

5 August 2022

OC220868

Hon Michael Wood
Minister of Transport

INFORMATION ON PORT OF TAURANGA TO SUPPORT MEETING WITH THE MINISTER FOR THE ENVIRONMENT

Purpose

This aide-memoire provides information on the Port of Tauranga, in particular its significance to New Zealand's economy and transport system, to support your upcoming meeting with the Minister for the Environment regarding the Port's planned wharf extension.

Key points

- 99% of New Zealand's imports and exports by volume travel along global shipping routes. Ports play a significant role in supporting the economic prosperity and wellbeing of New Zealanders by processing imports and exports, including critical goods.
- It is important that ports are well-functioning and efficient to mitigate growing pressures on the freight and supply chain system in the short to long term. Key challenges include an increasing domestic population, the growth in size of international ships, and the increasing frequency of global disruptions.
- Port of Tauranga Limited (POTL) is New Zealand's largest export port and imports are a growing part of their day-to-day business. It handled 42% of all container volumes in 2021. POTL will play an important role in relieving pressures on the freight and supply chain system and has invested in accommodating bigger ships and planning for future cargo growth.
- Ports and shipping will also play an important role in decarbonising the transport system, mitigating the impacts of climate change, and improving supply chain resilience. POTL is taking steps to reduce emissions and environmental impacts from its port activities on Tauranga Moana – a culturally significant and sensitive environment.
- Going forward New Zealand ports will need to work closely with local communities, including iwi and hapū, to achieve commercial and environmental aspirations.

Contacts

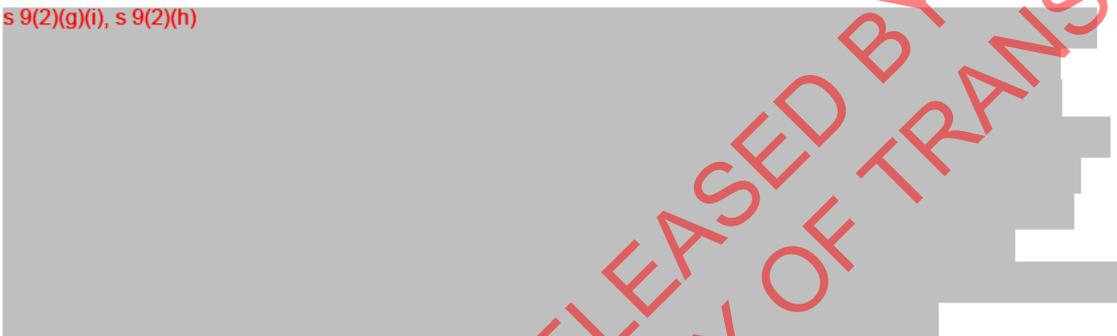
Name	Telephone	First contact
Harriet Shelton, Manager, Supply Chain	s 9(2)(a)	✓
Robert Parker, Policy Adviser, Supply Chain	s 9(2)(a)	

INFORMATION ON PORT OF TAURANGA TO SUPPORT MEETING WITH THE MINISTER FOR THE ENVIRONMENT

Context

1 You will be meeting the Minister for the Environment to discuss the issue of the Port of Tauranga Limited's (POTL) resource consent application for its wharf extension project. POTL's case was meant to be heard by the Environment Court in early July 2022, but it has been adjourned to 2023 – reportedly due to a COVID-19 outbreak¹. We are not able to provide an indication for how long the process might take, as the Court regulates its own proceedings and timeframes. We note that after a hearing ends decisions are normally made within three months, though this can take longer.

2 s 9(2)(g)(i), s 9(2)(h)



Ports play an integral role in supporting New Zealand's economy and wellbeing

3 Ports play an integral role in maintaining and growing New Zealand's economy and connections with international markets. Ports are the gateways through which over 99% of our imports and exports flow (by volume), which are serviced by international container shipping lines and other bulk ships. In addition, sea freight carries around 80% of trade by value. New Zealand's goods exports for the year ended December 2021 were \$63.3 billion and there were \$66.1 billion in goods imports³. International trade not only supports the economy but also enables New Zealanders to access critical goods required to meet basic needs such as medical equipment and intermediate goods for domestic production.

4 The COVID-19 pandemic demonstrated how important well functioning and efficient ports are to better respond to disruptions, and their implications for the rest of the supply chain system. Port congestion around the world has led to significant issues including a reduction in frequency, reliability, and capacity of shipping services to New Zealand, escalating freight rates and surcharges, and empty container supplies being stuck in the wrong places. The increases in international freight rates to and from New Zealand, which anecdotally have gone up by as much as 400%, have also contributed to rising inflation across the economy. As ports operate as a network, inefficiencies in one part of the network have flow-on effects to other parts.

5 We expect New Zealand will continue to face supply chain disruptions in the future due to several factors such as the increasing severity of climate change impacts, natural disasters, and geopolitical conflicts. Disruptions lasting a month or longer as a

¹ Stuff, Port of Tauranga extension hearing delayed by Covid outbreak, 11 July 2022.

² Note, the Attorney-General is also currently the Minister for the Environment.

³ MFAT. (2021). An overview of New Zealand's trade in 2021.

result of shocks to global disruptions now occur on average every 3.7 years⁴. In addition, freight costs can comprise up to 12% of the total cost of supermarket goods, or higher in times of supply chain disruption⁵.

Longer term challenges underscore the importance of ensuring ports are well placed to respond to freight and supply chain pressures

- 6 New Zealand's population is expected to grow by 1.2 million people in the next three decades⁶. This would see most of the population growth concentrated in and around Auckland, Hamilton, Tauranga, Christchurch and Wellington. Freight volumes are also expected to increase 55% from 237 million tonnes in 2012/13 to 366 million tonnes in 2042/43⁷. This growth, particularly concentrated in the densely populated Auckland -Waikato-Bay of Plenty 'golden triangle', will increase infrastructure pressures and require ports to handle higher freight volumes.
- 7 The international shipping industry is also driving changes in shipping – New Zealand, as a small and remote country by international standards, is a 'taker' rather than a 'driver' of these trends. For example, internationally container ships have grown in size to take advantage of economies of scale, with the share of global container freight capacity carried by ships larger than 10,000 twenty-foot equivalent (TEU) quadrupling from less than 10% in 2011 to nearly 40% in 2021. The maximum ship size calling in New Zealand has doubled from 5,000 TEU in 2016 to about 10,000 TEU in 2021⁸. Such increases mean ports will have to invest in infrastructure to service them and the higher volumes carried each visit. This may require a reconfiguration of ports to a hub and spoke model, where smaller ships move regional goods to main hub ports to connect with international ships.
- 8 These challenges demonstrate how important it is for our ports to be efficient and be able to expand and respond to these challenges. This is particularly pertinent given New Zealand's distant location from the main container shipping routes – ports have to be productive to minimise the already long freight journeys and to continue to draw international shipping services. The need for ports to undertake infrastructure works will also increase with the need for climate change adaptation.
- 9 Officials are working to ensure the RMA reform process provides appropriate recognition and national direction through the National Planning Framework for infrastructure, especially the transport system including ports. At a practical level major works for ports will still need to go through the resource consent process. However, we expect there to be a reduction in the nature and scope of the consents required. With reduced consents, more consistent decision-making, and certainty around processes such as notification and appeal rights, we anticipate greater efficiency in the new system.

⁴ McKinsey Global Institute. (2020). Risk, resilience, and rebalancing in global value chains.

⁵ Kemp, A., O'Fallon, C., Counsell, K., & Chow, M. (2012). Transport's proportion of total costs for New Zealand businesses (Research Report No. 495). New Zealand Transport Agency.

⁶ Statistics New Zealand. (2021). Subnational population projections: 2018(base)–2048.

⁷ Ministry of Transport. (2017). Transport Outlook: Future State.

⁸ Ministry of Transport, Freight Information Gathering System (FIGS).

POTL has a key role in New Zealand's freight and supply chain system

- 10 POTL is expected to play an important role in the freight and supply chain system's ability to meet the challenges outlined above. POTL is New Zealand's largest export port and handled approximately 42% of all container volumes in 2021⁹. POTL plays an important role servicing the 'golden triangle' between Auckland, Hamilton and Tauranga, and has extensive road and rail connections to this region along with the central North Island, in addition to coastal shipping connections to other domestic ports. POTL's rail connection to Auckland through the inland freight hub Metroport has also played an important role in sustaining freight flows to and from Auckland at times of disruption.
- 11 POTL is the main export port through which significant volumes of logs and forestry products, kiwifruit, dairy products, and other products are transported offshore. These industries play a significant role in New Zealand's export economy. The kiwifruit industry, for example, is New Zealand's biggest sector in the horticultural industry¹⁰. The growth of POTL as a major port reflects its proximity to the key export production areas in the Bay of Plenty and Waikato.
- 12 Imports are also an expanding sector of POTL's business, including products such as petroleum, fertiliser, coal, dry and liquid bulk, palm kernel, and a range of other products¹¹.
- 13 POTL is a key port for transshipment with other ports in New Zealand. Products transhipped comprise beverages and water, logs and other forestry, and meat and dairy products, and other goods¹². POTL therefore plays an important role in supporting New Zealand's regional economies beyond the Upper North Island. Some international shipping lines already operate on a hub and spoke model, whereby they move exports from regional ports to POTL to connect to their larger vessels.

POTL is investing in its capacity to meet increasing demands

- 14 As international ship sizes grow and New Zealand moves towards a hub and spoke model, POTL's role as a transshipment hub will likely increase even further. To this end, POTL has invested in capacity to accommodate bigger ships as part of their strategy for growth and has spent more than \$350 million over six years to prepare for larger vessels, which started calling in late 2016. This investment included dredging to widen and deepen shipping lanes, extending the container wharves by a third, and purchasing new ship-to-shore crane and cargo handling equipment. POTL is now planning for future cargo growth.
- 15 The proposed container wharf extension is part of these plans to future proof the port and could take up to 2.5 years to build. Infrastructure New Zealand predicts that without the project, the port will reach the limits of its capacity by 2025¹³. The wharf extension is intended to provide capacity for up to an additional 1 million TEUs per

⁹ Ibid.

¹⁰ New Zealand Horticulture Export Authority, Kiwifruit industry profile.

¹¹ Port of Tauranga. (2021). Port Trade and Statistic Information.

¹² Ibid.

¹³ Infrastructure New Zealand, <https://infrastructure.org.nz/port-of-tauranga-project-highlights-need-to-fast-track-some-consents/>.

year. POTL is currently handling around 1.25 million TEUs per year, out of a total capacity of 1.5 million TEUs¹⁴.

Ports activities have significant impacts on the environment but also play a role in decarbonisation and reducing environmental harm

- 16 Ports and their operations in general have negative impacts on the surrounding marine environment. This includes concentrations of air pollutants, noise pollution from ship engines and machinery, and hazardous waste entering waterways. Road and rail traffic to and from port areas cause additional environmental problems. Like every port, POTL is located in the Coastal Marine Area, which is a culturally significant and sensitive natural environment. Tauranga Moana has been inhabited by Māori since the 12th century and is a traditional source of food gathering (mahinga kai) for the local iwi and hapū, with strong spiritual significance¹⁵.
- 17 To mitigate some of the environmental impacts, POTL has in place an environmental policy to address issues such as biosecurity, noise, air quality, stormwater management, spill prevention, energy consumption, waste, fumigation of imports and exports, asbestos and other risks¹⁶. The Bay of Plenty Regional Council also has a Regional Natural Resource Plan to address land management around Tauranga Moana and they are working with communities to address specific environmental issues¹⁷. Officials are not in a position to advise if these plans are adequate to offset or mitigate the negative impacts on the local environment from port operations.
- 18 Ports also have a role to play in New Zealand's wider decarbonisation efforts to meet the goal of net zero greenhouse gas emissions by 2050. This includes shifting cargo transport from road to coastal shipping where possible, a mode that produces lower emissions. The location of import ports in close proximity to cities also reduces the distance goods have to travel to reach their destinations – of which the last miles are typically performed by trucks.
- 19 Several New Zealand ports are taking steps to decarbonise their operations. POTL is targeting net zero emissions by 2050. Their aim is to reduce emissions from port activities by 5% per year relative to cargo volumes, including by transitioning to battery-hybrid straddle carriers and light vehicles¹⁸.
- 20 More efficient ports reduce the amount of time ships spent idling offshore waiting for a berth, thereby producing fewer emissions and reducing the impact on water quality in surrounding areas. Officials from the Ministry of Transport and Maritime NZ are also exploring what may be required to support the decarbonisation of shipping vessels, which will need to be supported by ports.

¹⁴ New Zealand Herald, Port 'desperate' for extended wharf, 29 April 2022.

¹⁵ Bay of Plenty Regional Council, <https://www.boprc.govt.nz/environment/coast-and-ocean/harbours/tauranga-harbour>.

¹⁶ Port of Tauranga, <https://www.port-tauranga.co.nz/community/our-environment/>.

¹⁷ Bay of Plenty Regional Council, <https://www.boprc.govt.nz/your-council/plans-and-policies/plans/regional-plans/regional-natural-resources-plan>.

¹⁸ Port of Tauranga, <https://www.port-tauranga.co.nz/community/our-environment/>.

Building better relationships between ports and local communities will be important

- 21 Going forward, it will be important that New Zealand ports work together with their local communities, including iwi and hapū, to mitigate their impacts on the environment and improve social licence to operate – while preserving the strategic national function that ports serve.
- 22 While circumstances surrounding each port will vary, there have been examples of port-community collaborations from which useful lessons may be drawn. One example is the Whaka-Ora Healthy Harbour plan at the Port of Lyttelton. The catchment management plan has a vision of restoring the ecological and cultural health of Whakaraupō/ Lyttelton harbour as mahinga kai and includes 67 prioritised actions. The plan was developed by a partnership of five organisations (Environment Canterbury, Te Hapū o Ngāti Wheke, Te Rūnanga o Ngāi Tahu, Christchurch City Council and Lyttelton Port Company) in collaboration with the local community¹⁹.

¹⁹ Whaka-Ora Healthy Harbour, Ki Uti Ki Tai, <https://healthyharbour.org.nz/the-plan/>.