

Productivity Commission – Improving Economic Resilience – CentrePort Limited submission

Thank you for the opportunity to provide feedback on the Improving Economic Resilience Issues Paper.

Introduction

1. CentrePort is a full service port and logistics business, serving the needs of New Zealand and, in particular, the central New Zealand in the lower North Island and top of the South Island. We are a key connection point at the heart of New Zealand's transport and supply chain and a critical part of the State Highway network through the Cook Strait ferries.
2. CentrePort endorses the overall issues paper and believes it is critical to address the resilience of our supply chain systems. Reliability, network stability and resilience of the supply chain are of critical interest to CentrePort, and ultimately, for Aotearoa New Zealand.
3. Resilience of the network is something CentrePort actively contributes to and supports. We are working to create a port for our region that is more efficient, more resilient and better able to meet and adapt to future challenges.
4. In our view, the ideal outcome is a balanced, resilient, low carbon supply chain that benefits all of New Zealand. Our approach to supply chain is also focused on the opportunities to reduce waste, increase efficiencies, and ensure capacity (and associated reliability) is maintained to reduce points of vulnerability in the network.

What supply chain disruptions and trends are you worried about?

Cook Strait connection of State Highway 1

5. Greater emphasis needs to be placed on the Cook Strait connection as a vital part of the overall New Zealand supply chain (domestic and international) as well as the specific link between the top of the South Island and the lower North Island.

Natural disasters

6. New Zealand is a highly fragile country with Wellington often singled out for seismic risk due to the Wellington fault, when in reality seismic risk, and other natural hazard risks exists for most infrastructure (including ports) on the east coast of New Zealand due to risk areas such as Hikurangi and Alpine faults and the recent events in Hawkes Bay and the East Coast.
7. There needs to be focus on alternative (or redundancy) contingency planning when thinking about resilience in order for the system to effectively adjust and operate with the required capacity. This was evident following the Kaikoura earthquake of 2016, where the capacity – infrastructure, equipment and people – could not cope in the aftermath of the earthquake. The flooding in Nelson / Tasman also revealed similar vulnerabilities in the supply chain system for imports and exports with the need to create reliable alternatives. Our partnership with the

Port of Marlborough is an example of this, where we are focused on providing resilient alternatives for the Marlborough region.

8. More recently, we have seen New Zealand's supply chain impacted by the events of Cyclone Gabrielle. In our view, resilience is about more options (ports and transport modes) to respond to unpredictable events rather than less.

International shipping

9. New Zealand is relatively isolated geographically and reliant on international shipping lines. This means it is vulnerable to global disruptions. The last few years highlighted this vulnerability as COVID-19 caused global supply chain challenges.
10. Many shipping lines had less ships called into New Zealand ports, and with less predictability. Shipping schedules were consistently out of schedule putting significant pressure on New Zealand's ports, and the export industries that rely on them to ship their goods to global markets. This pressure has also been compounded by port capacity, and the efficient use of the capacity available within the supply chain networks.
11. Efficient use of capacity and focus by organisations on what is best for them has created bottlenecks and associated waste. By focusing on optimising our supply chain, matched with ensuring resilience and redundancy to shock events, we can transition to a more New Zealand focused supply chain removing unnecessary waste. This will also assist with driving a lower emission supply chain.

What is your industry / community currently doing or planning to do to address supply chain concerns?

12. Resilience and reliability of the supply chain network is something CentrePort actively contributes to and supports following the lessons learnt in the 2016 Kaikoura earthquake.
13. We have taken on board the lessons learnt from the disruption of the 2016 Kaikoura earthquake and the evidence provided through the Wellington Lifelines Programme Business case and our investments are focused on long term resilience for New Zealand supply chain. This includes our \$60M Ground Resilience Programme, Container Berth Reinstatement, renewal of Seaview Wharf to improve the resilience of bulk fuel supply to the lower North Island and our significant on-going investments into the Cook Strait Ferries.
14. Our CentreConnect multi-modal focus includes an efficient network of rail, road and coastal shipping. It focuses on a hub, including transshipment for New Zealand – which includes the ports in the South Island.
15. Our focus in this area is mitigating business continuity risks through maximising broader third-party investments in road, rail and coastal shipping and partnerships throughout central New Zealand to support regional businesses and economic development.
16. Our focus also enables us and our customers to have access to the most efficient and low emission mode of transport and allows us to access technology changes driven to lower emissions (e.g. hydrogen trucks).
17. Location of provision of services and energy to enable the low emission transition for all modes of transport is also critical.

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

18. New Zealand's economy is dependent on exports and there is a clear need for long-term export and supply chain infrastructure for the connection between roads, rail and sea. Given the strategic importance of supply chains to New Zealand we would encourage policy settings and investment to take a long-term view with bipartisan support for the overall supply chain approach in New Zealand.
19. As part of the long-term vision for what our supply chain infrastructure should look like there needs to be consideration for the location and need for distribution centres and inland hubs to support regional and economic development across New Zealand. This would increase the redundancy capacity for inland freight distribution, provide additional contingency options for off-site storage, reducing pressure on international sea ports and reducing the impact of investment on road and rail infrastructure.
20. Investment in coastal shipping to enhance resilience. Domestic coastal shipping would connect regional ports to larger hubs providing greater connectivity between hub ports and the production and consumption centres throughout New Zealand. Where shipping lines are reducing the ports they visit when in New Zealand, coastal shipping could better support the movement of goods to ensure the efficient use of shipping capacity.
21. In addition, the Climate Change Commission has noted that New Zealand needs to move significantly more freight by rail and coastal shipping to achieve decarbonisation objectives. The focus should be on the best use of rail, coastal and road respectively, prioritising the most efficient destination to minimise waste and emissions, whilst ensuring redundancy in the networks.

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

22. The Commission is no doubt already aligning closely with the Ministry of Transport's *Freight and Supply Chain Strategy*. We encourage the Commission to inform and input into the Ministry of Transport's work with a productivity perspective, as well as identifying areas of significant resilience risk and opportunity.
23. We would also encourage the Commission to look at previous studies by the Ministry of Transport, particularly the [Future Freight Scenarios Study](#) (Deloitte, 2014), which identified the high costs of inland transportation. This was evidenced in 2016 following the Kaikoura earthquake.
24. The Commission should also study the supply chain challenges over the COVID-19 period and how New Zealand's export industries responded. New Zealand's primary industries in particular, demonstrated significant resilience, agility and innovation that allowed them to meet the challenges that COVID-19 presented.
25. While the primary sector should take credit for their response, their efforts were supported by the Ministry for Primary Industries (**MPI**) and the Ministry of Foreign Affairs and Trade (**MFAT**) who were focused on facilitating trade and supporting companies to export product despite disruptions. The Commission should therefore talk to MPI, MFAT and export companies in the primary industry who have done a significant amount of work on contingency planning and resilience in their ongoing operational strategies.
26. Finally, the Commission must consider insurance issues in regard to infrastructure and assets in light of supply chain shocks from natural disasters and the associated economic impact.

Conclusion

27. CentrePort is committed to operating a sustainable, strategic asset for New Zealand across our pillars of our community, our customers, our people and our environment.
28. We welcome the opportunity to engage further with the Productivity Commission and discuss how CentrePort could support the Productivity Commission in its work in this space.