GHD Advisory

→ June 2022

Te Manatū Waka Ministry of Transport

Freight and Supply-Chain Issues Paper

GHD Submission

Kia Ora

We appreciate the opportunity to share our views

We appreciate the opportunity to offer insight and views on the recently released freight and supply-chain issues paper which offers informed context and articulates opportunities, vulnerabilities, areas of focus and desired outcomes.

GHD Advisory have 250 staff within a global team of over 10,000 in the wider GHD Group who work out of over 200 offices serving 135 countries worldwide. Within our Advisory business we have a strong supply-chain and logistics team who advise Governments mainly in Australia, Pacific Islands, Middle East, UK and North America.

We have a strong local presence in NZ including key staff in Auckland, Wellington, and Christchurch.

Supply-Chain optimisation and resilience is a passion of ours as we combine strong industry knowledge with economic and public sector strategy development.

We have aimed to make our submission as constructive and insightful as possible, and we hope it is of value to you in this worthy exercise.

GHD

The freight and supply-chain issues paper is a well considered and insightful document which represents a great step forward in opening dialogue and defining collective action to achieve the best for Aotearoa New Zealand

Submission Summary

① Description of the freight and supply-chain system

- The description is accurate, perhaps further detail on the commercial relationships would be valuable context, specifically how these impact the efficient movement of freight.
- Perhaps more insights from freight movement data can be included in the strategy once developed to help characterise issues.

② View on the outlined role of Government

- Industry may appreciate a slightly more affirmative and applied role definition, i.e., less passive wording such as 'providing views' and more active such as 'enabling others to' or 'resolving matters such as'.
- Government can also play a strong role in fostering innovation through supporting innovation 'labs' and grant funding programs.
- Government is the only entity which can take a system-wide view and supply-chain are best optimised (and resilient) at a system level.

③ The outlined strategic context and key opportunities and challenges

- We agree with these, they are well articulated and easy to understand.
- Naturally more detail and insight would be valuable, particularly regarding the 'how' in terms of new technology adoption.

④ Any missing trends or considerations

Major trends and considerations are well captured in the issues paper.
Enhancing economic productivity is an opportunity and challenge which is not directly referred to.
Consideration of changing land use related to the need for better located supply-chain infrastructure including the creation of efficient industry clusters with agglomeration benefits.

⑤ Most important opportunities and challenges

- Import and export supply-chains are critical. Optimal port performance and port connectivity is instrumental to this. The observations in the issues paper related to the UNICS are accurate and denote the need for a strong evidence-based approach.
- Considering the supply chain as an integrated system is needed to optimise the system, data availability is one of the key challenges. Industry need to be part of the solution.
- In addition, the logistics system is dynamic and constantly changing, a challenge is to generate a 'living' strategy and framework which can adapt.

⑥ Vulnerabilities of the current system

- Difficult to shift between modes is true, this is a physical issue but also a commercial/contractual issue. Often who pays and who 'decides' are different parties. How can incentives and more accurate price signals be put in place to promote the best decisions.
- The current port setting has created vulnerability, uncertainty and declining productivity. Ports are gaining scale in regions away from the main consumption areas leading to imbalanced supply chains. Ports are in untenable locations in the medium-long term (not just Auckland). The current governance arrangements are not capable of taking on a NZ-centric approach.

Note: The above are summary answers to the key questions asked in the issues paper, more fulsome answers are at the end of the submission

Submission Summary

⑦ Missing vulnerabilities

- The vulnerabilities listed seem accurate and comprehensive however there may be unknown unknowns.
- Vulnerabilities can only truly be identified and understood through the use of data and visibility of supply-chains. Likewise, interventions can only be assessed and tested against an accurate system-wide view of the economy and supply-chains.

⑧ Proposed Outcomes

- The proposed outcomes are well considered and capture what is needed. Limiting outcomes to 4 key areas will help achieve focus.
- International competitiveness is likely an outcome related to productivity. This is a critical outcome as productivity has been declining, the key is knowing why.

⑨ Additional outcomes

- Perhaps outcome 4 could be 'Amenity, Equity & Safety'. This will elevate the need to have supply-chains which help to create livable cities, better amenity and improved community outcomes.

⑩ Areas of focus

- Improved infrastructure funding mechanisms and hypothecation to achieve generational investment.
- Port reform – Better enabling economies of scale, focused investment and a better national system-wide outcome
- Enabling more coordination whilst maintaining competition. The ability for Government to facilitate 'co-opetition' is being realised overseas, releasing latent value in existing assets and supply-chains

⑪ Importance of focus areas

- Development of a national port strategy with centralised endorsement of port development plans which links to planning approvals and potential funding support .
- Clear and predictable funding streams for key port and intermodal interface and other connecting infrastructure
- Taking an evidence based and system-wide view of the supply-chain. Data and analytics is key to achieving this.

⑫ What does successful stakeholder engagement look like?

- Industry stakeholders appreciate knowledge and relevant experience, in addition they are time poor, so they need something tangible to sink their teeth into.
- Successful stakeholder engagement needs to result inn tangible action and two-way information flow, Government need to define what they need to make better decisions and industry need to come to the table and provide information, data and insight. Foster a culture of collective responsibility.

Note: The above are summary answers to the key questions asked in the issues paper, more fulsome answers are at the end of the submission

Successful Stakeholder Engagement

Early industry criticism has been based on a view that efforts, intentions and objectives are surface-level, and a lack of results is being pre-empted by some key industry agitators. Some of this may be related to views of Government initiatives of the past, therefore there is a need to make this time different. Being clear, open and well-informed is key to achieving better relationships with industry and other stakeholders.

Making Aotearoa New Zealand a world leader in supply-chain productivity and international competitiveness is a collective objective that needs to be collectively adopted with clear responsibility. A platform of collective responsibility underwritten by Government resources and a depth of data analytics and insight is critical.

Create an environment of collective responsibility

- Empathetic engagement with knowledge and inquisitiveness
- Collective problem definition workshops
- Genuine collaboration through articulation of common goals

Define public and private sector ownership of objectives

- Leadership of common responsibilities to be allocated based on appropriateness and best those placed to advance.
- Government to resource working groups and innovation initiatives.

Develop actions and key milestones

- Collectively develop and seek feedback on proposed actions.
- Conduct a road show engaging with stakeholders including (Iwi/Māori) at various levels to gain feedback, insight and buy-in.

Continuous monitoring and adaptive pathways

- Progress needs to be measurable with accountability.
- A ‘living’ strategy needs to be adaptable and visible to those invested in its outcomes. Visibility is key to ongoing engagement and buy-in.

Engaging with Iwi/Māori

Partnering with Iwi/Māori will be an essential part of the New Zealand Freight and Supply Chain Strategy to ensure Māori interests and aspirations are articulated as a Treaty partner. In this regard, early engagement and authentic consultation with Iwi/Māori will be critical enablers to the desired success of the strategy and afford sufficient opportunities for Māori to co-design, collaborate and partner on the strategy.

Historically, timelines are often too constrained for Māori to feel that the consultation process is authentic, we suggest that any engagement plan developed for this purpose should reflect adequate timeframes to ensure authentic consultation with Treaty partners nationwide.

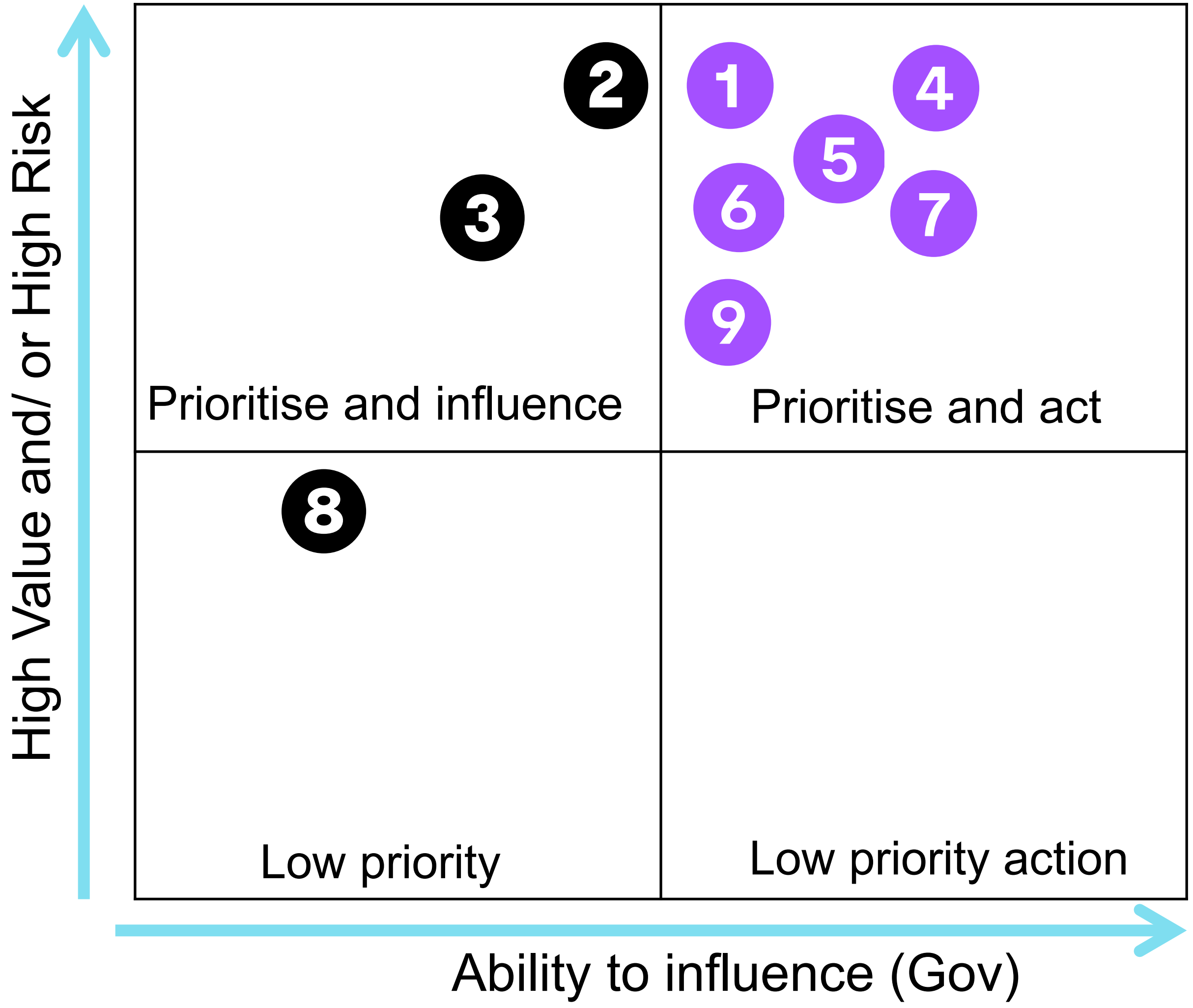
To facilitate, we also suggest the formation of a Treaty Reference Group, representative of major Iwi nation-wide, to assist the consultation process and to input directly into the formed strategy. This representative group would be instrumental in reaching across Iwi, Māori Business, Māori infrastructure owners, as well as being able to easily access broader Māori perspectives when preparing the strategy.

In conjunction with standard methods of information gathering, regionalized ‘marae-based’ hui are a strong option for Māori to express their views. Accordingly the strategy team should consider running regional workshops and information gathering activities at regional level on marae, specifically to assist in capturing broader Māori input.

Issue Criticality and Response Prioritisation

We have looked at the defined issues and prioritised them in terms of value/risk and ability to influence (from a Government perspective). This is an initial step in the process of prioritising focus areas but also in understanding public and private sector ownership of subsequent actions.

#	Issue
1	Decarbonisation
2	Supply-Chain Resilience
3	Adoption of new technology
4	Equity, amenity and safety
5	International competitiveness
6	Data enabled optimisation and resilience
7	Impact of geo-politics
8	Changing consumer demand
9	Data enabled investment decisions



Key Questions

Question	Answer	So What?
Q1. Do you agree with the outlined description of the freight and supply chain system?	The description is accurate and denotes a clear understanding of the freight supply chain in NZ and with astute observations of the international context. perhaps further detail on the commercial relationships would be valuable, specifically how these impact the movement of freight. It is encouraging to hear the unbiased views on the UNICS, observations regarding the lack of a whole-of-system view and a lack of objectivity resonates well. The freight movement maps on P16 and P17 are obviously overly aggregated and stylised, this needs to be clearly noted otherwise readers may assume some odd things.	We believe the supply-chain is well understood by Government and that this lays a strong foundation for an applied evidenced based strategy moving forward. Perhaps more insights from freight movement data can be included in the strategy once developed, specifically any matters impacting international competitiveness, these insights can be used as a platform for action.
Q2. Do you have any views on the outlined role of government in the freight and supply chain system?	We acknowledge that this is an issues document however in any subsequent strategy or plan industry would appreciate a slightly more affirmative and applied role definition, ie less passive wording such as ‘providing views’ and more active such as ‘enabling others to’ or ‘resolving matters such as’. Government can play a strong role in fostering innovation through supporting innovation ‘labs’ and new technology adoption and resilience initiative grant funding programs. Government is the only entity which can take a system-wide view and supply-chain are best optimised (and resilient) at a system level.	The role of Government is in line with our understanding and the roles we see Governments take on different roles in other countries. There is always a spectrum between interventionist and liassez-faire. On P7 above we help prioritise Governments role based on a value-ease matrix. This type of approach will help refine Government role within each critical performance area.

Key Questions

Question	Answer	So What?
Q3. Do you agree with the outlined strategic context and key opportunities and challenges?	We agree with these, they are well articulated and easy to understand. Naturally more detail and insight would be valuable, particularly regarding the 'how' in terms of new technology adoption, and what the key drivers are. For example, some new technology has natural commercial drivers which will see it adopted by the market however some others would have externality benefits especially if adopted sooner rather then later. An understanding of these drivers will help identify where policy and incentives may be needed. This is true of the increased data sharing and proliferation, some benefits relate to industry efficiencies and others relate to Government being able to make better decisions.	Technology maturity assessments and identification of commercial, economic, and environmental drivers will help identify and frame the right type of Government and industry actions requited to achieve the best overall outcomes.
Q4. Are there any trends missing that we should consider?	Major trends and considerations are well captured in the issues paper. Enhancing economic productivity is an opportunity and challenge which is not directly referred to. Consideration of changing land use related to the need for better located supply-chain infrastructure including the creation of efficient industry clusters with agglomeration benefits. A trend we have observed elsewhere is Governments who are using freight value (including value-add opportunities) and economic criticality as a means of focusing effort as opposed to traditional focus on tonnage.	Include considerations of changing land use trends and the need for co-location of industry and key enabling infrastructure to create efficient clusters and agglomeration benefits. Prioritising freight which has higher economic value, more value-add opportunities and economic criticality as opposed to tonnage.

Key Questions

Question	Answer	So What?
Q5. 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?	Import and export supply-chains are critical. Optimal port performance and port connectivity is instrumental to this. The observations in the issues paper related to the UNICS are accurate and denote the need for a strong evidence based approach. As strongly documented in the issues paper supply-chain resilience is a critical area which needs a combined and aligned effort from the private and public sectors. There are examples of these efforts in other countries, in particular Australia who through the Department of Industry (DISER) have an applied 'Supply-Chain Resilience Initiative' (SCRI) which is already delivering significant tangible actions.	Considering the supply chain as an integrated system is needed to optimise the system, data availability is one of the key challenges. Industry need to be part of the solution here. To achieve a resilient economy you need resilient supply-chains and this is best achieved by the public and private sector working hand in hand. NZ should draw on good examples of this from overseas.
Q6. Do you agree with the outlined vulnerabilities of the current system? If not, please explain why.	Difficulty to shift between modes is true this is a physical issue but also a commercial/contractual issue. Often who pays and who 'decides' are different parties. How can incentives and accurate price signals be put in place to promote the best decisions. The current port setting has created vulnerability, uncertainty and declining productivity. Ports are gaining scale in regions away from the main consumption areas leading to imbalanced supply chains. Ports are in untenable locations in the medium-long term (not just Auckland). The current port governance arrangements are not capable of taking on a NZ-centric approach.	Vulnerabilities can only truly be identified and understood through the use of data and visibility of supply-chains. Likewise, interventions can only be assessed and tested against an accurate system-wide view of the economy and supply-chains. Benefits to data sharing and cooperating with Government need to be clearly defined, quantified and articulated within the subsequent strategy.

Key Questions

Question	Answer	So What?
Q7. Is there any key information missing in understanding the vulnerabilities of the current system	We believe the high level overview of vulnerabilities is well articulated. However, there may be unknown unknowns. Vulnerabilities can only truly be identified and understood through the use of data and visibility of supply-chains. Likewise, interventions can only be assessed and tested against an accurate system-wide view of the economy and supply-chains. Without a collaborative, transparent and advanced approach unknown vulnerabilities will stay unknown. In addition this needs to be an adaptive and ongoing process as supply-chains as demands change.	To truly identify, assess and understand vulnerabilities there is a need for a system-wide and transparent view, in addition as supply-chains are dynamic this needs to be an ongoing 'living' approach which uses lead-indicators to identify and warn of vulnerabilities proactively.
Q8. Do you agree with the proposed outcomes? If not, please explain why.	The proposed outcomes are well considered and capture what is needed. We appreciate that they have been limited to 4 key areas which will help achieve focus. International competitiveness is likely an outcome related to productivity. This is a critical outcome as productivity has been declining, the key is knowing why.	We don't see a need for any major change to the desired outcomes; they are well considered. There is however a lot to unpack and understand within these outcomes, specifically in knowing what the key factors are in achieving these outcomes.

Key Questions

Question	Answer	So What?
Q.9. Are there more outcomes the strategy should focus on? If so, please explain what they are.	The proposed outcomes are well considered and capture what is needed. Perhaps output 4 could be ‘Equity, Amenity and Safety’? This will elevate the need to foster supply-chains which help to create liveable cities, better amenity and improved community outcomes.	No particular need to change the outcomes, however consideration could be made to including ‘Amenity’ within the title of Outcome 4.
Q10. Do you agree with the potential areas of focus for the strategy? If not, please explain why.	Yes, we agree with the areas of focus. Some additional sub-areas may include; Improved infrastructure funding mechanisms and hypothecation to achieve generational investment outcomes. Port reform – Better enabling economies of scale, focussed investment and a better national system-wide outcome Enabling more coordination whilst maintaining competition. The ability for Government to facilitate ‘co-opetition’ is being realised overseas, releasing latent value in existing assets and supply-chains	Yes, we agree with these areas of focus.

Key Questions

Question	Answer	So What?
Q11. Which of these areas of focus would be most important to prioritise?	On page 7 of this submission, we have looked to offer some high-level prioritisation. We have considered the relative levels of value and risk against the ability of Government to drive outcomes. By taking this approach we have identified the below 5 high priority areas for action within the Government national supply-chain strategy: 1. Equity, amenity and safety 2. International competitiveness 3. Impact of geo-politics 4. Decarbonisation 5. Data enabled optimisation and resilience	Prioritising Government focus areas relate to what is most important but also what is within the public sectors remit to achieve or enable others to achieve. Industry needs to bare their fair share of the effort in terms of achieving national objectives, a strategy should seek to delineate between outcomes that are Government lead and those which are industry lead.
Q12	See page 5	
Q13	See page 6	

Contact Details:

Tristan Anderson – Executive Advisor Transport & Infrastructure Strategy

Email: Tristan.Anderson@ghd.com

Phone: +61409703653

David Walker – Market Leader Advisory (NZ)

Email: David.Walker@ghd.com

Phone: +64 9 370 8280

90+ years **in operation**
135+ countries **served**
200+ offices **worldwide**
2.2Ⓑ NZD revenue **2021**
5 global markets
10Ⓚ people
50+ service **lines**

→ **Providing engineering, environmental, advisory, architecture, digital and construction services**

GHD Advisory

*Thank You

→ ghd.com/advisory