

## Submission to the Commission's inquiry into international freight transport services

Issues Paper July 2011

1. Are there important issues that may be overlooked as a result of adopting an economic efficiency perspective for this inquiry?

*We don't believe so.*

2. Is the framework described in Section 3.2 appropriate for this inquiry? Are there any important issues that might be missed?

*Appears appropriate.*

3. Which components and component interfaces warrant greater attention? What is the evidence that they are inefficient? What contribution could changes make to an improvement in the overall efficiency of the freight system?

*The enquiry should be focused on domestic transport issues which can be influenced by Government. Domestic freight costs make up a large proportion of the cost of moving product into and out of NZ. To the extent we can reduce the cost of getting export products from NZ manufacturers to NZ ports, or import products from NZ ports to domestic consumers, the greater the benefit to the NZ consumer.*

4. What environmental considerations should fall within the scope of this inquiry? What issues are of particular importance?

*The impact of carbon taxes on domestic freight costs has a significant impact on total domestic freight costs and needs to be reviewed in light of our competitiveness with economies which do not have similar taxes, and the cost to the NZ consumer.*

5. To what extent is there effective competition for customers between New Zealand ports? Has this led to lower prices and incentives for productivity improvements?

*There is very effective competition for customers to NZ ports while Port of AKL and Port of Tauranga remain under the separate ownership.*

Questions: 6-13: No comment

- 14 Does New Zealand have too many ports for a small country? If so, what barriers are inhibiting rationalisation?

*We don't believe so because the domestic road/rail transport costs of moving product from a port to a consumer is high. It makes sense for imports to try to bring product as close as possible to the ultimate consumer e.g. Port of Wellington and Lyttelton.*

**Questions 15-50: No comment**

- 51 What changes in domestic transport institutions, policies and regulations might lead to the greatest improvements in the economic efficiency of the international logistics chain?

*Any simplification or streamlining of regulations and compliance within domestic transport will improve the efficiency of the international logistics chain. The current ongoing review of the road user charges regime is a good initiative but is taking far too long and the industry is unable to make decisions and remove cost until the outcome is certain.*

- 52 How competitive is the freight forwarding industry that serves New Zealand exporters and importers? Do the recent Commerce Commission investigations of a number of firms indicate that there are systemic problems, or that the regulatory and competition regime is working well?

*The industry is highly competitive and we don't see evidence of systemic problems.*

- 53 What are the costs of transit time to importers and exporters?

*Most costs relate to people related costs due to delays in the time taken to move product and in dealing with compliance.*

- 54 What sources of delay contribute to transit time? How might those delays be efficiently reduced?

*Most sources of delay relate to transport and roading infrastructure issues, to the extent travel times on NZ highways can be reduced, overall efficiency increases substantially.*

**Questions 55-62: No comment**

- 63 Where in the logistics chain are time delays occurring, and how might they be addressed?

*Main time delays occur in moving freight on road into and out of cities (particularly Auckland due to congestion), and moving containers to and from the point at which they are packed or devanned. It can actually be advantageous to take freight off road and put it onto rail or coastal shipping in order to save cost at the expense of the extra time taken to move the product. Further investment in our rail infrastructure would result in more freight moving off road onto rail.*

**Questions 64-77: No comment**

78 Has this issues paper covered the key issues? What other questions need to be asked?

*The role of NZ's rail infrastructure is not addressed in detail in this document.*

*The cost of using road transport in NZ has not risen substantially in the last 5-10 years because transport companies have offset increasing costs by improving efficiency, therefore keeping their effective operating costs per unit of measure per kilometre reasonably steady. The only way to take significant additional cost out of our domestic transport industry is to move freight off road and either onto rail or coastal shipping. The role of our rail infrastructure is significant and transport companies will continue to look to use rail more effectively in the future. So if Kiwirail is unable to fund investment in rail infrastructure at the pace required, then other mechanisms need to be considered to help move freight off road onto rail.*

**Question 79: No comment**