

Submission to the Productivity Commission on the Issues Paper for the Improving Economic Resilience inquiry.



Freightways is a publicly listed NZX50 company. We operate in the express package and business mail, information management and waste renewal industries. Freightways businesses have been operating in New Zealand for almost sixty years. Initially through New Zealand Couriers, which is a pioneer of the express package industry. Our businesses currently employ or engage approximately 4,000 people in NZ (with another approximately 2,000 in Australia).

Our transport operations make use of road, sea, and air for the movement of express parcels. Our operations broadly cover the following:

- Around 200 heavy vehicle linehaul sectors across express package and temperature-controlled transport.
- Anywhere between 12 to 16 freighter flights each night (M-F) moving express overnight freight on behalf of Freightways own brands and NZ Post.
- Around 30 truck and trailer movements across Cook Strait each day, making Freightways one of the largest CV users of inter-island sea freight.
- Approximately 1,300 light vehicles (vans) and smaller trucks operating metro and regional express and temperature-controlled logistics services in NZ with a further 900 in Australia.
- In addition, we operate a smaller number of bicycles and around 250 motorbikes delivering letters and small packets.

New Zealand is a long, narrow coastal country with ageing infrastructure and pockets of isolated communities that are totally reliant on our roading network for the supply of food, medicine and other essential items. We are pleased to see the Productivity Commission focusing on supply chains and how to ensure economic resiliency.

We make the following observations on matters raised in the paper set out below.

Overarching comments

Freightways believes the roles of Government in the New Zealand freight and supply chain context are to:

- Provide and maintain mainline infrastructure which keeps pace with New Zealand's growing population and economy;
- Execute major infrastructure projects;
- Ensure adequate response capability in the aftermath of natural disasters/weather events;
- Assess and make strategic decisions with regards to Port locations, capacity and future expansion;
- Provide clarity and speed of decision-making with regard to regulation;

- Provide policy settings that deliver supply of quality labour;
- Provide climate-resilient resilient infrastructure;
- Provide policy settings that allow technology to be adopted and embraced;
- Ensuring medium to long term strategic planning involves key stakeholders – including business and Māori interests.

In light of the above, Freightways has concerns relating to:

- Lack of alternative transit options in important areas (for example, bridges or tunnels across Auckland Harbour, or reliable highways connecting Auckland to Northland), which is extremely problematic if disasters and emergencies take these routes out of action.
- Infrastructure projects take too long and are poorly executed (i.e., are over time and over budget).
- Coordination gaps between different government agencies, cumbersome bureaucracy and poor links to infrastructure users (for example, access to Napier after Cyclone Gabrielle was challenging for Freightways in delivering pharmaceuticals, food and urgent parts).
- Lack of progress in ports strategy despite many years of studies and debate.
- Time-consuming procurement and consenting processes.
- Security of labour pipeline for New Zealand’s supply chain and infrastructure build.
- Retiring roads due to climate and weather, including transparency around decisions and how this will affect movement.
- Prioritisation of infrastructure investments to ensure supply chain and the transport network are fit for purpose and are prioritised over emissions reduction projects which seem to have dubious benefits (for example, Auckland light rail).

We would like to highlight the issue around timeframes. The Issues Paper is focused on the medium term, which is defined as 2-10 years. Given it takes years to develop markets and more years to get consent in New Zealand, we would like to advocate that the timeframe needs reconsideration. If New Zealand wishes to further ensure economic resilience, much greater timeframes and objectives to be adhered to by the government, and/or solutions needs to be found to reduce timeframes.

Freightways’ responses to the issues paper and inquiry

The Commission is calling for submissions that:

- identify supply chain disruptions that submitters are worried about
- cover coping mechanisms that businesses, industries, and communities are using to enhance their resilience
- provide ideas on how the government can help to create or enhance economic resilience
- provide case studies that can help the Commission learn more about how industries and communities can adapt to build resilience over time, especially on how and what needs to be done.

Issues in supply chain resilience that Freightways is concerned about

Providing mainline infrastructure

Government should facilitate efficient and more productive transport options. The frailty of New Zealand's roading and rail network comes into stark focus every day where single (and often quite minor) events such as roadworks, accidents, and weather conditions result in congestion, delays, and loss of productivity.

Large scale events can have (and have had) a significant impact on New Zealand's supply chain. For example, the Kaikōura earthquake quite radically affected the country's road and rail system. This resulted in the need for additional trucks and drivers, and resulted in vastly increased emissions and road wear on alternate roads that were dangerous and scarcely fit for purpose.

There are many areas of New Zealand's 'main trunk' that are highly vulnerable to single event accidents, maintenance programmes and ad hoc repairs, weather events (like the Auckland Harbour Bridge) and natural disasters. We would argue that this should be a key and significant context for change, rated far above climate change as a focus for the Ministry of Transport. Auckland Harbour Bridge is a classic example – the most minor of breakdowns or incidents, not to mention the hint of strong winds, literally paralyse New Zealand's largest city.

Ensuring emergency response capability is coordinated

There needs to be central government planning and implementation to ensure response capability across the system so that delays can be reduced and the effect on our supply chain can be minimised. Processes need to be implemented to ensure different agencies and organisations speak to, and coordinate with, one another in an agreed and ordered way with resulting action and clear communication with key stakeholders.

It may be that a coordinated group which incorporates private and public entities is drawn together to respond to critical impacts on our infrastructure. Examples of where this would have been valuable are:

- when Napier and Gisborne were cut off through Cyclone Gabrielle
- when Auckland airport lost its only fuel pipeline
- during the Kaikoura earthquake
- during South Island flooding that cut Christchurch off from the southern districts.

Freightways has the likes of air assets (four 737 freighters that could provide critical connections to areas severed from road and rail networks). Involving the private sector in emergency response scenarios might add valuable expertise to the response and recovery effort.

Execution of projects

We believe procurement processes could be more streamlined, to make our project delivery less bureaucratic and time-consuming. The Resource Management Act needs serious and effective reform to help agencies overcome consenting hurdles. In simple terms, remove red tape.

Also on this topic, infrastructure projects in New Zealand take a considerable amount of time to deliver, with high financial costs attached. This is problematic, as core solutions are needed and will likely continue, causing significant problems if solutions in this area are not found. While the Waikato expressway is probably one of the best assets developed in New Zealand over the last two decades it should be acknowledged that it took so long to deliver (with all the resultant delays that were a result of an extended build programme) which is an issue that needs significant improvement.

It would be interesting to also compare the per-kilometre cost of development with other countries. We see these types of developments completed overseas in a fraction of the time and cost that it takes in New Zealand. Decisions on what the critical pieces of infrastructure are, when they will be developed, and how they can be developed quickly are critical. These decisions should be made for the good of New Zealand and should ideally be separate from party politics and the preferences of individual politicians.

Assessing and making a decision on Port capacity, location and future expansion

The debate around the future ports strategy for New Zealand has been in train for decades with zero progress made. While we are a step removed from direct port operations, a significant proportion of New Zealand exports and imports contribute to the freight flow volumes north to south.

Decision-making around port locations might take into account the potential to balance freight flows to optimise two-way freight flows. It might also assist to reduce congestion in and out of Auckland CBD and provide a more ready link to rail.

Providing clarity and speed of decision-making with regard to regulation

It would be extremely beneficial to have more transparency around transport priorities and timelines – for example, around road user charges (as electric vehicles are considered as alternatives for vehicles powered by fossil fuels), tolling, congestion charges, PPPs, and retiring of certain roads or rail lines. This will help relevant industries considerably with business planning (for example, it is impossible for our contractors to properly assess the cost-benefit of electric vehicles without knowing what the full cost of operation will be vis a vis RUC's).

New Zealand might also re-consider its approach to self-isolation periods. Mandatory seven-day isolation for those with a positive COVID-19 test seems out of step with Australia and is a significant handbrake on productivity.

Labour availability

There is a severe shortage of drivers in New Zealand. Government needs to support a dedicated labour pipeline to ensure that the country's supply chain can function, taking into account the potential effect of disasters and other adverse events. Immigration policies and processes should also support this, ensuring that supply chain is prioritised as an essential element of New Zealand's ability to function.

Resilient infrastructure that prioritises New Zealand's most pressing needs

Cyclone Gabrielle has obviously made it apparent that we need to act not only to ensure recovery is effective, but that our infrastructure is future-proofed and resilient. We are seeing the first signs of this as the government is taking action in this area, as seen by recent funding and prioritisation.

We would like to stress that this needs to be sustained and not fall to the wayside. Additionally, we would like to stress the importance of focusing on the priority of fixing core infrastructure issues (either high quality resilient highways or adequate quality alternative routes). The Brynderwyn Hills are a classic example of an unreliable, borderline-dangerous, inadequate roading infrastructure, which is not suitable as part of our SH1 network.

The Infrastructure Commission needs to assess what infrastructure the country needs and in what priority. It should consider:

- the level of reliance and use
- future population growth and demand
- climate resilience
- workforce issues
- the available alternatives
- and return on investment.

In this context, we do not believe a \$30 billion light rail project would come anywhere in the top 50 projects that this country should be prioritising. We are a country of relatively low population density, reliant on cars for much of how we shop, work, and live. Over time, these will either move to become either more modern and fuel efficient, or there will be greater transitioning to using electric vehicles and alternate fuel cells. Building a charging network would likely be a higher priority than a fixed and expensive limited-use light rail network.

Coping mechanisms that businesses, industries, and communities are using to enhance their resilience. How **Freightways has responded to disruptions to become more resilient:**

- Adapted our workforce so that more people were sorting freight and performing deliveries, even if it wasn't their core role.
- Re-deployed our air assets into an international airline to assist with moving freight through COVID-19 lockdowns when passenger airlines had ceased flying.

- Reduced travel times by implementing satellite depots that allow assets to be better utilised (for example, allowing couriers to spend more time picking up and delivering as opposed to sitting in traffic transiting to centralised depots).
- Maintained a focus on service excellence.
- Sought internal efficiencies before assessing the need for increased pricing to recover cost input increases.
- Used the expertise of our people. There was no need for consultants to tell us what to do. If your own people in key roles do not know what to do, then they're probably not the right people to have.

Providing ideas on how the government can help to enhance resilience and boost productivity

There are likely a few concepts that government can adopt from how private entities operate to improve resilience and do more with less. In no particular order, government might consider the following:

- Keeping the “corporate office” slim (more ‘head office’ typically leads to slower decisions, greater cost, and compromised solutions).
- Making decisions close to the customer (or the problem, or opportunity). Provide a framework to operate within, bearing in mind that if you send every decision upstairs you will never satisfy anyone in a timeframe that is acceptable.
- Focus on the return. Assess benefits objectively and dispassionately. Don’t get too clever – if you have to try too hard to find and quantify the benefits, they probably aren’t real benefits.
- Listen to the people close to the ground who have first-hand knowledge. Our truck drivers would likely be more informed than MOT officials on making decisions around where to build roads, improve safety, and provide required maintenance. If we want a good feel for what customers are demanding, we ask our frontline staff.
- Use consultants as a last resort. They are expensive, slow, and have a penchant for creating more work than is really required. Whenever we tender for government work, you will find a far more people in the room than you would at any business, and their combined knowledge of the issue at hand is usually less than the one or two within a private organisation.