

31 August 2011

Productivity Commission  
PO Box 8036  
WELLINGTON 6143

**RE: Productivity Commission's Inquiry into International Freight Transport Service**

**Tena koe**

**Summary**

The New Zealand Transport Agency (NZTA) welcomes the Productivity Commission's Inquiry into International Freight Transport Services and would like to offer what assistance we can to this work. The Productivity Commission has asked (Q51) "what changes in domestic transport institutions, policies and regulations might lead to the greatest improvements in the economic efficiency of the international logistics chain?" This is a question the NZTA is also actively pursuing, so we will watch the progress of the Inquiry with great interest.

As New Zealand's land transport agency, the NZTA is tasked by Government with improving the land transport system to enhance transport efficiency and lower the cost of transportation through more efficient freight supply chains. We agree that the efficient movement of freight is vital to commerce and to New Zealand's future economic and social wellbeing.

We believe that to improve freight efficiency, and answer the question above, we need to align our work to better take into account the needs of freight owners and operators. We also need to look at the movement of freight as an entire system that covers a variety of modes and transport infrastructure and services. A change, or restriction, in one part is likely to affect other parts of the system. Fundamentally the transport system is designed to move goods safely and efficiently from sites of production to market. We therefore welcome the broad scope of the Productivity Commission's terms of reference and we look forward to providing assistance to its work as required.

**Background**

The NZTA is a Crown entity, established under the Land Transport Management Act 2003 (LTMA), with an objective to undertake its functions in a way that contributes to an affordable, integrated, safe, responsive and sustainable land transport system.

The NZTA's core functions include:

- managing the State highway network including its development, maintenance and operation
- managing access to and use of New Zealand's land transport networks (including road safety and regulatory services that relate to commercial heavy vehicle (including rail) operations)
- investing in (through the National Land Transport Programme) national and local land transport networks and services; and
- contributing to the planning of national and local land transport networks and services, including associated land use.

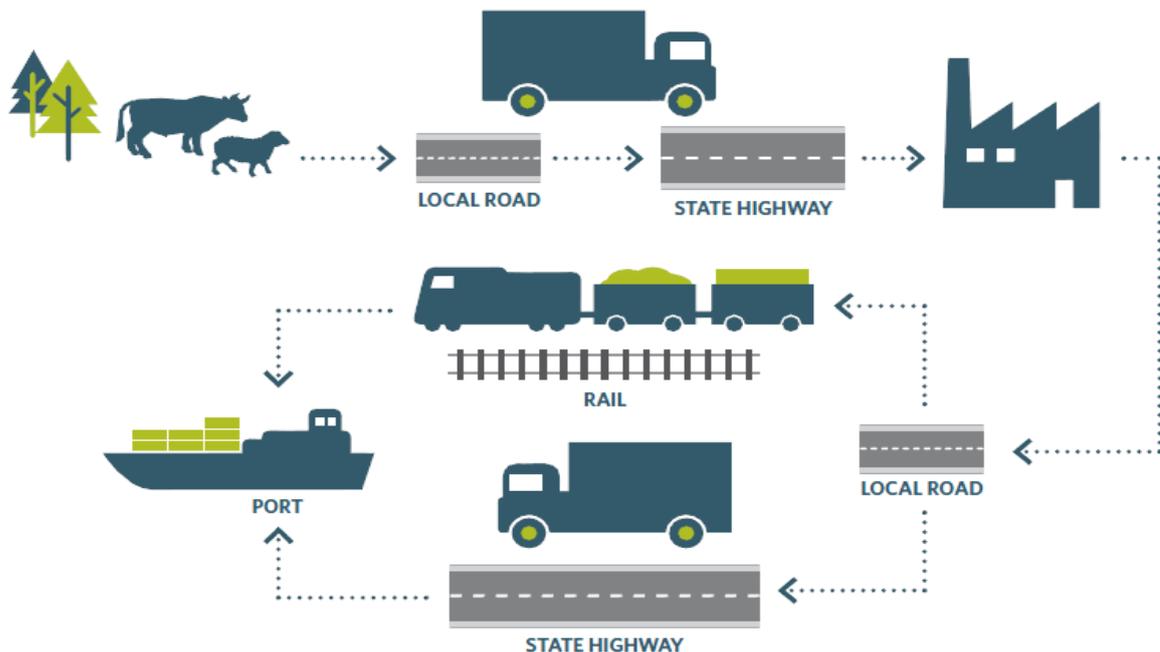
### Land transport policy framework

The NZTA's overall policy direction is guided by the Government Policy Statement (GPS) on Land Transport Funding (July 2011), to which the Agency must give effect. The current GPS sets out three priority areas of economic growth and productivity, value for money and road safety. The GPS sets out a number of impacts to achieve these outcomes, one of which is more efficient freight supply chains. To deliver on the GPS the NZTA has identified five strategic priorities, as set out in the NZTA's Statement of Intent (2011-14). "Improving the efficiency of freight movements" is one of these strategic priorities.

### Freight a strategic priority

The NZTA has signalled freight as a strategic priority to help focus and realign the business to give effect to the Government's objective of more efficient freight supplies. The NZTA believes that improving the efficiency of freight movements is vital to improving productivity and New Zealand's overall economic performance. Efficient international and domestic trade is vital for New Zealand's future economic and social wellbeing. The more efficient our domestic and international freight supply chains, the more our country's exporters are enabled to compete on the world stage, enjoying higher returns from their goods, while New Zealand's consumers can enjoy lower prices for goods delivered within the domestic market.

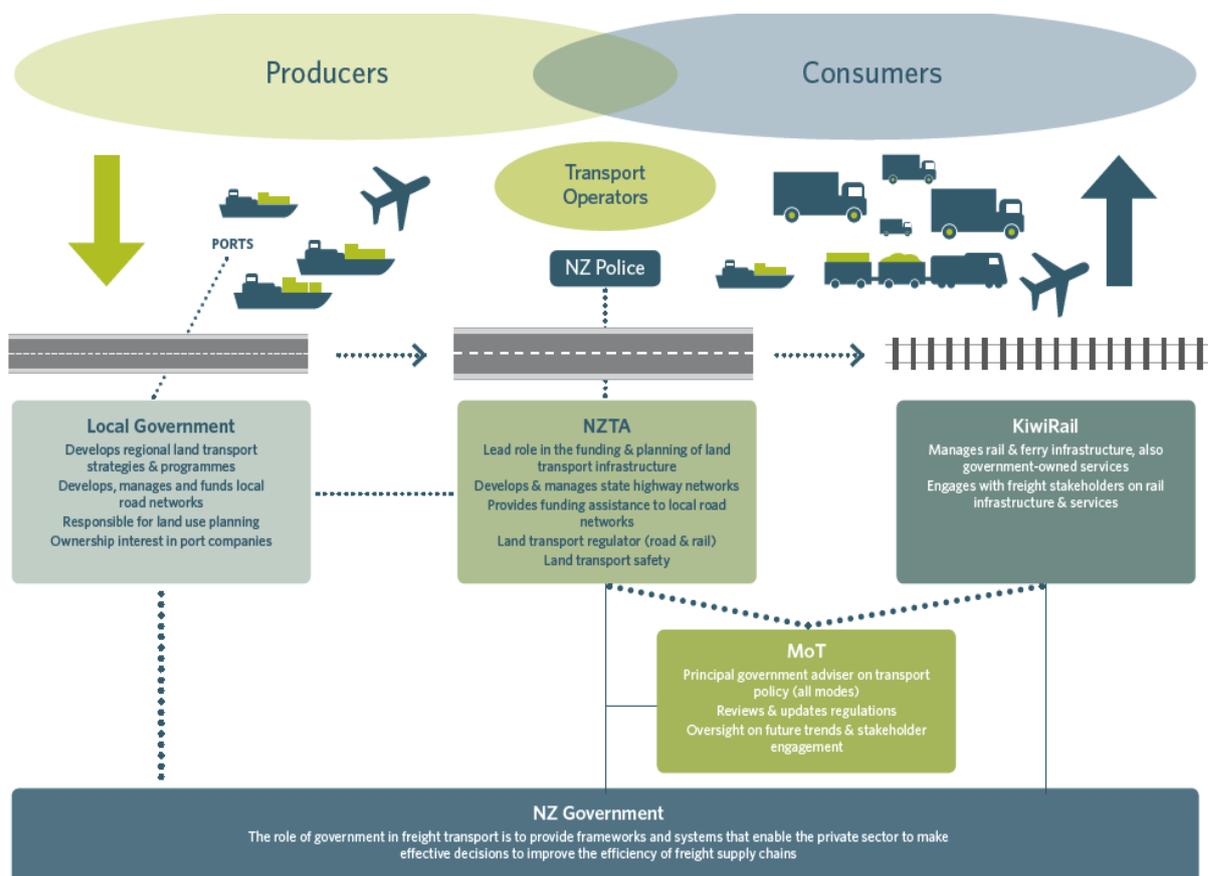
High quality and reliable land transport infrastructure and services are key enablers of this economic activity and the NZTA has a lead role working across the land transport sector to deliver more efficient freight supply chains. While land transport is the NZTA's key area of responsibility, we believe that freight efficiency needs to be looked at from a 'whole of supply chain' point of view. This means looking at the movement of freight as the work of a system that includes a variety of modes, with different infrastructure and services often being managed by a variety of private and public sector organisations. This systems approach to freight is important when assessing the impact on the land transport system of changes to international shipping. While these changes may impact significantly on ports, for example, they will also have an impact across the land transport system, such as creating capacity constraints on key routes.



*Importance of a 'whole of supply chain view' that recognises each link in the chain*

To meet private sector needs our goal is to facilitate safe and efficient 'door-to-door' journeys. For this reason an important part of our work is to better understand freight supply chains and private sector needs as they move goods from production sites to market. We are also working to ensure a safe land transport system that is increasingly free of death and serious injury. As the freight task grows over the coming decades we are looking at ways to mitigate the adverse affects of this growth. This includes encouraging the greater uptake of High Productivity Motor Vehicles (HPMV's), which will allow a larger amount of freight to be moved by a proportionately smaller number of truck movements.

Because freight supply chains operate across the land transport sector (on local roads, state highways, rail and through ports to coastal shipping), the NZTA is working to better co-ordinate a more joined-up approach across the transport sector. The transport sector has many key players who all have a critical role in delivering infrastructure and services that allow for the movement (including storage and distribution) of freight (see figure below). For this reason we have developed greater engagement with key private and public sector decision-makers on freight matters. We are encouraging the sector to have free and frank discussions about strategic matters that affect New Zealand's freight supply chains and to develop solutions that are future-proofed and will grow the New Zealand economy.



*Key players in the 'freight system'*

**Freight Forward work programme**

*Freight Forward* is the name of the NZTA's work programme on freight efficiency. The name was chosen to reflect that our approach to freight is an adaptive one. This adaptive strategy recognises the complexity of freight supply chains and the many players involved, both private and public sector, in making supply chains work efficiently. We also recognise the public sector's role is limited in the

freight space and that initiatives, which might make sense to one organisation, may fail to deliver returns to others, or worse create perverse outcomes such as placing additional costs.

To ensure our work is relevant to the our customers, the NZTA's focus is to better understand freight owners' and transport operators' needs in order to improve the efficiency of their business. We are also interested in listening to them about their future plans, the challenges they see ahead and what they need from the public sector to allow them to make better choices for their businesses. By better understanding their needs, and most importantly their supply chains, we can then adapt and ultimately transform our work to provide them with more tailored services and greater certainty about public sector investment intentions. Fundamentally we have adopted a demand-led approach that responds to the evolving needs of our customers.



*Our approach*

The *Freight Forward* work programme sets out five key areas of work for the NZTA:

1. Build strategic partnerships to better understand freight supply chains.
2. Optimise the use of existing network infrastructure.
3. Plan, build and invest in new infrastructure that is integrated with land use planning decisions.
4. Reduce the cost of doing business and improve the reliability of supply chains.
5. Improve the safety of freight transport and mitigate other adverse effects.

#### **How our work may assist the Productivity Commission's work**

As highlighted above, the NZTA has significant knowledge and expertise covering a number of areas in the transport system, particularly in the land transport component of domestic freight supply chains. As part of our *Freight Forward* work programme, we are also beginning research into ways we can improve the land transport sector's processes and operations to improve freight efficiency, such as the methodology we use to assess projects for investment. We would be happy to share this information with the Productivity Commission as it becomes available and we look with interest at the matters that are brought to the inquiry from the sector. We are particularly interested in efficiency opportunities that could be added to our work programme and advanced in the short-term.

Finally, we recognise the value in bringing the knowledge and perspectives of the public and private sectors together to take forward our work on freight efficiency. This work is vital if New Zealand is to be competitive on the international stage. We are eager to play our part in this making this happen.

Yours sincerely

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Harry Wilson

Strategic Priority Convenor: Improving the Efficiency of Freight Movements

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