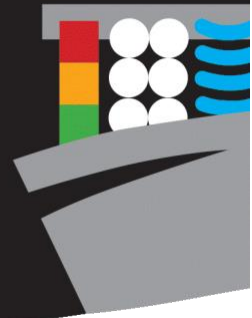


New Zealand Council of Cargo Owners

The association for NZ's largest shippers



Submission to New Zealand Productivity Commission on Improving Economic Resilience April 2023

The New Zealand Council of Cargo Owners (NZCCO) is grateful for the opportunity to comment on this study. Members look forward to the meeting with the Commission arranged for 27 April 2023.

NZCCO represents the shipping and supply chain interests of many of the country's largest exporters and importers. The Council was formed in 1983.

This study is timely. NZCCO has been very focused on the issue of the resilience of the international and domestic supply chain for the past four years. The initial focus was COVID-related but the Russia-Ukraine war and a succession of natural disasters in New Zealand have kept this matter at front of mind. Regular feedback provided by the Council to the Ministry of Transport in the context of the Ministry's Long term Freight Strategy is also relevant to our response to this study.

We provide below detailed answers to the questions posed by the Commission, but at a high level, the Council is particularly concerned about the lack of resilience in New Zealand's road and rail network. The Council believes that Government should identify essential freight corridors linking to inland and coastal ports and ensure that we have a fully resilient road and rail network, supplemented by coastal shipping where appropriate, to ensure resilience for our exports and imports. The Council notes that New Zealand ports have proven very resilient in their own right. This resilience is enhanced by New Zealand's multi-port system. While the ports are largely resilient, the road and rail links to these ports are not.

Answers to your questions:

1. What supply chain disruptions and trends are you worried about?
 - a. Extreme weather events impacting international and domestic supply chains and the consequential impacts on NZ cargo owners.
 - b. NZ distance from market, the associated costs of reaching our markets, and lengthy and extending transit times.
 - c. Exposure to market forces – e.g. shipping lines dictating service levels, geopolitical events, sanctions.

- d. Lack of infrastructure investment, and difficulty in gaining approval for key items of infrastructure that will build domestic supply chain resilience (e.g. Port of Tauranga new wharf consent process).
 - e. Investment decisions made in isolation, without adequate consultation with impacted stakeholders, or based on ideology rather than with a wider NZ Inc view.
 - f. Reliance on China as a market for both imports and exports, and the subsequent exposure to legislative changes they impose, often with no prior notice.
 - g. Dependence on the price and availability of imported and refined fuels and lubricants, and the attendant risk of their availability for the domestic market should there be supply chain disruption offshore or out of our immediate control.
 - h. Dependence on imported machines and spare parts – although a second-hand market exists it is neither cost effective nor extensive.
 - i. Shortage of labour resource across all supply chain sectors, where we have seen export markets impacted by reduced outputs, and a lack of port, stevedoring, transport and logistics resource impacting portside efficiency, with delay costs largely being met by cargo owners that are then passed on to consumers.
 - j. Increasing vulnerability of the roading and utilities network – these are significantly compromised due to under-investment/maintenance and unnecessarily slow to repair and upgrade.
 - k. The IMO work on carbon emissions associated with shipping – the direction set will likely increase shipping costs and have a particularly adverse impact given our distance from markets. While we support initiatives to decarbonise the shipping sector, the Council urges that domestic charges do not duplicate any charges the IMO imposes on shipping. This will have a direct impact on New Zealand’s competitiveness in international markets.
2. What is your industry/ community currently doing or planning to do to address supply chain concerns?
- a. Looking to shorten the import supply chain – seeking alternative sources closer to NZ or within NZ
 - b. Seeking to open new markets to support both import & export
 - c. Recycling materials
 - d. Investing in smarter technology to reduce GHG footprint and improve efficient productivity
 - e. Monitoring, and supporting where relevant, alternative fuel sources and modal shift to lower GHG footprint transport modes
 - f. Engaging with ports, industry associations and governmental departments on supply chain resilience and the priorities of Council members in ensuring the NZ supply chain remains resilient and efficient.

3. How can the government help to enhance the resilience of your industry/community to supply chain disruptions?
 - a. Set up a centralised response team (as per Earthquake Recovery) able to be mobilised to manage any significant disaster event at short notice.
 - b. Ensure key infrastructure decisions are bipartisan, consider the optimal supply chain configuration for the movement of freight, and take into account the true full life (inclusive of upstream & downstream) impact of any change.
 - c. When reviewing the Natural and Built Environment Bill reform proposals, take into account the grey areas that are open to interpretation, and therefore contestable. Where clauses lack clarity, they tend to give rise to long drawn out appeal processes and delay the development of infrastructure that can provide supply chain resilience.
 - d. Engage with cargo owners, industry and the commercial sector on supply chain & infrastructure changes - these are the groups that know how it works and the benefits and pitfalls of decisions being made.
 - e. Build governmental awareness of supply chain issues and opportunities through industry and stakeholder engagement.
 - f. Ensure imports are considered, along with exports, when developing trade partnerships.
 - g. Make no changes to existing cabotage laws that would reduce use of international vessels for carrying domestic coastal cargoes, and therefore decrease economic resilience.
 - h. Ensure Vessel Sharing Arrangements (VSA's), where there is no cartel behaviour, are allowed to continue to operate in and out of NZ.
 - i. Support the primary industry (81.4% of NZ exports in the 2022 financial year, and a large percentage of our membership) in making change, as opposed to implementing tighter restrictions without due consideration of the impacts/outcomes on the sector, or whether the restrictions are delivering a true benefit on both a New Zealand and world-wide scale.
 - j. Support for the heavy transport industry to move to alternate fuel sources such as hydrogen so that it is cost effective to move (i.e. same price as diesel even in low price environment).
 - k. When developing a national strategy for new energy ensure that all benefits are looked at i.e. green hydrogen. Hydrogen can be used in the steel industry and to power machinery. When further refined, ammonia could be used to power ships or power plants. Further refined again used to make nitrogen fertiliser.
 - l. It is important the Government does not implement a GHG tax for shipping on top of anything the IMO implements. Cargo owners should only be impacted once for the same initiative. Two shipping charges for one initiative will reduce our export competitiveness.
 - m. Support the movement to alternate fuel sources (electric/hydrogen) where NZ can generate its own fuel/energy. Reliance will still be required on lubricants (ensure adequate stock levels). Transition needs to be cost

effective for transport companies and accessible to smaller players. Hydrogen can also benefit from satellite production before scaled production required

- i. Whilst supporting/subsidising the transition to alternate energies put controls in place that won't allow the power generators/distributors to make excessive profits once the economy becomes even more reliant on green power
 - ii. Help set up a framework to allow NZ companies to OEM or partner to develop tech in NZ. Ideally the ability to manufacture tech locally would be beneficial. Leveraging the MoU with California could be beneficial
- n. Ensure that policy encourages innovation - but not just for the big players in industry.

4. What should the Commission study to learn more about the economic resilience of industries and communities?

- a. Opportunities for further PPP funding for key infrastructure and investment in smart technologies.
- b. The unintended impact of central government commentary on funding restrictions implemented by banks, as seen with commentary on sanctions against Russia and Belarus.
- c. Ensure that government funding is targeted and organisations are being held to account to deliver on promises.
- d. Ensure that New Zealanders get a fair deal – put regulation in place to make sure the power companies put the right infrastructure in place quickly. Ensure reticulation and generation assets are maintained to a required standard to ensure they are reliable and resilient especially in dry years or during extreme events (re-invest profits).
- e. Find ways to encourage a circular economy, incentivising recycling and right to repair – locally.

Submitted on behalf of the New Zealand Council of Cargo Owners