

Ministry of Transport

on:

New Zealand freight & supply chain issues paper.

3 June 2022



Submission by:

The National Association of Steel Framed Housing (NASH)

NASH is an active industry association centred on light structural framing systems for residential and similar construction.

NASH represents the interests of:

- steel suppliers,
- manufacturers of steel framing systems, practitioners, and
- customers of steel framing systems.

Businesses in the industry join NASH to support cooperative programs for developing the market and industry infrastructure for all light structural steel framing, regardless of manufacturer.

NASH is active in:

- regulatory processes affecting steel-framed housing,
- contributing to New Zealand Standards and the Building Code of New Zealand, and
- working closely with government planning agencies.

NASH:

- supports building trades education and training,
- conducts generic product promotions,
- facilitates technology transfer and product development,
- provides well researched and balanced information to the public.

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Introduction

The National Association of Steel Framed Housing membership includes steel manufacturers / importers, manufacturers of roll forming machinery, fabricators of steel framing, design professionals and building trades.

New Zealand has five manufacturers of light steel framing machinery equipment and the majority of equipment sales are export. Traditional residential framing systems are rapidly being replaced cold formed steel framing which is uniformly lighter, stronger and of more consistent quality than traditional framing materials. It is dimensionally stable, isotropic, uniform, non-combustible and resistant to mould and termites.

Steel is infinitely recyclable and cold formed steel framing systems are designed/fabricated around circular economy principles - optimised use of material and enabling repurposing over a building's life time and easily deconstructed for re-use or recycling at end of building life.

Growth in the use of cold formed steel framing is also being driven by unavailability and significant cost increases in traditional framing in materials.

NASH members share a common view that manufacturing can and is critical to Aotearoa New Zealand's economic success providing innovative strength and resilience. The post COVID market recovery, characterised by reversals in globalisation, significant disruption of international supply chains and rapid escalation in freight costs, we see our major trading partners prioritising local manufacturing and national resilience. Other countries are rapidly pivoting in response to the fundamental and longer-term economic shifts driven by climate change and "...developments in the international context" to protect existing employment, create new jobs, and ensure future economic growth. Intervention such as the EU's Border Adjustment Mechanisms are being used to ensure environmental bottom lines are protected and to more generally 'build back better'.

The transition to a low-emissions circular economy requires a strong local manufacturing sector, not only to make and implement climate mitigation technologies, but also to ensure that circularity can occur with the lowest carbon, solid waste and other environmental 'footprints'.

The lack of real action in support of New Zealand manufacturers is leaving NZ economically exposed. The NZ economy is export dependent. Our exports need to meet the country and customer expectations to be acceptable, with those expectations increasingly extending beyond issues of price to include intangible but measurable assurances related to carbon footprint and other environmental costs of production. It is essential that New Zealand's pathway to Carbon Zero 2050 is formed with local manufacturing in mind to avoid unintended economic damage to a sector that is critical for NZ's successful transition to supplying goods and services to higher value markets expectation of a low-emissions circular economy.

Developing a freight and supply chain strategy

Thanks to the Ministry of Transport team for initiating the journey to begin compiling a coherent freight and supply chain strategy for New Zealand's future.

*"A more strategic and coordinated approach to the freight and supply chain system is needed to deliver change of the magnitude and in the time required, and in a system where the government is only one of many agents. "*¹

NASH acknowledges the critical need for a strategic and co-ordinated approach to supply chain strategy in New Zealand's post COVID economic recovery. While government is "*only one of the many agents*"² we are surprised that the issues paper doesn't reference critical and overlapping work being done by other government agencies.

For example -

The Infrastructure Commission's 30 Year Strategy receives only a partial mention - but only with respect to future population growth forecasts. The Infrastructure Commission consulted widely (with over 20,000 respondents) on Rautaki Hanganga o Aotearoa - New Zealand Strategy³.

The Infrastructure Strategy maps out New Zealand's infrastructure requirements for the next 30 years, the delivery of which will be dependent upon functioning and reliable supply chains.

COVID lockdowns had a devastating impact upon non-food manufacturing both for export and supply to the local market. Relationships with export customers were severely strained when local manufacturers were unable to provide spares or meet commitments for new orders.

Locally the building and construction sector is still suffering from the impact of closing down construction material plants in Auckland, when the remainder of the construction sector was working at pace.

Shortages of reinforcing steel/mesh (made in Auckland) significantly delayed pouring of concrete (which is available locally).

Current shortages of steel cladding / roofing materials, plasterboard and other Auckland manufactured materials continues to have a significant impact upon construction timelines.

This dysfunctionality in local supply chains arose because officials and Ministers failed to grasp detail of how New Zealand supply chains operate.

The issues paper acknowledges the transport strategy fits with wider government goals, industry-led economic strategies, ongoing industry transformation plans, the delivery to the ERP, Adaptation plan and the transition to a circular economy. Regrettably, it lacks the detail providing any obvious cross-linking between overlapping government policy frameworks or references to collaboration between public agencies providing assurance of consistent and complimentary policy.

An effective supply chain strategy requires a finer grain of detail than is possible to provide in a Consultation Document. Without this detail the strategy is limited to discussion of

¹ <https://www.transport.govt.nz/assets/Uploads/Freight-and-supply-chain-issues-paper-full-version.pdf>. p6

² *ibid*

³ <https://www.tewaihanganga.govt.nz/strategy/>

generalities such as the need for freight and supply chains needing “.....to align with wider government goals, such as the goal of transitioning to a productive, sustainable, and inclusive economy.”

The level of detail is very important, e.g. type of goods being moved, distances travelled, number of railway wagons available (any types), their location, trail track capacity etc.. Domestic freight flows need to be understood. E.g. flows from North to South Island and vice versa, volume in the golden triangle as a % of total. Are these expected to change in the future?

Understanding international shipping company strategies, e.g. routes and ship types. They decide the ports that will be visited in NZ. There has been consolidation of shipping as activity changes. This will continue.

We would have expected some modelling to have been conducted as part of the issues document.

Recommendation:

That Ministry of Transport work across government agencies to connect up the supply chain needs resulting from respective government policies.

Ministry of Transport direct and support those government agencies to engage with respective sectors to get relevant industry detail with respect goods and freight capacity.

Magnitude of current supply chain challenges

The issues paper summarises New Zealand's current freight system / volumes and speculates on the future challenges to our freight transport system. The frame of reference appears to be “Business as Usual” notwithstanding the repeated commentary on national and international changes arising from climate change, geo-political tensions, and NZ’s interests contributing to the determination that a change to BAU transport is required. What is lacking is a clear extrapolation from global and domestic changes into the changes needed in NZ transport

The Consultation Document offers little guidance on the magnitude of the current failure in global supply chains impact on New Zealand industry and society more generally. NASH suggest the implications of current supply chain disruptions cannot be overstated, with astronomical increases in freight rates and the impacts of significant delays on industry feeding directly into today’s “cost of living” crisis. It would be unreasonable to expect a NZ Transport Strategy to guarantee to resolve all current issues but it should provide a clear articulation of the costs and benefits of logical options for change in order that policy makes have a clear understanding of the implications of different options.

Recommendation:

Ministers direct applicable government agencies to work with each industry / sector to determine optimal industries' specific supply challenges / needs. Comparing and combining those sector specific recommendations should enable the elucidation of “....*the key directions that will serve New Zealand’s collective interests in a fast changing and disruptive world.*”

Strategic context for change

The issues paper acknowledges the significant and increasing impact Climate Change is having on what New Zealand produces, our infrastructure and on global supply chains.

Consumer demand is already starting to influence buying decisions in favour of lower embodied GHG emissions. International trade settings now openly reflect consumer and local political interests in reducing the GHG cost of transportation. (eg EU carbon border adjustments, Sustainable aviation fuel mandates and mandated shifts in 'short haul' modes of transport).

It is logical and critically important that NZ's transport strategy sets a clear path as to how New Zealand responds to these strategic shifts and realigns investment accordingly.

Recommendation:

Government to compare current productive focus on supporting a pastoral economy based on bulk commodity exports obligating higher per-unit of value GHG emissions with greater on-shore processing. The reasonable assumption is that local processing creates higher value products with lower embodied transport emissions when exported. The shift to local manufacturing for export would bolster regional employment and ideally utilise NZ's renewably produced electricity, displacing the need for emissions from similar processing offshore.

The issues paper references that "about 90%" of New Zealand's building materials and products are imported"⁴.

This was not always the case and up until the 1990's New Zealand building and construction sector was well supported by local manufacturing, prior to the development of Chinese manufacturing capacity and trade policies geared to export / import trade flows favouring scale and cost over all other considerations. .

Recommendation:

Future freight and supply strategy to look in detail at the value created by local manufacturing to enable government policy delivery and the trade policy settings needed to underpin it (e.g. infrastructure, housing), as opposed to the current and future costs of relying on global supply chains.

⁴ <https://www.transport.govt.nz/assets/Uploads/Freight-and-supply-chain-issues-paper-full-version.pdf>. p12