NZSF
NEW ZEALAND SHIPPING FEDERATION

New Zealand Shipping Federation submission on Improving Economic Resilience

Introduction

1. The New Zealand Shipping Federation (NZSF) welcomes the opportunity to submit on the Productivity Commission's report *Improving Economic Resilience: Enhancing economic resilience of industries and communities to persistent supply chain disruptions.*

2. NZSF represents domestic coastal shipping operators from the Cook Strait ferries, to Chatham Islands Shipping, through to bulk carriers and container vessels. A full list of members is on the last page of this submission.

3. If there are any questions relating to the submission below, please contact the Executive Director of the New Zealand Shipping Federation, John Harbord, at execdirector@nzsf.org.nz

Executive Summary

4. Coastal shipping provides an essential capability when it comes to the resilience and diversity of the supply chains that support our businesses and communities. It:

    1. plays a vital role in ensuring resilient domestic supply chains
    2. provides resilience in the event of natural or environmental events and disasters
    3. contributes to lowering New Zealand transport emissions (as outlined in the Government's Emissions Reduction Plan).

The role of domestic coastal shipping

Ensuring resilient, diverse domestic supply chains

5. A domestic coastal shipping service is important to maintaining New Zealand's domestic supply chains, and will be essential for the future as part of a multi-modal network alongside road and rail.

6. Demand for coastal freight shipping is already growing, having increased 50% over the last ten years. Looking to the future, the Ministry of Transport forecasts that total freight volumes will increase 50% by 2040. We cannot put all of that increased volume on our roads, meaning domestic supply chains will need a coastal shipping capability.

7. Domestic operators based here in New Zealand provide additional resilience and reliability, in that they are not subject to global disruption in scheduling.

8. The long-term trend in shipping globally means domestic coastal shipping will be essential in the future. The international import/export ships being built are almost twice the size of the ships currently visiting New Zealand[1]. These new ships will not be able to visit many New Zealand ports, especially regional ports, which are not deep enough for such large vessels. Because these ships carry so much more freight, they will visit less frequently.

9. This means in the future domestic coastal shipping will be essential to:

   - move freight to and from our regional ports to the larger, deep-water import/export ports
   - service maritime freight in between the visits by the new, larger import/export ships
   - service regional hub ports like Wellington that lack the deep water to handle the larger new ships being built.

10. It is imperative, then, that the Government does not put the current domestic industry at risk. The experience has been that when a domestic service exits the industry, it never comes back and the resource is lost.

11. When a domestic service exits the industry, it has a compounding impact that weakens the entire industry. International import/export ships do not provide on-board training for the domestic workforce – they recruit qualified seafarers from other operators. On-board training is provided by domestic operators, When a domestic operator exists the industry, the ability for the industry to train the workforce of tomorrow is weakened. For example, the number of trainees getting sea-time has been reduced following Coastal Oil Logistics exiting New Zealand[2].

Providing resilience in the face of natural and environmental events

12. It is imperative New Zealand retains a domestic coastal shipping capability for the resilience it provides in the event of natural or environmental events or disasters. For example, in the Kaikoura earthquake, Kaikoura's road and rail access was destroyed. Coastal shipping provided the only means of supplying the local community until road and rail access could be restored.

[1] Many ships visiting New Zealand are around 3,500 TEU (20-foot equivalent unit; the old container size. A truck carries one TEU; two if the truck also carries an additional trailer). The newer ships being built are up to 6,500 TEU.

[2] Coastal Oil Logistics operated two coastal fuel tankers as part of Refining New Zealand's operations, which ceased following the closure of refining operations at Marsden Point.

13. This year, it is coastal shipping that is moving freight between Gisborne and Napier following Cyclone Gabrielle and the resulting damage to the roading and rail infrastructure.

14. The international import/export ships that sail the New Zealand coast are too large to service most of our regional ports. The domestic fleet, which includes smaller-sized ships, is the only available capability that can provide this resilience.

15. There is a gap in capability, though. In New Zealand there is no coastal shipping vessel that can service our more shallow regional ports which has its own crane onboard. While our ports proved resilient during Cyclone Gabrielle, if a regional port suffered some damage to a wharf that meant heavy cranes could not be deployed on the wharf, then any coastal ship delivering essential supplies could not easily unload its cargo.

Contribution to lowering domestic transport emissions

16. According to European Union data[3], coastal shipping produces one-eighth the emissions per tonne of freight moved as road freight, and around 60% the emissions per tonne of freight of rail. Domestic modelling shows increasing the volume of total freight that is moved by coastal shipping by 2% could reduce total transport emissions by 16%.

17. This is why the Government's emissions reduction plan explicitly calls for moving freight from road to coastal shipping.

18. With total freight volumes forecast to increase 50% by 2040, coastal freight will be essential to achieving our emissions reduction goals. As mentioned above, the international trend is building larger ships that will carry more cargo but visit New Zealand less frequently – and which will not be able to service many of our ports which are relatively shallow. To support increased volumes, some mode shift from road to ship, and help us achieve our emissions reduction goals, we will be reliant on having a domestic coastal shipping capability.

Constraints on coastal shipping – port infrastructure

19. A key concern for domestic coastal shipping operators is productivity in our ports, which anecdotally appears to be varied and, in some cases, declining. There is also evidence that some ports have not invested in maintaining the assets needed to support a diverse range of shipping, or are not planning to do so. For example:

    - The wharf in Whanganui has deteriorated to the point cranes can no longer be safely deployed on it.

[3] Up-to-date New Zealand emissions data by mode does not exist. Pacifica Shipping has commissioned independent analysis by the University of Canterbury to produce such data. We expect that data to be available in early- to mid 2023.

- Lyttleton's future development plans include growing out from their current site with a focus on container freight and cruise ships. Wharf facilities suitable for bulk freight, e.g., fertiliser, are planned to be converted into a marina, with no plans to build new bulk freight facilities. This means bulk freight like fertiliser, cement, gravel, etc., will no longer be able to be delivered into one of New Zealand's key deep-water ports.

20. The impact of RMA planning processes delaying investment is also of concern, for example, with delays to planned berth extensions at Port of Tauranga. This is key for New Zealand as Port of Tauranga is a key hub port for New Zealand exporters and importers for international transhipment cargo that moves to regional ports.

21. An additional point is New Zealand ports need to plan to cater for dedicated coastal berths and berth windows in terminals. Currently there are dedicated ferry terminals in Wellington and Picton to service rail, road and passenger need on a daily basis. Coastal container vessels need fixed weekly windows to maintain supply chain scheduling to meet the freight task.

22. If we are to have resilient, diverse supply chains then we need ports that service a diversity of freight types, rather than being narrowly focused on container freight and the cruise industry.

23. Port ownership is potentially problematic here, with most ports being partly or wholly owned by regional councils who have a local focus rather than an all-of-network perspective. Two options for improving this are:

    - A port national strategy which ensures ports have or retain essential or needed capabilities; or
    - Moving towards a more explicit hub-and-spoke model where regional ports service large, deeper water import/export ports. This would, amongst other things and potentially alongside a port strategy, ensure ports have the infrastructure and investment in place to ensure the efficient movement of goods.

24. Related to this, port planning for infrastructure should be part of the New Zealand Infrastructure Commission's overview to ensure we build the right berths and/or facilities for the future, and to ensure there is not over capitalisation or duplication of assets.

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