welcome the opportunity to provide feedback on the freight and supply chain issues paper.

We would also like to thank Ministry officials who attended and contributed to the recent South Island freight summit event on 28 March 2022.

Mo mātou - about us

The South Island Regional Transport Committee Chairs Group was established in 2016 with the purpose of significantly improving transport outcomes in the South Island through collaboration and integration.

Membership comprises the Chairs of all South Island Regional Transport Committees, alongside a representative from Waka Kotahi. That is: Southland, Otago, Canterbury, West Coast, Nelson, Marlborough and Tasman.

The Chairs have had a long-standing interest in both freight and visitor journeys across the South Island, and previously commissioned a study into opportunities for freight mode shift.[1]

[1] The 2019 freight mode shift study is available online- https://www.ecan.govt.nz/your-region/living-here/transport/regional-transport-planning/south-island-regional-transport-committee-group/

Key points summary

- A better understanding of (and emphasis on) the volumes of freight moved within regions is required, as opposed to between regions and internationally.

- The value of strong, early government-led direction-setting in supporting private sector investment confidence cannot be under-emphasised.

- We seek wholescale adoption of zero-emissions heavy vehicles, as opposed to a steadier shift toward more efficient heavy vehicles.
- The potential resilience benefits of a shift toward rail and coastal shipping are under-recognised.

- We support the need to shift toward a hub and spoke model over time, and long-term investment in port and other infrastructure needs to support this.

- We need to reduce the cost of modal transfers to make these more competitive over shorter distances.

- We consider that population growth and densification is not a major strategic priority, however, the availability of large, flat, accessible sites for land-extensive industries is.

Overall feedback

1. We commend Te Manatū Waka and central government for its initiative and leadership in releasing the freight and supply chain issues paper. The disruption caused to global supply chains by COVID lockdowns and the need to both mitigate and adapt to climate change have highlighted the vulnerabilities and inadequacies of our existing freight and supply chain systems and our distance from major markets.

2. Our recent South Island freight summit event marked a key step in developing relationships and understanding of the freight sector at a South Island regional governance level. We see our key role in freight as being both leaders and facilitators of change, supporting greater collaboration across the sector and effective advocacy.

3. The South Island has a big interest in freight. The South Island is 23 per cent of Aotearoa by population but approximately 30 per cent of NZ exports (by value) and up to half of primary exports. Over the next 30 years freight demand in the South Island is expected to grow by approximately 70 per cent.

4. The South Island has some unique challenges compared to the north, namely its low population base, relative isolation and challenging geography. It also has many issues in common, namely a heterogenous supply chain, the predominance of small to medium enterprises and an over-reliance on road freight.

5. We agree that change is required. Our road freight sector is efficient, reliable and relatively low cost and will remain the dominant mode for moving goods into the future, but it is also emissions-intensive and lacks resilience. For most freight tasks, shifting to

other modes (rail or coastal shipping) will require a road transport connection at one or both ends of the trip. The costs of these modal transfers means that rail or coastal shipping is typically only economically viable for longer trips. We need a better understanding of economic drivers across the system to move toward the outcomes we want and to do so in a way that supports the competitiveness of regional economies.

6. Our current approach is no longer sustainable. Our road transport system is not paying for itself. The amount charged to end users is not enough cover the costs of maintaining our existing networks. If we want change we will need the funding, resources and regulatory frameworks to deliver. We seek to ensure that this is targeted in the right place, at the right time to be most effective for the South Island and for NZ inc.

Questions in the paper

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

   We broadly agree with the outlined description of the freight and supply chain system. However, we consider that the draft paper has little recognition of how much freight (by tonnage) moves within each region, as opposed to inter-regionally. Most freight movement is short distance, usually to/from the nearest port and producers, processing/manufacturing sites or end consumers. There is very little information on the intra-regional freight task within each NZ region and a national freight and supply chain strategy should (in our view) seek to address this.

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

   We agree that greater government intervention is required in the freight and supply chain system to achieve better outcomes. We also broadly agree with how the interests of Māori in the system are articulated in the paper. We would like to emphasise the value of strong, early government-led direction-setting in supporting private sector confidence to invest in change. However, while the paper acknowledges government’s role as regulator, this section could place greater emphasis on the role of government as a major investor in the infrastructure and entities that support freight movement.

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

   We agree that decarbonising road freight is central to meeting committed GHG reduction targets. We consider that with the right supporting infrastructure and incentives the decarbonisation of heavy vehicles could get underway relatively quickly. We are less confident in the opportunities to maximise efficiencies from the current fleet. As highlighted in the *Green Freight 2020* paper, we consider that a wholescale shift to zero-emissions (battery electric or hydrogen) heavy vehicles is the right approach, as opposed to more efficient vehicles.

More fuel-efficient heavy vehicles can help to reduce the amount of emissions produced, but the weight they carry and distance they travel limits their overall impact on emissions. We would likely oppose any move toward higher heavy vehicle weight limits on our road networks without being able to pass more of the increased road maintenance costs onto benefiting users.

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

   We agree with the outlined 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.). The South Island freight mode shift study[1] quantified the 2019 externality benefits of an 8% mode shift of the South Island freight task to rail and coastal shipping as being conservatively in the range of $12-18 million per annum.

   However, the resilience benefits of a shift toward rail and coastal shipping warrant greater mention in this section. Our South Island road networks are highly vulnerable to disruption from a range of natural hazards and our current over-reliance on road freight and just-in-time logistics is currently exacerbating the impacts of these disruptions on our communities. There is a trade-off between resilience and productivity for the sector and we would like to explore ways to minimise the impact of disruptive events on some essential commodities.

   Waka Kotahi's National Resilience Programme Business Case identifies that for state highways; Top of the South, West Coast, Canterbury and Otago are four of the top five at-risk regions in New Zealand by number of natural hazard risks, and the top four regions by criticality (the number of risks with a major or critical risk rating)[2]. When the Rangitata river flooded in 2019 and the Ashburton in 2021, in both instances closing state highway one, lower South Island supermarkets ran out of bread within three days. An alpine fault earthquake could render the West Coast and Nelson/Tasman regions inaccessible by road or rail for months. Climate change is increasing the frequency and duration of disruptions caused by natural hazards, predominantly landslips and flooding.

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*?

   We consider transitioning to a low emissions freight system to be the single most important issue for the sector. Stakeholders we heard from at the summit emphasised that for their business to maintain social licence and be competitive they need to start moving their goods with as little carbon as possible, as quickly as possible. While we believe private sector investment will go a long way toward achieving this, the sector will need support and direction from government (both central and local) to invest in the enabling infrastructure and services to make those options more widely available and facilitate the transition.

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[2] See Appendix F (pages 7-8) of the National Resilience Programme Business Case here.

We share the vision of shifting toward a hub and spoke model for our freight and supply chain systems. We understand the case for change. We agree that long-term investment in our ports to accommodate larger ships needs to be better coordinated to avoid over-investment in potentially underutilised or stranded assets. We agree that this will also have implications for land-based road and rail infrastructure connecting to ports. We agree that we need to explore changes to support both shipping and airfreight capacity. We are willing and able to participate in and help lead these conversations across the sector and within our communities.

We recognise the opportunities and challenges of increasing population and densification for freight in our major urban areas (Auckland, Tauranga, Wellington, and Christchurch). These issues are also evident on a smaller scale in areas such as Nelson and Timaru. However, we consider place-based approaches as the most effective means to address these issues. With a greater political willingness and stronger direction to Waka Kotahi to prioritise freight and other road users over single-occupant vehicles they can be overcome.

In many cases the options available (greater availability of dedicated freight, cycle and HOV lanes on key strategic routes, investment in rail capacity, all-of-network congestion pricing and other demand management measures) can deliver on multiple outcomes and facilitate more efficient freight movement. For these reasons we do not consider this a strategic priority or major focus area for the freight system.

We do consider that the increasing demands for land are a strategic issue for the freight sector. The transport and logistics sector is a land-extensive industry, requiring large-lot, inexpensive, 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. The issue is compounded by residential-zoned greenfield land on the fringes of our towns and cities often being of higher value than commercial or industrial zoned land, which results in difficulty retaining identified future business land through planning and urban development processes. Greater use of inland freight hubs such as inland ports can also defer the need for land reclamation at seaports. We suggest this could be (in part) addressed through resource management reform and regional spatial planning.

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

   We agree with the difficulty in shifting between freight modes and impacts of disruption on just-in-time supply chains. We agree that New Zealand's port settings may not be optimal and that better cooperation and specialisation of ports is required. We agree that a lack of data is hindering decision-making, particularly information on intra-regional freight movements. We note that better information on tonnages moved across road networks would also be a very useful input into the asset management plans of road controlling authorities. We acknowledge the difficulties faced by the sector in accessing labour, and we also sympathise with the lack of priority efficient movement of freight seems to have in transport planning and investment. We agree with the issue of a lack of viable alternative corridors for land-based movement.

7. *Do you agree with the proposed outcomes*?

   We agree with the proposed outcomes and the priority given to each; low emissions highest priority, then resilience, and thirdly productivity and innovation. However, we consider that equity and safety might be better framed as principles in how we work toward achieving the first three outcomes. For example, a principle that sector stakeholders look to develop skills, improve safety and manage disproportionate impacts in making the transition to a lower emissions, more resilient and more productive freight and supply chain system.

9. *Do you agree with the potential areas of focus? Which would be most important to prioritise (Q10)?*

   Our highest-priority focus areas under the outcomes would 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.

   b. **Improving modal options.** We need 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. We also need a fuller understanding of the value proposition of rail and coastal shipping in supporting both lower emissions and other long-term outcomes, such as resilience.

   c. **Improving resilience across the freight and supply chain system**. Which we see as being addressed through a mode shift to rail and coastal shipping and greater funding for, and investment in resilience projects. We will continue to advocate for resilience to be included as a priority area in the Government Policy Statement on Land Transport.

   d. **Improving freight data access and collection**, particularly the availability of data on intra-regional freight trips and tonnages carried. We have recently considered developing a strategic economic network model of South Island land transport networks to address this data gap. The South Island is overrepresented in high-value, low-volume routes whereas transport system funding outcomes are more often dictated by volume (not value).

   e. **Assessing and addressing port settings**. Our submission has earlier addressed our desire to shift more toward a hub and spoke model for South

Island freight and supply chains. We recognise that this means greater collaboration and cooperation across the sector (including competing port companies), and planning and investing for longer-term outcomes, as opposed to short-term commercial gain.

f. **All other focus areas**, such as equity, safety, urban access, and labour/skills challenges. We empathise with the labour challenges faced by the industry and consider that a shift to zero emissions heavy vehicles might assist in attracting and retaining workers and positioning the sector as a future-focused industry. We support the safety focus area and efforts to improve both workplace and system safety. We also support the effort afforded to equity and in particular ensuring that SMEs in smaller regions and those with high Māori participation in the workforce aren't unfairly disadvantaged in transitioning to a low-emissions, productive and resilient freight and supply chain system.

12. What would successful stakeholder engagement look like?

We would 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, productivity. We suggest early engagement with Local Government New Zealand zone committees as a key local government forum. We would support early and open engagement with mana whenua stakeholders and with port and airport companies.

13. How could we best engage with Māori?

We suggest liaising with Māori on the basis that economic success is tribal success, and freight is an enabler of economic success. For example; international competitiveness and seafood. We also suggest taking care to distinguish between iwi interests at a governance level and commercial interests.

Other feedback

7. The summary of early stakeholder engagement identifies that some freight operators wanted to see more roads suitable for HPMV, including bridges. Our experience in dealing directly with road controlling authorities is that unfortunately widespread non-compliance with existing restrictions (overweight, over-dimension loads etc.) has reduced councils' willingness to consider removing or reducing restrictions.

Thank you

8. We would like to thank the Ministry of Transport for the opportunity to provide feedback on this issues paper. We look forward to potential engagement with Ministry staff and other freight and supply chain stakeholders as the strategy develops and the opportunities that a nationally led strategy presents for the sector.

9. The South Island RTC Chairs officers group and secretariat are available to provide any further information or answer any questions about this joint submission. Contact details are: Luke Carey, Senior Advisor, Transport, Environment Canterbury luke.carey@ecan.govt.nz, 027 280 6318.

Ngā mihi

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