3 June 2022

TE MANATŪ WAKA THE MINISTRY OF TRANSPORT

SUBMISSION ON THE FREIGHT AND SUPPLY CHAIN STRATEGY DISCUSSION PAPER

INTRODUCTION AND OVERVIEW

1. Water New Zealand Waiora Aotearoa (**Water NZ**) is a national not-for-profit sector organisation comprising approximately 2,600 corporate and individual members in New Zealand and overseas.

2. Water NZ is the principal voice and peak industry body for the water sector, focusing on the sustainable management and promotion of the water environment including drinking water, wastewater, and stormwater.

3. Water NZ welcomes the opportunity to provide comment on the Freight and Supply Chain Strategy Discussion Paper (**Paper**).

4. Over the past two-years, the COVID-19 pandemic exposed the vulnerabilities in modern supply chains—vital and important components of almost everything could not be sourced, or were seriously delayed, as factories, some ports, and whole countries shut down.

5. The maintenance of resilient and efficient supply chains, both nationally and internationally, is of critical importance for especially lifeline utilities providers such as water service operators, and power, telco and roading providers, etc.

6. A number of water and wastewater service providers have recently faced supply chain challenges including in relation to chemical supply for treatment plants and importing equipment for upgrades and renewal of their infrastructure.

7. The appendix includes examples of various freight and supply chain issues experienced by one of our members – the Hynds Group of Companies. These are provided to provide context for the Ministry around how companies have needed to adapt to ensure appropriate inventories are maintained to respond in a timely manner to water service clients.

8. Water NZ supports the development of a National Freight and Supply Chain Strategy and notes that it must take into consideration specific requirements and considerations of the water services sector.

WATER NZ RESPONSE TO THE SPECIFIC QUESTIONS

Do you agree with the outlined description of the freight and supply chain system?

9. Water NZ agrees with the outlined description of the freight and supply chain system and notes that a number of members and those in the freight and supply chain sector will have been engaged as part of the earlier engagement process described in the Paper.

Do you have any views on the outlined role of government in the freight and supply chain system?

10. Water NZ strongly agrees that New Zealand requires a forward-looking strategy for the freight and supply chain centred on a close working partnership with stakeholders. Further it is fundamental that the strategy includes support of a transition to a low emissions, resilient, productive and innovative freight and supply chain system in this country.

11. Water NZ considers that while government is only one of many agents it is critical that it takes a leadership role in the coordination of the strategy to ensure that it focuses on the outcomes noted in the Paper rather than being at risk of being captured by vested interests.

12. The matters listed on page 18 of the Paper are all supported but Water NZ considers that government should not understate or underestimate the role it needs to take. In short, Water NZ considers that reference to this leadership role needs to be included in the strategy.

Do you agree with the outlined strategic context and key opportunities and challenges? If not, please explain why.

13. Water NZ agrees with the outlined strategic context and key opportunities outline in the Paper. The matters have been very comprehensively covered.

Are there any trends missing that we should consider? If so, please explain what they are.

14. Water NZ is not aware of any trends missing that need to be considered. However, one trend currently in our sector is that due to supply chain problems many water service providers are looking to have product sourced from the domestic market. This may result in the growth and development of the domestic supply market which Water NZ members would strongly welcome. This aspect may need to specifically acknowledged in the strategy as a trend that needs to be factored in.

Which of the opportunities and challenges do you believe will be most important in shaping the future of the freight and supply chain system in New Zealand and why?

15. Water NZ considers that the most important opportunity and challenge is transitioning to a low emission freight transport system. The other matters listed are really sub-sets of this. In particular, the transition will have to take into account population growth and the urban intensification that this causes. The transition will also need to rely heavily on advances in technology.

16. Reducing transport emissions is essential to ensure that New Zealand can continue on the important journey of emission reduction generally.

17. Given New Zealand's current reliance on road transport this opportunity and challenge is going to require significant investment to modernise infrastructure and to support upgrading vehicles and facilities. Water NZ considers that prioritising investment in New Zealand's domestic freight and supply chain system is critical.

18. Water NZ notes that there is probably little that the Government can do to prevent disruptions to the international supply chain system. However, it can ensure that domestic supply chain systems are robust and allow businesses to be agile is key to developing a futureproof supply chain system strategy.

19. As noted above the changing international market is also very relevant in that we have already seen a change in behaviour as a result of the pandemic. With the changes facing the water services sector Water NZ considers that having a strong and vibrant domestic supply market it critical. This in turn will have an impact on the freight and supply chains within New Zealand.

Do you agree with the outlined vulnerabilities of the current system? If not, please explain why.

20. Water NZ agrees with the outline vulnerability of the current system. Our members experience supports all the matters listed. Of particular note (and already covered) no one expects the supply chain to return to business as usual before the pandemic. Particular areas that are highly relevant to the water sector are:

    (a) That New Zealand is often not prioritised internationally for freight;

    (b) That there is a huge labour shortage generally in this country.

Is there any key information missing in understanding the vulnerabilities of the current system

21. Water NZ does not consider there are any key pieces of information missing.

Do you agree with the proposed outcomes? If not, please explain why.

22. The proposed outcomes are supported by Water NZ for all the reasons set out in this submission.

Are there more outcomes the strategy should focus on? If so, please explain what they are.

23. There are no additional outcomes that Water NZ consider should be included.

Do you agree with the potential areas of focus for the strategy? If not, please explain why.

24. The potential areas of focus are agreed with.

Which of these areas of focus would be most important to prioritise

25. It is difficult to answer this question as all the areas are inter-related and important. The strategy will need to take a holistic approach that considers all the areas to be a priority in the view of Water NZ.

What would successful stakeholder engagement on the development of the strategy look like from your perspective?

26. Due to the nature and role of Water NZ it takes a high-level look at this issue from the broader perspective of all its members. It is critical that the strategy is developed with key players across all aspects of the infrastructure provider sector including water services. While there are aspects of infrastructure common to all water services have some very unique aspects that need to be considered. Water NZ therefore considers that successful stakeholder engagement would mean seeking feedback from our sector directly when developing the strategy. We can provide more detail around this if and when that is necessary.

How could we best engage with Māori on the strategy?

27. It is not really for Water NZ to comment on this as iwi/Māori will have clear views on how best to engage and the Paper identifies some options for this. Suffice to say that true partnership and engagement is critical to the success of engaging with Māori. Gone are the days where 'consultation' is sufficient.

Ngā mihi nui

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Appendix: Specific Examples of Freight and Supply Chain Issues

This appendix provides context for the Ministry around how companies have needed to adapt to ensure appropriate inventories are maintained to respond in a timely manner to water service clients. It directly reflects experiences of the Hynds Group of Companies, a corporate member of Water NZ.

International freight experiences

Hygrade Water NZ
Over the last couple of years, we have seen significant supply chain issues that has impacted our business and customers. While some relate to supplier capacity issues for manufacture a lot relates specifically to international freight issues. No space on vessels, huge delays at transitional hubs such as Singapore, lack of containers etc. This is mainly due to the following issues:

- Significant reduction in vessels travelling to NZ (and Australia) – the volume of vessels visiting NZ and Australia has dropped by half since the 2019 pre covid levels.
- Demand for space exceeds supply, although this is improving.
- Heavier containers are less likely to be shipped and are therefore subject to significant delays. Ships have weight capacity constraints, with income being based on quantity of containers rather than the weight of what's inside the containers. Due to this shipments can be delayed as ships prioritise number of containers. This results in an increase in rates paid to ensure containers are shipped. Specific products (e.g. values and casings) can sit for weeks, or months in Singapore as vessels would rather take a higher number of light weight containers.
- Reduced Port Calls. Some vessels chose to only visit major ports such as Auckland and Tauranga, rather than Port Chalmers, Lyttleton. This means there are higher costs of importing into the South Island. An alternate is to de-van in Auckland. This puts constraints on North Island operations, and there are delays and increased costs of shipments to South Island manufacturing sites.
- Increased port omissions, as vessels change schedules at the last minute due to port congestion.
- Port Congestion at NZ Ports. This impacts vessels willingness to ship to NZ, which then results in delivery date uncertainty and detention charges.
- Labour shortages mean that the labour available is often directed towards production. Things like inventory control and stock management are more difficult to keep control of and this results in delays for freight.

Hynds PKS, Hynds Pipe Systems Ltd

- Shipping routes to NZ have not only become very expensive, but also timeframes to get imported items here have increased drastically and become very unreliable. This has affected a number of our imported products or components that go into our local manufactured products in the 3-waters space i.e. Eloy Wastewater Treatment, Hydro Stormwater Treatment components, HDPE liner and collars used for manufacture of the Central Interceptor Jacking Pipe.
- Requirement to have large orders despatched from large distribution points due to lack of transition zones on construction sites.

Waters and Farr

- Lead times shipping supplies of resins sourced from Thailand, Middle East and Europe have typically increased from 6 weeks to 3 months.
- One instance of the vessel being turned around at port without unloading due to Covid cases amongst the crew, resulting in a delay of 200+ tonnes of resin by 2 months.
- Significant variability of time frames from what was originally notified by the shipper compared to the actual delivery date.

- Information on vessel arrival times has reduced and are becoming less accurate.
- Reduced number of container spaces on vessels resulting in smaller consignments coming in.
- When vessels are in port, information on the release of goods and subsequent transport to warehouses have become extremely variable.
- These factors significantly impact the ability to plan production and target larger projects as there was no certainty on supply/availability of raw materials.
- Trans-Tasman freight has been problematic as the number of vessels calling to Australian and NZ ports reduced.
- This was compounded by a lack of shipping containers and at times container space availability on vessels.
- Significant variability in shipment timing in recent months has seen resin landed ahead of schedule which also has implications on inventory & cashflow.

Domestic Freight Issues

- Driver safety standards particularly with the self employed operators (contracting to major freight groups). They are highly motivated by full loads and resulting income so in some instances are less focussed on safe loads.
- Some drivers are less willing to take on certain loads/ routes, preferring to line haul to Auckland with no drop offs.
- Delays in trucks arriving on sites for loading due to hold ups on other sites. Often this is caused by load/unload delays at depots due to staff shortages, Covid absences etc.
- Availability of trucks has reduced, more so from a higher demand perspective than from lack of drivers (resulted in difficulties in transferring product from Whanganui to Rangiora).
- Site delivery management for Auckland based projects is challenging due to road congestion. The contractor wants reasonable time guidelines as to when product will arrive on site, but trucks are often held up in traffic.
- Truck route vulnerability due to weather events, snow blocking passes, or Cook Strait sailings cancelled all impact supply chains. Given climate change and increased severe weather events these disruptions will only get worse.