TE MANATŪ WAKA
MINISTRY OF TRANSPORT

Te rautaki ueā me te rautaki whakawhiwhinga o Aotearoa | New Zealand freight & supply chain issues paper

Summary of submissions made through the public consultation process (April – June 2022)

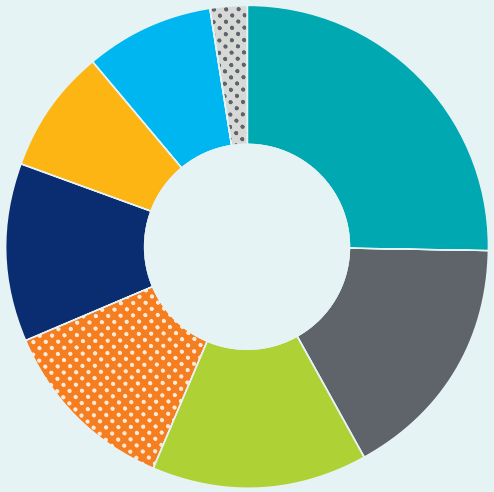
Te Manatū Waka Ministry of Transport is leading the development of the New Zealand freight and supply chain strategy which seeks to identify what is needed to optimise the system in the coming decades.

As preliminary work we developed an issues paper after extensive engagement with a broad range of stakeholders. The purpose of the issues paper was to set out the strategic context for changing the way we do things and to hone in on the most important areas of focus as we develop the long-term strategy.

The Ministry ran a public consultation process to gain feedback on the issues paper from April to June 2022. This is a summary of the feedback we received. We would like to thank all the individuals and organisations who took the time to send us their views.

Overview

We received 83 submissions and around 500 pages of feedback from the following groups of stakeholders:



- Industry bodies and unions **25%**
- Ports and airports **17%**
- Central and Local government **15%**
- Freight and courier **12%**
- Individuals/other **12%**
- Logistics and data services **8%**
- Cargo owners **9%**
- Iwi / Māori **2%**

The list of submitters and copies of submissions can be viewed at www.transport.govt.nz/supplychain

Key themes in the feedback

Government has a role as we prepare the supply chain for the future.

Submitters agreed there is a role for government in the supply chain system – although views differed as to whether direct intervention or industry enablement was the correct approach to different issues. Government was seen as having one or all of the following roles: investor, regulator, overall system steward. Many felt that government was the only entity that could take a whole-of-system view. Government also has a role as the sole entity able to influence international relations, negotiate better market access, and meaningfully effect change in international bodies such as the International Maritime Organisation (IMO) and the United Nations.

Government needs to signal its long-term plans for investment in supply chain infrastructure.

Many submitters said that a long-term infrastructure investment plan with broad, high level political support, was needed to give the industry certainty for their own plans. This would include planning private infrastructure around future government investment in utilities and transport nodes, providing certainty of future capability needs for construction companies, and allow local government to make more informed and joined up investments through their own regional transport and unitary plans. Co-investment was also identified as an area where government could make a difference, including as a way to meet its Tiriti o Waitangi commitments to Māori while accelerating economic development, with positive sentiment from across the industry towards the Ruakura freight hub development.

Strong interest in port reform.

Many submitters desired some sort of review or reform of the current port system. Ideas included: reviewing the ownership model, competition settings, and moving towards a hub and spoke model for our ports. Some submitters felt that the shift towards the optimal port model would happen naturally through the market over time, others felt that a national port plan and regulatory reform was needed to achieve change.

Improved ability to transfer between modes.

There was support for an intermodal freight system, enabled by hubs that would allow cost effective, quick and flexible transfers between modes and drive mode shift. Rail especially was identified as benefiting from intermodal hubs that reduce the number of times cargo has to be handled, with a number of stakeholders advocating for rail connections to ports, as these greatly enable freight hubs and inland ports due to rail's ability to move agglomerated volumes of cargo efficiently. Others suggested barriers included the low rate of containerisation of domestic cargo, which makes intermodal transfers a labour and time consuming process, and lack of data sharing between different modes and operators to enable seamless transfers.

Consenting and land-use issues are a constraint.

Consenting and spatial planning issues were a common concern, with the RMA reform regarded as crucial for the efficient operation of the supply chain. Constraints on port operations and congestion in freight corridors were common examples. Stakeholders want to see protection of key logistics routes and nodes, especially in urban areas that are expected to densify.

Build the workforce for the supply chain of the future.

There are labour concerns across the industry, with submitters in agreement that current conditions do not create enough workers across all skill levels, but there was a split between those who believe we should build our domestic capability and those who believe immigration should fill skills gaps. Some submitters believed that automation would replace workers in repetitive and unattractive tasks, and would allow greater utilisation of infrastructure, and safety improvements. However, there were concerns about equity and feasibility across the supply chain.

Improved data collection and availability.

There was support for more data collection, collation and sharing across the industry, to improve cooperation and collaboration without reducing competition.

There were different views on the role of government in the decarbonisation of the system.

There is a strong desire for government funding or co-funding to ensure the transition to a decarbonised freight sector happens equitably, and efficiently, without reducing the competitive nature of the freight sector. Many submitters said government should allow some flexibility to ensure New Zealand is not locked into a particular technology pathway in case it is superseded. They advised that if we want to lead in the decarbonisation of our transport system we will likely need to commit to a small number of alternate fuels and fund the provision of their supporting infrastructure. Cargo owners were also advocating for low emissions freight options to meet consumer expectations.

There is ambition for mode shift to rail, but not for all freight.

A number of submitters supported mode shift to rail, in line with the desire for greater intermodality. Others said that rail is unlikely to be competitive with road transport for certain commodities (small dimension, high value, and/or urgent), as well as for short distances and were concerned about double handling costs associated with using rail. There was also a view that rail is simply not resilient enough, being more vulnerable to seismic events. Other submitters felt that the structure of KiwiRail disincentivises greater mode shift to rail. [Note: some of these issues are currently being reviewed by the Ministry, Treasury and Waka Kotahi through the KiwiRail entity form review.]

International and coastal shipping face many changes.

International shipping to New Zealand is expected to develop into more of a hub and spoke model, although perspectives on the degree to which ports and volumes would consolidate, and the speed with which it would occur differed dramatically. There were some concerns about New Zealand's coastal shipping sector only recently having begun to grow again after decades of decline meaning that there may not be the domestic capacity to meet the required or desired mode shift.

Airfreight has an important role in moving high value cargo.

The perceived focus on volume instead of value in the issues paper was questioned by the airfreight sector, who felt that their role in the supply chain was understated as a result.

Summary of responses to each consultation question

Q1 Do you agree with the outlined description of the freight and supply chain system?

There was broad agreement with the description, although a number of submissions noted that the supply chain system was already under stress long before COVID-19 induced pressures, with continued operation being unsustainable long term. There were also concerns that the description was too transport weighted to be a description of the entire supply chain system.

Q2 Do you have any views on the outlined role of government in the freight and supply chain system?

This was the most contentious question, with some stakeholders advocating for more direct intervention from government, while others argued a more hands-off approach, with government taking an industry enablement role. A number of submissions noted that government is the sole entity that can take a system wide view and represent the general public who are outside the supply chain system but still affected by it (in terms of freight costs, product availability, indirect employment, etc).

Q3 Do you agree with the outlined strategic context and key opportunities and challenges?

Stakeholders broadly agreed with the outlined strategic context, although a handful were concerned that the remit is not broad enough to truly represent a "supply chain strategy" and that instead it is a "freight strategy".

Q4 Are there any trends missing that we should consider?

There were some comments around automation, 3D printing and other emerging technologies not being fully captured by the issues paper. A few stakeholders additionally identified missing trends that reflected their organisations' particular point of view.

Q5 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?

Climate change, shipping and technology change were identified as key challenges and opportunities. Climate change is likely to lead to significant changes in what New Zealand produces and where, and how it gets to market both domestically and internationally. There is an opportunity to significantly restructure the nature of our economy. Domestic and international shipping resilience and reliability with the likelihood of greater disruption in the future also needs to be addressed.

Q6 Do you agree with the outlined vulnerabilities of the current system?

Most stakeholders agreed with the outlined vulnerabilities, but some questioned whether there would be sufficient appetite to address them as New Zealand returns to business as usual after the COVID-19 related disruption. For example, the highlighted vulnerability of globalised Just-In-Time (JIT) supply chain operations to disruption might move businesses to adopt a Just-In-Case model in the interim, but some stakeholders were not convinced this would persist, and eventually the efficiency of JIT would attract businesses back to that model.

Q7 Is there any key information missing in understanding the vulnerabilities of the current system?

A number of stakeholders used this question to point to the lack of data availability and some questioned whether we could conclusively state the vulnerabilities of the system without it.

Q8 Do you agree with the proposed outcomes? If not, please explain why.

The vast majority of submitters supported the proposed outcomes.

Q9 Are there more outcomes the strategy should focus on? If so, please explain what they are.

A few stakeholders had additional outcomes that largely reflected their perspectives on the supply chain system (for example, exporters desiring a focus on export specific outcomes), but there were no common additional outcomes sought.

Q10 Do you agree with the potential areas of focus for the strategy?

Similar to the outcomes, most felt we had captured the correct areas of focus. There were a few suggestions to rearrange the structure, however. A couple of submissions felt that safety should be elevated to underpin all other workstreams rather than remaining as an independent workstream.

Q11 Which of these areas of focus would be most important to prioritise?

There was a split on this question between those who prioritised Low Emissions, those who prioritised Productivity and a few that focused on Safety. These generally reflected the outlooks of their organisations.

Q12 What would successful stakeholder engagement on the development of the strategy look like from your perspective?

There was common interest in remaining engaged throughout the strategy. No one felt over-consulted, a few felt they had been under-consulted to date.

Q13 How could we best engage with Māori on the strategy?

Most submitters felt that we should be engaging with Māori but did not have specific suggestions for what this engagement should look like. One Māori stakeholder was keen to engage but felt they lacked resourcing without support from the Ministry, and it is likely there were other groups in a similar position.

Next steps

The feedback in the submissions is informing the development of a draft Strategy. Further engagement with stakeholders will continue throughout this process. If you would like more information about the development of the New Zealand freight and supply chain strategy, please visit www.transport.govt.nz/supplychain or email supply.chain@transport.govt.nz.

Feedback v policy – this document summarises the views of submitters and does not represent government policy.