SUBMISSION

SUBMISSION ON

Freight and Supply Chain Strategy

3 June 2022

To: Ministry of Transport
Name of Submitter: Horticulture New Zealand
Submission supported by: New Zealand Kiwifruit Growers Inc, Tomatoes NZ and Asparagus Council, Summerfruit NZ, Teviot Fruit Growers Association, Hawkes Bay Vegetables Grower Association, Katikati Fruit Growers Association

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Horticulture™ New Zealand
Ahumāra Kai Aotearoa

OVERVIEW

Submission structure

1. **Part 1:** HortNZ's Role
2. **Part 2:** Overall comments

Our submission

Horticulture New Zealand (HortNZ) thanks the Ministry of Transport (MoT) for the opportunity to submit on the Freight and Supply Chain Strategy and welcomes any opportunity to continue to work with MoT and to discuss our submission.

The details of HortNZ's submission and decisions we are seeking are set out in our submission below.

PART 1

HortNZ's Role

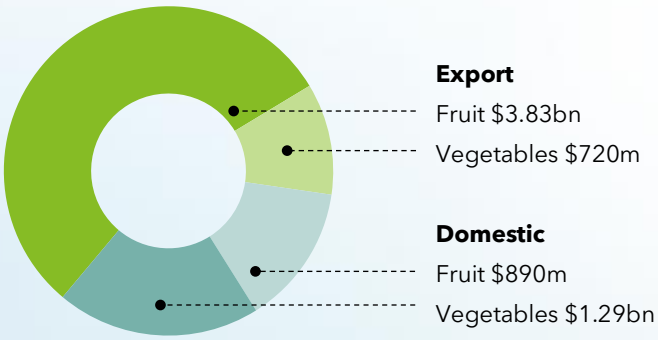
Background to HortNZ

HortNZ represents the interests of 6000 commercial fruit and vegetable growers in New Zealand, who grow around 100 different crop types and employ over 60,000 workers.

There is approximately 120,000 hectares of horticultural land in New Zealand - approximately 80,000 ha of this is fruit and vegetables. The remaining 40,000 ha is primarily made up of wine grapes and hops, which HortNZ does not represent.

It is not just the economic benefits associated with horticultural production that are important. The rural economy supports rural communities and rural production defines much of the rural landscape. Food production values provide a platform for long term sustainability of communities, through the provision of food security.

HortNZ's purpose is to create an enduring environment where growers prosper. This is done through enabling, promoting and advocating for growers in New Zealand.



Industry value $6.73bn

Total exports $4.55bn

Total domestic $2.18bn

Horticulture in New Zealand

Horticulture is a diverse industry - from fruit orchards to outdoor vegetable cropping rotations (including production for fresh and processed vegetables), through to covered crop greenhouses.

Fruit

Collectively, fruit exports make up approximately 80% of the (fruit) industry value; the remainder is domestic. New Zealand exported 962,500 tonnes of fresh fruit in 2019. Fresh fruit exports from New Zealand have been experiencing growth; for example, exports grew in value by $54 million from 2018 to 2019. The most predominant export crops (by value) are kiwifruit, apples, avocados and cherries. Some fruit crops are predominately grown for the domestic market, e.g., citrus, feijoa, nectarines, peaches and plums.

Vegetables

The majority (80%) of fresh vegetables are grown for the domestic market. New Zealand's vegetable-growing regions supply markets at different times of the year to provide a sustainable, year-round supply of produce for New Zealand. Growing of vegetables for domestic supply is also integrated with vegetables grown for export in crop rotations, for practical (soil health) and economic resilience reasons. New Zealand exported 569,800 tonnes of vegetables in 2020. The most predominant fresh vegetable export crops (by value) were onion, squash and potatoes. The most predominant process vegetable export crops (by value) are potatoes, peas, sweetcorn and beans.

Greenhouse growing systems

Greenhouses are a highly efficient food production system, optimising the use of land, water, and nutrients. In New Zealand there is estimated to be 310 hectares of greenhouse vegetable growing, dispersed throughout New Zealand (although predominantly in the upper North Island). Most vegetables grown in greenhouses in New Zealand are for domestic consumption; the main export crops are capsicums (~35% of the crop) and tomatoes (~10% of crop). This growing system is an integral part of New Zealand's food system, enabling New Zealanders to access freshly grown vegetables from a local supplier throughout the year; provides resilience within the domestic food system; and is important for risk management at a national level.

PART 2

Submission

On-farm vehicles, including light commercial vehicles (e.g., utes) and machinery for cultivation and harvest are important to growers and while alternatives are available in some areas (e.g., forklifts) this is not the case for other types. Beyond the orchard gate, trucks are frequently used to transport fruit and vegetables to New Zealand consumers or ports. Some growers have their own truck fleets.

The sector is particularly reliant on trucks as a mode of transport between the orchard/farm and packhouse, and/or processing facility and port. Due to the distributed nature of horticulture and the perishability of fresh product – this creates limitations around the use of rail and coastal shipping (particularly for domestic distribution). Airfreight transportation is used for fruit and vegetables that have a short shelf life.

We support the development of a National Freight and Supply Chain Strategy which should take into consideration specific requirements and considerations of the horticulture sector.

1. Low Emissions

1.1. Affordability

Reducing transport emissions will require significant investment to modernise infrastructure and to support upgrading vehicles and facilities. The simple fact is that a large majority of small business will not be able to invest in low emissions technology and infrastructure. It is critical that incentives are provided to help small business adapt to new technologies and modernise.

Alternative fuels

As stated in our response to the Emissions Reduction Plan[1] , the cost and availability of low-emission alternative fuels is uncertain or limited in many areas which limits the ability of growers to transition. There is considerable risk that some will go out of business due to limited financial, technical and physical resources to rapidly invest in transition. The ability to switch to lower emissions fuels may still be several years away, depending on the alternative fuels available to growers in their location.

Fuel wholesalers will be required to cut the total greenhouse gas emissions for transport fuels they sell by a set percentage each year from April 2023, by deploying biofuels as a part of their fuel supply which will go some way to lower emissions. Currently the use of biofuels in New Zealand is low and there is limited domestic production. Investment in promoting greater commercial composting to facilitate the bioeconomy – to provide low emission alternative fuels and fertiliser products is key.

Effect on road user charges

Road user charges (RUC) are based on the vehicle type and weight. The range of battery electric vehicles is limited by battery capacity. Batteries are heavy and less energy dense than conventional fuel sources, and the number of batteries on a vehicle may be limited

[1] https://www.hortnz.co.nz/assets/Environment/National-Env-Policy/Climate-Change/HortNZ-Submission-Emissions-Reduction-Plan-Final.pdf

by vehicle weight restrictions or incur additional RUC. A review of the RUC system will be instrumental accommodating the transition to low emissions heavy vehicle transport.

1.2. Power generation and EV charging

Given the large energy needs of an EV fleet, it may not be possible to charge during peak load periods. There needs to be confidence that New Zealand can produce sufficient energy. As noted in our response to the Emissions Reduction Plan[2], there needs to be analysis on how the ability for increased capacity and infrastructure to be delivered through the network and demand for electricity demands (e.g., alongside more EVs, etc.) can be met.

EV Charging

New Zealand currently has around 500 EV charging centres across New Zealand. Most of these can be found in shopping centre carparks or at service stations and are suitable for charging light vehicles. While most of the charging is carried out at home and at night[3], heavy vehicles drivers can travel for up to 13 hours per day and depending on the timing of trips, stay overnight in motels/hotels. There will need to be significant investment in upgrading New Zealand's EV charging infrastructure to support the charging for enroute heavy vehicle trips.

Costs

Current infrastructure at the orchard gate won't support increased demand for low emission vehicles. Who pays for the upgrades? Many horticulture operations are small, and growers are facing increased compliance costs from environmental regulations and from general increased costs across the supply chain. Government funding to upgrade infrastructure will be necessary for growers to move to a low emissions environment.

Outcome sought in the strategy

The addition of incentives for small business to transition

Further investment and investigation into alternative fuels to support decarbonisation of the heavy vehicle fleet

A review of the RUC system to accommodate the decarbonisation of the heavy vehicle fleet

Analysis on New Zealand's increased ability and infrastructure to support additional energy demands

Funding options to upgrade infrastructure to support a low emission environment

[2] https://www.hortnz.co.nz/assets/Environment/National-Env-Policy/Climate-Change/HortNZ-Submission-Emissions-Reduction-Plan-Final.pdf

[3] https://www.nzta.govt.nz/planning-and-investment/planning/transport-planning/planning-for-electric-vehicles/national-guidance-for-public-electric-vehicle-charging-infrastructure/using-public-charging-infrastructure/charging-an-electric-vehicle/

PART 2

2. A resilient network

2.1. Climate Change

We support the comments made in the strategy, particularly:

- To avoid missing opportunities for regional economic development, freight infrastructure and services will need to be invested in to unlock the potential of new producing regions
- It will be necessary to identify infrastructure critical to our supply chain within our planning system, and ensure we are ready for potential risks, perhaps by relocating some infrastructure.

Adapting to climate change impacts will be critical to support a resilient network. The industry mainly relies on the roading network to transport fresh fruit and vegetables to postharvest facilities, processing centres and ports which includes along coastal routes.

The Ministry for the Environment Climate Change Projections[4] predict that sea level rises, and extreme weather events, will impact on the roading network. Coastal roads and infrastructure will face increased risk from coastal erosion and inundation, increased storms and sea-level rise.

A report by Local Government NZ Vulnerable: The Quantum of Local Government Infrastructure Exposed to Sea Level Rise[5] found that up to a 1.5 metre sea rise, approximately 2,100 kilometres of roads will be exposed with a replacement value of $1.0 billion. 4,559 kilometres of roads exposed to 3.0 metres of sea level rise have a replacement value of $2.3 billion.[6] In addition, Ports, rail lines and other transportation and supply infrastructure will be threatened by increases in sea level.

Adaptation needs to be a key focus of the resilience objective in the strategy to minimise disruptions and keep goods (particularly fresh and perishable) free flowing.

2.2. Efficient Network

Improving freight connections is one of the four strategic priorities in the Government Policy Statement on Land Transport and yet key arterial freight routes are not prioritised. For example:

- Delays and changes to State Highway 2 from Omokoroa to Tauranga
  - Upgrades to a four-lane motorway to support the key arterial route from Auckland/Northland to New Zealand's largest port and to reduce accidents and fatalities on one of New Zealand's most dangerous roads have added to unsafe levels of congestion and increased travel times

An efficient network is a productive one and is a key element for economic growth. Journey times are improved, supply chains run freely, and an efficient free flowing network improves air quality from reducing air pollution generated by slow moving traffic. Driver/worker fatigue is reduced.

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[4] https://environment.govt.nz/assets/Publications/Files/Climate-change-projections-2nd-edition-final.pdf
[5] https://www.lgnz.co.nz/assets/Uploads/d566cc5291/47716-LGNZ-Sea-Level-Rise-Report-3-Proof-FINAL-compressed.pdf
[6] The analysis accounts for both sealed and unsealed roads but does not include bridges.

As noted in our response to the Emissions Reduction Plan Discussion Document[7], strategic planning opportunities to support transport mode shifts, where the location is appropriate should be a key consideration e.g., a rail hub near Pukekohe connecting to Auckland and Tauranga Ports would significantly reduce road freight movements through Auckland.

Business Continuity

The covid pandemic has seen significant disruptions in supply chains – both domestically and internationally which are yet to recover. Resilience of the network during critical events is essential to ensure business continuity and the industry would like to see continuity planning built into the strategy which will provide assurances to growers and allow them to create their own continuity plans.

Outcome sought in the strategy

A focus on climate change adaptation by linking in with the Climate Change Adaptation Plan

A national freight and supply chain business continuity plan which includes guidance for business

3. Productivity and Innovation

3.1. Labour

Access to reliable labour is critical to maintaining productivity and lifting New Zealand's productivity is critical to increasing the living standards of New Zealanders.

Labour shortages effect supply chains. There is a critical shortage of truck drivers in New Zealand with the NZ Trucking Association estimating a shortfall of 4000 drivers and an ageing workforce, with the average driver being 54 years old[8].

More investment in the heavy vehicle driver training programme will remove barriers to employment and allow for job growth. Investment in retaining current drivers is essential to reduce shortages. Providing upskilling and driver awareness programmes will support existing drivers.

Investment in truck driving as a career choice in secondary schools will showcase and entice school leavers to the profession. The truck driving industry offers a great opportunity for school levers with the opportunity to earn approximately $80,000 by age of 19. Additional drivers will allow for a supply chain that operates 24/7 which will increase efficiencies.

3.2. Productive ports

New Zealand Ports are owned by local government or a mixture of private/public ownership (Port of Tauranga). The port is listed on the NZX and is New Zealand's best performing port as the ownership model enables investment for growth and productivity. Under public ownership, productivity can be restrained by red tape and politicised decision making. The last port sector reform was in 1988 which looked at improving port productivity. Due to the geographic isolation of New Zealand from global main shipping

7 HortNZ-Submission-Emissions-Reduction-Plan-Final.pdf

8 https://www.stuff.co.nz/auckland/300526687/truck-driving-the-industry-that-will-pay-85000-after-a-years-training

routes, attracting shipping lines with productive, efficient ports will be essential. Further port reform will be key to achieving this.

3.3 Airfreight

Fruit and vegetables that have a short shelve life are airfreighted to overseas markets, therefore reliance on a reliable and cost-effective air freight system is essential. It is mentioned in the strategy document that border closures and the decline in tourism have created uncertainties for the future of airfreight and that the recovery of airfreight capacity without government support is highly dependent on tourism resuming. It goes on to say that airfreight capacity for New Zealand imports and exports will remain constrained in the near future. With the high global demand for airfreight, it is also less profitable for dedicated air freighters to service New Zealand given our distance from major markets. Airfreight rates are likely to remain at two to three times pre pandemic levels. This is already impacting some of New Zealand's export industries, especially those with lower profit margins.

The industry would like to see more government investment in ensuring air freight remains competitive and is reliable.

Outcome sought in the strategy
A more accessible and flexible pathway to heavy vehicle driver licences
The promotion of truck driving as a career choice in secondary Schools
Port sector reform to ensure competitive, productive ports
Sustaining a reliable and efficient airfreight system

4. Equity and Safety

Many horticulture growers are small operators and investment in new infrastructure to support a zero/low emissions approach will be unattainable. There is a concern that investment to transition to a low/zero economy will increase prices along the supply chain as businesses look to recoup expenditure. Transition costs should be comparable to business size.

Consideration of flexible transition reduction policies for small business would be beneficial, along with financial incentives and guidance.

Outcome sought in the strategy
Incentives for small business to transition to low/zero emissions economy
Guidance for small business on how to adapt to low/zero emissions economy