

3 June 2022

Freight and Supply Chain Issues Consultation
Ministry of Transport

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

SUBMISSION ON 'NZ Freight and Supply Chain Issues Paper

Introduction

1. Freightways Limited (**FRE**) appreciates the opportunity to make a submission regarding the New Zealand **Freight and Supply Chain Issues** raised in the discussion document produced by the Ministry of Transport (the **Paper**). Freightways makes the following observations on matters raised in the paper as set out below.

Background

2. FRE is a publicly listed NZX50 company. It operates in the Express Package & Business Mail, Information Management and Waste Renewal industries. FRE businesses have been in operation in New Zealand for almost sixty years – initially through New Zealand Couriers which is a pioneer of the Express Package industry – and those businesses currently employ or engage approximately 4,000 people (with another approximately 1,000 in Australia).
3. FRE's transport operations make use of road, sea and air for the movement of express parcels. FRE operations broadly cover;
 - Around 200 (heavy vehicle) linehaul units across express package and temperature-controlled transport
 - Anywhere between 12 to 16 freighter flights each night (M-F) moving express overnight freight on behalf of both FRE's own brands and NZPost
 - Truck and trailer movements each day across Cook Strait which make FRE one of the largest CV users of inter-island sea freight
 - Approximately 1,300 light vehicles (vans) and smaller trucks operating metro & regional express and temperature-controlled logistics services
 - In addition, we operate a smaller number of bicycles and around 250 motorbikes delivering letters and small packets

Freightways' responses to the discussion paper

4. FRE would advocate that the key role of Government in the NZ freight and supply chain context is to;
 - **Provide mainline infrastructure** to facilitate efficient and more productive transport options. The frailty of NZ's roading and rail network comes into stark focus literally every day of the year where often minor single event roadworks, breakdowns, accidents and weather conditions result in congestion, delays and loss of productivity. Large scale events such as the Kaikoura earthquake had a massive impact on NZ's supply chain (road and rail). It required additional trucks, drivers and resulted in vastly increased emissions and road wear on alternate roads that were dangerous and barely fit for purpose. There are many areas of NZ's "main trunk" that are highly vulnerable to single event accidents, maintenance programmes, weather events (e.g. the Auckland Harbour bridge) and natural disasters. We would argue that this should be the primary context for change – rated far above climate change, technology and international developments - as a focus for the Ministry of Transport. Central Government planning to ensure adequate response capability across the system so that delays can be reduced, safety improved

and the effect on our supply chains minimised is important.

- **Execution of projects:** FRE believes NZTA's ability to execute and deliver projects is unnecessarily lengthy. We believe procurement processes could be streamlined and hope the replacement RMA will also help agencies overcome consenting hurdles. Execution of projects which produce delays and congestion lasting years and years are a significant impost on productivity, safety and climate impacts.
- **Assess and make a decision on Port capacity, location and future expansion:** The debate around the future ports strategy for NZ has been in train for decades with little progress made to date. While we are a step removed from direct port operations the reality is that a significant proportion of NZ exports and imports contribute to the freight flow volumes North to South. Decision-making around port locations might take into account the potential to balance freight flows to optimise two-way freight flows. It might also assist to reduce congestion in and out of Auckland CBD and provide a more ready link to rail.
- **Regulation: Clarity and speed of decision-making:** Businesses and private road users need certainty on direction of travel and clear and early guidance on issues such as the future of RUC's (for EV's and alternative fuel cell vehicles), tolling and congestion charging. We support selective congestion charging as a way of managing load on key arterials.
- **Labour availability:** MBIE's estimates are that 50,000 NZers will head offshore in the next 12 months. Couple this with record low unemployment and there is a clear need to support a dedicated labour pipeline to ensure our supply chain is not unduly affected.
- **Climate infrastructure:** In our view a focussed and effective targeting of infrastructure is required to assist in decarbonisation. Heavy transport is likely to be a difficult area in which to reduce emissions for quite some time. The transition of small ICE vehicles to EV's is the most likely path forward, however for this strategy to be effective it requires significant infrastructure to enable it. In Auckland (in particular given the extent of high-density housing) significant public charging infrastructure will be necessary to enable any large-scale transition to EV's.
We are aware that EECA will soon publish an EV charging roadmap. The Government will understandably need to give consideration to which roads may not be able to be future-proofed because of the effects of climate change and ongoing cost. The transport and logistics sector would welcome certainty and a clear understanding of how the decisions to retire any roads will be made and when.
- **Technology:** It would seem highly unlikely we will have any meaningful autonomous road transport given the state of NZ's main highways between cities.
eCommerce shipments or items bought at bricks and mortar stores in reality require identical levels of capacity for transport i.e. regardless of whether an item is purchased online or purchased from an Invercargill store it still needs to be transported (in a consolidated form) from Auckland (as a receiving port/location of the majority of distribution centre assets) to Invercargill. It is the same quantity of cargo – simply with a different final mile address. Similarly, whether businesses are moving items or 3D printing them we struggle to see that the quantity of raw material or final product movement will make any difference to the quantum of goods needing to be transported up and down the country. These are distractions which should be avoided by the MOT in considering the provision of efficient and effective transport options for NZ.
We are highly supportive of the work Ara Ake are doing to provide tools to assess Total Cost of Ownership of various vehicle types/fuel cell options. This is useful and meaningful work which will assist businesses and individuals make rational decisions on transport assets.
- **Population Density:** Auckland intensification of housing typically comes with no off-street parking, means provision of public EV charging infra is critical. It is simply not practical to think most Aucklanders will be

able to park a car in a private garage to charge it. If we legitimately and seriously expect uptake of EV's then we need a focused and well-funded plan to support them.

Conclusion

5. FRE believe MOT has a core function to deliver transport infrastructure and regulations to assist in providing NZ with a safe, efficient and resilient transport platform.
- In our view focussing on the core obligations of providing that infrastructure – roads, bridges, rail, airports - is critical. NZ has far too many single points of failure within its transport networks as it is.
 - Businesses and transport users would also benefit from clear advance signals when it comes to regulation and Government intervention – i.e. working with industry as to how a future RUC regime will be handled as EV's alternate fuel cell vehicles increase in volume and ICE vehicles decrease, or discussing rebates/subsidies/levies on certain vehicle types.
 - Consultation on issues like these is critical to assist businesses and individuals make investment decisions on alternate asset types.
 - MOT also need to address the issue of execution of infrastructure projects which in NZ seems to take an inordinately long time and seems to come at an astronomical cost. A reconsideration of that contracting and execution model seems long overdue.
 - We would advocate dealing with these core issues as a single focussed priority before exploring a remit for centralised co-ordination of supply chains.

Yours faithfully

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Freightways Limited