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Submitted to New Zealand freight and supply chain issues paper | Te rautaki ueā me te rautaki whakawhiwhinga o Aotearoa
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What is your organisation?

Organisation:

Swire Shipping NZ Limited - This response is made by Swire Shipping NZ (Swire). Swire operate 4 international multipurpose container ship services trading to NZ, servicing Australasia, the Pacific Islands, Southeast and North Asia. In addition, Swire operate two coastal ships on the NZ Coast. Trading as Pacifica Shipping the Moana Chief, a 1,700 teu container ship operates a weekly connection between Auckland, Lyttelton, Nelson, Tauranga, and Marsden Port. The Aotearoa Chief is an 8,000 deadweight (dwt) bulk cement vessel operating for Golden Bay Cement to distribute cement from Portland, Northland to major North Island Ports. Swire is also involved in ships agency, customs and freight forwarding, domestic transport and stevedoring.

Introduction

Part 1: Understanding the freight and supply chain system in New Zealand

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

Please explain in the box below. :

1) In the section of containerised v bulk shipping, we believe there is also need to recognise the importance of non-bulk cargo that cannot be containerised. This is referred to as break bulk cargo such as manufactured steel products. This cargo cannot be containerised and must move as break bulk cargo. Over time some traditional breakbulk cargo had been containerised for example pulp, timber packs, steel coil, but because of the recent supply chain issues and the inconsistency of the supply of container shipping services some cargo has changed from being moved in containers to breakbulk. Import steel into NZ is a good example.

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

Please leave your comment in the box below::

1) Commenting on the Governments 2nd role, ensuring broader public good outcomes we believe the Government could educate the public more about the opportunity to look at how they can promote and assist sustainable transport awareness and usage of sustainable transport. Consumers / Business selecting the most sustainable transport mode, and not insisting on a 'just in time' supply chain will help reduce carbon emissions.
2) Under the Governments 3rd role, facilitating collaboration and coordination Government needs to understand transport options in relation to having national resilience. Historically access to transport options in times of natural disaster or catastrophic events has happened due to the fact it existed commercially. For example, the use of coastal shipping during the Christchurch and Kaikoura earthquake. We suggest a formal review of the contribution of the mode mix be considered. Engagement with the relevant commercial entities and their representative associations is important.
3) We strongly support the system wide longer-term view being undertaken. We believe for too long Coastal Shipping has been the "forgotten highway". Coastal Shipping and appropriate port infrastructure have a significant role in system wide supply chain development.

Part 2: The strategic context for change

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

Please explain in the box below. :

1) We agree that climate change will impact on our supply chain. The recent severe weather conditions on the East Coast of New Zealand resulted in major rail and road disruption which had a direct impact on the supply chain. Government must understand the potential impact that climate change will have on the present and future infrastructure location.

2) In the section discussing the decarbonising our road fleet. We think it is important that Government does as part of its education process to business and the public highlight that moving cargo from road to rail and coastal shipping is something that we can do now as we develop our decarbonization strategy. The Climate Change Commission has recommended mode shift. We need to start now. Measuring and demonstrating the reduction of carbon emissions by mode shift is important to communicate the message. Making the right decision on mode choice and at the same time as developing alternative fuels is a good start for the decarbonisation of transport in NZ.

3) The paper states that Rail and Coastal Shipping tend to compete for similar types of goods which we agree with, but Rail and Coastal Shipping can also carry goods currently move on Road. The "just in time" expectations of freight users if changed will allow more volume to be moved on rail and coastal shipping, at the same time contributing the sustainable benefits of rail and coastal shipping.

4) In response to the comment, it will take time and substantial investment to improve NZ rail and coastal shipping. Coastal shipping has the luxury of having its own blue highway, the only cost of operating on that is if stewardship of using our sea ways. Port infrastructure exists, it is acknowledged that future investment does need to be made but coastal shipping does utilise the existing international shipping port infrastructure. There is not the substantial capital investment in coastal shipping compared to the longer-term investment in road and rail networks.

5) The allocation of \$30-\$45 m in the National Land Transport Fund 2021-2024 is welcome. We hope this is the beginning of an ongoing commitment from Government to support Coastal Shipping in NZ.

4 Are there any trends missing that we should consider?

If "yes", please write the trends we are missing in the box below. :

No comments to make

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 in New Zealand and why?

Please explain in the box below. :

1) The opportunity to start with mode shift (i.e.) Road to rail and coastal shipping is something we can do now. This will be the starting point of our decarbonisation journey.

2) The opportunity to establish a green corridor in NZ for coastal shipping is something we believe the Government should consider. For example, a green corridor could exist between Auckland and Lyttelton where the suppliers in the supply chain from the road/rail first and last mile sector, to linehaul mode, coastal shipping in conjunction with the relevant port companies establish a decarbonised supply chain.

3) When discussing the hub and spoke model it is important to note that it is not new and has been developing for some time and will continue to develop. Larger ships, the provision of fixed day weekly international shipping services demands the aggregation of cargo to the hub port. Vessel size also has dictated the exclusion of the smaller regional ports. Coastal shipping and rail can move exports and imports to and from the hub port. This demonstrates the intermodal supply chain solution that NZ needs.

4) Continued long term investment at ports is important. Today NZ ports appear to be more realistic about what their function is as part of the port supply chain. Regional ports must be capable to meet the export and import demands of the region. Coastal shipping and rail can provide that connectivity to the hub ports.

5) It is excellent that NZ has signed the Clydesbank agreement, but it is absolutely crucial that the framework of how NZ government is going to support it, is defined.

6) NZ government needs to engage with shipping companies (both domestic and international) to assess what sort of alternative fuels can be available in NZ ports, and then support infrastructure initiatives that will allow to facilitate the availability of these fuels for shipping.

7) Although as detailed, Ports in NZ have set decarbonisation targets for the own operations, under the Clydebank agreement framework, it is imperative that ports are given access to funding to ensure that ports are incentivised to support their clients (shipping lines) in their transition strategy. Taking in consideration that NZ electricity is on the highly renewable already, the use of shore power for vessels at port would allow to minimise emissions. All ports in NZ should be able to offer shore power, and NZ government should incentivise this use. Ports will require funding to update their electrical facilities to allow the use of shore power.

8) In addition to shore power, and under Clydesbank agreement it is also important to decide what alternative fuels will be made available – biofuels, green methanol and in the future green ammonia and hydrogen should be considered.

9) NZ government should also consider how to support shipowners embarking on this journey, as the cost of greener alternative fuels will have a very significant impact in the cost of operating vessels, with greener fuels being 2 to 3 times more expensive. Other countries are considering how to support first movers, either through a carbon levy to the existing industry to bridge the gap of the cost between different fuels or by subsidising first movers, or a combination of both.

10) NZ government should further engage with ammonia and methanol industry on how to make in the future alternative fuels available in the ports. Although there is a large production of methanol in country, there are currently no plans to manufacture green methanol, that could be used not only by shipping but also by other industries.

11) Should NZ government deem appropriate, Swire Shipping can assist through some of the platforms that we are members, to benchmark best practise and what other nations are doing on green corridors.

12) At the moment there are not enough production of alternative fuels in the world, if NZ becomes a potential manufacturer of green methanol and green ammonia, for example, it expected that not only would support domestic and international shipping lines in transitioning but also be considered as a manufacturer for green energy that would increase NZ exports.

Part 3: Current vulnerabilities of the freight and supply chain system

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

If not, please explain why:

1) We agree with the comment that there is an opportunity for the port sector to be better coordinated. The current competitiveness of our ports have assisted NZ Exporters compete in international markets. We must ensure that we have safe, competitive, and efficient ports. The economies of scale and efficiencies has over time developed with some ports existing container trades, for example Port Taranaki. Others have entered the container trade, ie; Northport. The reality is not all regional ports will in future be able to have direct international shipping services. This is due to ship size and shipping lines calling NZ being part of a network that does not permit multiple port calls in NZ. Regional ports must position themselves to handle their regions cargo as the spoke port feeding into the hub port.

2) Accessing labour is a real challenge today in the work force. We encourage the Government to consider immigration policies, especially focused on the Pacific Islands to assist the transport work force. Automation is a good thing for improvement in safety. Automation will also assist in upskilling of the work force. Automation of the port, transport and coastal shipping industry should be encouraged.

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

If 'Yes' please explain here:

1) We believe more analysis and understanding of the carbon emissions footprint in the transport sector needs to be done. This will assess the benchmark to measure reaching the decarbonisation targets set by the Government. This needs to reflect how policy settings will enable and encourage modal shift towards lower emission modes rail and costal shipping.

Part 4: Our proposal for developing a freight and supply chain strategy

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

Do you agree with the proposed outcome 1. Low emissions? - 1. Low Emissions - New Zealand's freight and supply chain system is underpinned by a low emissions freight transport system:

Strongly agree

If you have answered "Disagree" or "Strongly disagree" please explain why:

Do you agree with the proposed outcome 2. Resilience? - 2. Resilience - New Zealand's freight and supply chain system is resilient, reliable, and prepared for potential disruptions:

Disagree

If you have answered "Disagree" or "Strongly disagree" please explain why:

It was evident that during the events of the Canterbury and Kaikoura earthquakes, road, rail and port infrastructures were impacted. Coastal shipping was one of the first modes to be able to react and provide a freight bridge between North and South ports.

Do you agree with the proposed outcome 3. Productivity and Innovation? - 3. Productivity and Innovation - New Zealand's freight and supply chain system is highly productive and innovative, and performs well when measured against global standards:

Disagree

If you have answered "Disagree" or "Strongly disagree" please explain why:

We think it is very important that safety is a priority in the improvement in productivity and is an influencer in innovation. Automation can improve productivity and safety and should be reviewed in conjunction with productivity settings. From a coastal shipping perspective, autonomous port handling and automated docking systems will aid productivity and safety. The coastal shipping sector has an aging work force and effort is needed to encourage and introduce younger and new entrants to the sector to cater for the planned growth.

Do you agree with the proposed outcome 4. Equity and Safety? - 4. Equity and safety - We transition to a low emission, resilient, productive and innovative freight and supply chain system in a way that is equitable and safe for all:

Disagree

If you have selected "Disagree" or "Strongly disagree" please explain why here:

Market sectors and the entities within those sectors need to be able to operate in a competitive environment, not influenced through government intervention or controls on markets.

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

Please explain here:

Workforce issues (staff availability and aging workforce) require a focus from government. This issue applies to more sectors than just domestic coastal shipping, but port and logistics in general.

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

If not, please explain why:

No comment

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

Type your answer here:

1) We believe lowering emissions is the priority, a very big task. The sooner we start the better.

2) The establishment of a Generational Investment approach is a good move. Ongoing Engagement with members of the supply chain, transport operators and freight interest is important.

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

Type your answer here :

Involvement with active Supply Chain sector members to review and critique the planned work. Seek guidance from those at the coal face. Various industry bodies have members who are capable and willing to do this. The various Covid response groups from the Supply Chain sector demonstrated this. It is also important to engage with groups already doing this work. For example, the Sustainable Business Councils Low Emissions Freight Pathway Group was an industry group covering users and suppliers of the heavy transport sector who collectively worked pathways to decarbonisation.

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

Type your answer here :

The government should engage with respective groups that have resources, interest and commitment to work with or develop workforce and supply chain support to meet the growing needs of the sector.

Provide further feedback

14 Any general feedback on the consultation

Add your comments, ideas, and feedback here:

We thank you for the initiative and opportunity to participate. As a integrated logistics company, we are impacted across a number of areas however can positively impact outcomes associated with the governments targets for the supply chain.

We welcome further engagement and any direct questions or feedback.

15 Upload supporting documentation

Upload documentation:

Pacifica Flyer 13.04.21 page 2.pdf was uploaded

Appendices