

## Submission to the Productivity Commission Inquiry into

### Enhancing economic resilience of industries and communities to persistent supply chain disruptions

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#### **What are we worried about?**

The capacity and capability of domestic logistics is strangling New Zealand's exports. The state of our road and rail infrastructure, already poor before recent storms, has gone backwards, with little expectation that the rebuild infrastructure will be better. The state of the inter-island ferries is parlous with frequent non-weather cancellations creating delays and backlogs. Over 99% New Zealand's export trade by volume goes by sea but getting access to export connections from Nelson is getting worse.

As Nelson-based apple growers and packers, we are concerned about the ongoing disruption to the movement of our exports to markets. The situation for shipping of refrigerated containers (reefers) from Nelson is worse now, than during the height of the Covid pandemic. The pandemic, and the concurrent capacity limitations at Ports of Auckland, drove some port/shipping line changes that have resulted in less optimised logistics, not better. With more export shipping capacity now ex-Tauranga or ex-Lyttleton than previously, the Nelson link has been significantly disrupted. The connection of regional ports has not kept pace, as key export port linkages have changed. We currently miss many of the Tauranga departures due to scheduled vessels omitting Nelson, or arrive too late to catch the intended vessel. The alternative to Lyttleton is a \$6500 round trip by road for a container, effectively doubling the container cost to market.

During this 2022/23 apple season, at least one scheduled vessel per week has omitted Port Nelson, leaving a scramble for alternatives, and a reduction of available empty containers to be loaded for export.

As inflation increases, growers, as price takers, are left with reduced margins and/or losses, as everyone else in the supply chain simply lifts costs to cover for the delays caused by lack of labour; poor transport infrastructure; and/or limited port capacity. Quite simply while everyone else makes the most of inflation to cover a litany of issues, NZ's primary producers are paying the price. In addition the investment in Council-owned appropriate port infrastructure and capacity has been outstripped by dividends, in lieu of the more difficult challenge of rates increases.

### **What are we currently doing or planning to do to address supply chain concerns?**

Finding solutions is difficult with a dependence upon global shipping lines to export our products. Effectively we've been left to accept the service conditions as offered, on a daily changing basis, with little hope that the schedule as published, will be relevant.

We constantly consider alternatives to reach direct export port links, including by road to Lyttleton at exorbitant cost; by road and ferry to Wellington which is highly uncertain with ferry breakdowns; and previously by rail to Napier which is currently inoperable after Cyclone Gabrielle. Effectively we must just accept whatever is available from Port Nelson.

### **How can the government help to enhance the resilience of your industry/community to supply chain disruptions?**

NZ remains, despite setbacks, a beneficiary of free trade ( (Ministry of Foreign Affairs and Trade (MFAT) , 2023) and economically heavily dependent upon export trade, mostly by sea freight, of our high-quality primary sector goods. New Zealand makes significant commitment to the international rules-based order, as an advocate at bi-lateral and multi-lateral levels; and with strong leadership and engagement as advocates for the benefits of such a system. This system has enabled New Zealand to break away from the cross-subsidisation of industries; to focus on our competitive advantage; and from those to lift our productivity to levels that continue, in many cases, to astound our competitors.

The New Zealand situation, whilst sharing similarities, is not the same as that expressed by some in Australia, and captured in the Australian Productivity Commission *Vulnerable Supply Chains* report (Australian Productivity Commission, 2021). The scale available to Australia and the sense of strategic independence are factors that count against NZ in considering the possibility of onshoring vast swathes of the economy. However like NZ, Australia stands to win or lose significantly on changes to global rules-based trading system, and has long been a strong proponent of such a system. Clearly the New Zealand Government must prioritise effort to maintain and adapt, the rules-based system that is crucial to our exports. That effort can't be considered in a trade rules-based system alone, and requires New Zealand to be contributing to efforts beyond just trade diplomacy, that can advance New Zealand's multi- and bi-lateral outcomes.

The Government has a key role in developing a domestic freight infrastructure strategy that addresses the access to imports and exports beyond the majority need. This majority (Auckland-Waikato, Bay of Plenty) is reasonably easily serviced, including by commercially owned ports, who do so profitably. Finding ways to ensure that regions are well serviced for exports is crucial to our economic wellbeing and society. Creating the conditions to enhance the opportunity for coastal shipping, which is currently very limited, is a clear role for government, given the state of road and rail infrastructure.