

MINO-0434 Coastal shipping and the Driver Licence Improvement Programme

3 August 2022

Provide some supporting content or information about planned communications on Coastal shipping and the Driver Licence Improvement Programme (DLIP) following the Minister's Weekly Report #291.

Waka Kotahi NZ Transport Agency's response:

Coastal Shipping

Coastal Shipping one-pagers and a related newspaper article from *transporttalk* (July 2022) have been provided as an attachment.

DLIP

While communications are planned in the near future to share updates about DLIP, Waka Kotahi currently does not have a lot of material to share with the Minister's Office at present beyond what was provided in the Minister's Weekly Report #291.

Some initial results from the regional trials are available:

Te Tai Tokerau trial

- Far North REAP have completed three days of dedicated practical testing over the past six weeks, with all 24 learners successfully passing their tests.
- Feedback from learners highlights the positive impact our Police Driver Testing Officers are making by putting them at ease.
- Police also credit the driving instructors who have taught learners to drive safely.

Tairāwhiti trial

- Tairāwhiti REAP, in partnership with McInnes, completed 21 practical tests over the past four weeks, with 17 students passing their tests - an 81 percent pass rate.

Overall outcomes from students

- The positive outcome for our learners/students in both trials are employment opportunities, legal compliance and not having to wait an excessive time to sit tests. Comments included:
 - "Can go to Australia now and get the job I've been offered."
 - "Glad I didn't have to wait 3 months for my licence"
 - "No more fines for me now I've got my full."

Aotearoa Shipping Alliance

The Aotearoa Shipping Alliance has been formed by four entities from three regions who share a common vision of supporting trade, creating economic and social benefits for their communities, and providing resilience. The alliance involves Ngati Waewae (West Coast South Island), Te Rimu Trust (East Cape), Tainui Kawhia Incorporation (Tainui Kawhia) and Westland Mineral Sands Co (West Coast South Island).

About the project:

This project includes procuring vessels, upgrading ports and vessels to New Zealand standards and training crews. It will unlock regional mineral assets that are currently stranded, support Māori communities in several regions, and create mode choice and resilience through coastal shipping systems.

The shipping system will also support the emergence of new port infrastructure and investment, both private and public, in strategic assets for generations to come.

Waka Kotahi investment:

Waka Kotahi investment: \$7 million

| Benefit Type | Benefit (When service is fully operational) | Target |
|-----------------------------------|---|--|
| Increased use of coastal shipping | Number of new coastal voyages yearly | A minimum of approximately 40 voyages in the first year of operation. This will build up to over 300 voyages within the first three years. |
| Emission reduction | CO2 emissions reduced by the use of vessels rather than moving cargo by road | Every tonne of cargo carried by the vessel will only create 33% of the CO2 emissions of moving cargo by road |
| Resilience | West Coast South Island ports upgraded to a point where vessels can call in event of natural disasters | Depending on consents Westport is expected to be operating by Oct 2022. Greymouth by Dec 2023 |
| Employment | New seafaring jobs will be created with the Kawatiri dredge operation and potential creation of further jobs on new vessels | 10 new jobs by 30 June 2023, and increasing up to 40 over time |

Timeframes:

This system is expected to be operational in 2022/23. Shipping will begin in 2022, but on a short term and smaller scale while the motorised barges are brought up to New Zealand standards.

Coastal Bulk Shipping Limited

Coastal Bulk Shipping was set up in 2008. Its original shareholders consisted of a diverse group of people who had a common interest in coastal shipping and shared a belief that as a long, narrow country, New Zealand lends itself to shipping.

About the project:

Coastal Bulk Shipping is currently operating a dedicated, New Zealand flagged and crewed bulk material vessel, the M.V. Anatoki. The project will deploy a second bulk material vessel, as an addition to the Coastal Bulk Shipping fleet, and supporting infrastructure (shore-based crane, forklift and container spreader).

Waka Kotahi investment:

Waka Kotahi investment: \$5 million

| Benefit Type | Benefit (When service is fully operational) | Target |
|-----------------------------------|---|---|
| Increased use of coastal shipping | Introduction of an additional vessel into the New Zealand coastal shipping service | Coastal Bulk Shipping operating two New Zealand vessels |
| Emission reduction | Lower emissions of domestic freight through increased coastal shipping capacity and moving freight from road and rail to coastal shipping | An independent assessment will be carried out to verify results achieved within the first 12 months of operations of the new vessel |
| Resilience | Another vessel available to carry cargo to or from affected locations in the event of a natural disaster | Coastal Bulk Shipping will have two vessels to assist |
| Employment | Increased opportunities for developing maritime skill and training of New Zealand seafarers | Employment of at least 12 additional crew members for the new vessel |

Timeframes:

We expect the selected vessel to be modified and introduced to New Zealand waters by 2023.

MOVE Logistics Group Limited

MOVE Logistics Group Limited (MOVE) is a New Zealand NZX-listed logistics company. MOVE is one of the largest domestic freight and logistics businesses in New Zealand, with a nationwide network of branches, depots and warehouses.

About the project:

This project will purchase, refit, and mobilise a quarter-ramp Roll On/Roll Off (RORO) vessel capable of berthing and working wheeled cargo into at least thirteen New Zealand ports, without the need for any new port infrastructure to be built.

The vessel will initially operate three sailings a week between Nelson and New Plymouth.

Currently, the only options available for moving rolling stock between the North and South Island are on the Cook Strait ferries which operate between Wellington and Picton.

Waka Kotahi investment:

Waka Kotahi investment: \$10 million

| Benefit Type | Benefit (When service is fully operational) | Target |
|-----------------------------------|--|--|
| Increased use of coastal shipping | Number of additional sailings | 150 sailings a year |
| Emission reduction | Reduced CO2 emissions by use of the new MOVE vessel service | 2.4 million kgs of CO2 a year |
| Resilience | Reduced reliance on Cook Strait as sole RORO crossing point between the North and South Island | 150 sailings on alternative route a year |
| Employment | Number of new jobs created | Minimum of 12 new seafaring jobs |

Timeframes:

The vessel is expected to be available for purchase within 3 months. Yard availability to undertake refitting to meet Maritime New Zealand standards is projected to take 4-6 months. We expect operations to begin within a 12-month timeframe.

Swire Shipping NZ Limited (Pacifica)

Swire Shipping (NZ) Limited has an operating division in New Zealand called Pacifica. For over 30 years Pacifica has been dedicated to coastal shipping operations and sustainable domestic cargo in New Zealand. Their core activity is domestic transport; offering door-to-door and wharf-to-wharf movements for inter-regional full container load cargo to complement New Zealand's road & rail networks.

About the project:

Pacifica is currently operating a dedicated, New Zealand flagged and crewed container vessel, M/V Moana Chief. This project will deploy a second dedicated coastal vessel of similar size to improve frequency between the key ports of Auckland and Lyttelton, as well as expanding coverage into additional regional ports.

Waka Kotahi investment:

Waka Kotahi investment: \$10 million

| Benefit Type | Benefit (When service is fully operational) | Target |
|-----------------------------------|---|---|
| Increased use of coastal shipping | A second vessel resulting in an increase in frequency of freight travel | Doubling frequency of calls to twice per week |
| Emission reduction | Reduced emissions from heavy transport between the North and South Island | 31,000 extra Twenty-foot Equivalent Unit (TEU) carried |
| Resilience | Improved supply of essential commodities during a natural disaster | Pacifica will be able to cater for increased shipment of essential goods during early disaster response |
| Employment | New jobs created for New Zealand seafarers | 30 seafaring jobs created |

Timeframes:

A vessel within the parent company's fleet has already been identified and earmarked for deployment on the Aotearoa New Zealand coast. Given the previous work already completed by Pacifica and its parent company, the second vessel could be procured and deployed in 2022.

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NZ COASTAL SHIPPING EMERGES FROM DOLDRUMS

PACIFICA SHIPPING IS ADDING A SECOND SERVICE ALONGSIDE ITS MV MOANA CHIEF.

A sea change is underway for New Zealand's coastal shipping industry with new services adding to what the NZ Maritime Union says is the "biggest turnaround for the industry this century".

Hot on the heels of the Government's announcement in May to dish out \$30 million of funding for the industry matched with \$60m from four preferred suppliers, a significant increase in domestic shipping capacity is progressing.

The money will come from the National Land Transport Programme (NLTP) and also aims to reduce emissions, improve efficiency, and upgrade maritime infrastructure.

The preferred shipping operators include Coastal Bulk Shipping, Move Logistics Group, Swire Shipping NZ and

Aotearoa Shipping Alliance.

Each will bring at least one additional coastal shipping vessel into service.

Waka Kotahi NZTA worked with the wider freight industry (NZ Shipping Federation, Port Company CEO Group, National Road Carriers, KiwiRail, and the Ministry of Transport) to select four applicants for co-investment in new and enhanced coastal shipping services through the NLTP.

Swire, which operates Pacifica Shipping, says it will introduce a second vessel into its New Zealand coastal shipping service; it's expected to be operational by September this year.

The vessel will add 1300 TEU (twenty-foot equivalent unit) extra capacity every week and will complement the existing coastal service provided by

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Pacifica Shipping's MV Moana Chief – a 1700 TEU ship which has been operating since August 2019.

It will provide two sailings a week for the Auckland/Tauranga to Lyttelton service and improve schedule reliability for other regional services.

Swire and Pacifica Shipping NZ country manager **Brodie Stevens** says it offers a viable alternative to other transport modes on the inter-island trade.

He says coverage for the regional ports will improve to a weekly sailing for Nelson and fortnightly for Timaru and Marsden Point.

That has been a significant challenge to regional exporters during the COVID-19 pandemic, with international shipping lines reducing port calls into regional ports because of supply chain disruptions.

"As New Zealand's domestic transport is forecast to grow substantially over the next two decades, we're determined to meet that demand by increasing the frequency and capacity of our inter-island domestic freight service, as well as international trans-shipment cargo demand," Stevens says.

Ministry of Transport data projections suggest freight volumes will increase by 11% in the next 10 years and 40% by 2053.

Pacifica Shipping is advocating coastal shipping as a means for New Zealand businesses to consider how to use more sustainable options in their supply chain.

"Moving substantially more inter-island freight by coastal shipping is estimated to enable savings of 66,000 tonnes of CO2 per annum, compared to moving cargo by road transport," Stevens adds.

Coastal shipping is also seen as a way to bring resilience to New Zealand's supply chain in times of natural disaster and disruption.

He says that during the Christchurch and Kaikoura earthquakes, coastal shipping was able to maintain services into Christchurch.

Meanwhile, Move Logistics has entered a funding agreement for \$10 million of co-investment from Waka Kotahi to help accelerate its coastal shipping strategy.

It will see Move establish an alternative sea freight service between the North and South Islands, initially creating a new gateway via Nelson and New Plymouth.

Currently, the only options available for moving rolling stock between the North and South Islands are via the Cook Strait ferries which operate between Wellington and Picton.

These vessels require linkspan/



ramp operations for loading and unloading cargo and the vessel ramp configurations mean that these ships can't berth at standard cargo wharves.

Move's new service will be capable of calling into at least 13 New Zealand Ports, without needing any new port infrastructure to be built.

Move says it will now acquire, refit and mobilise a quarter-ramp roll-on/roll-off (RoRo) vessel, with the first sailing expected to be in 2023.

Executive director **Chris Dunphy** says the company will work closely with its freight and contract logistics customers to offer "blue-water alternatives to trucking".

"The quarter-ramp roll-on/roll-off vessel service is unique and will be an industry first for coastal shipping in New Zealand," he says.

The driving time savings derived from the initial Nelson-New Plymouth service will also deliver greater efficiency.

The company says that's "a valuable benefit" at a time when the New Zealand freight industry is facing significant driver shortages.

Under the new Move Oceans service, a driver could drive from Auckland to New Plymouth, drop off a unit to be shipped to Christchurch, pick up a unit that has come north from Christchurch via Nelson and return to Auckland within one shift.

This is "far more efficient" than the current system where one driver drives the length of the country from Auckland to Christchurch and returns, the company says.

Port Taranaki is working with Move on the venture and its head of commercial, **Ross Dingle**, says he's looking forward to the service beginning next year.

"We actively look at options to diversify our customer base and see the development of coastal shipping as a logical step.

"We have berthing and storage facilities available that can support a quarter ramp roll-on/roll-off vessel, and believe this service will provide additional inter-island resilience and create flexibility and opportunity for Taranaki businesses wishing to either bring products into the region or send goods and products to other New Zealand regions," Dingle says.

TRUCKS STILL ESSENTIAL

The advancement of coastal shipping is being touted as a positive for reducing the volume of trucks on the country's roads, which will help to lower heavy transport emissions.

However, road freight body the National Road Carriers (NRC), which was part of the freight industry advisory group for the coastal shipping funding, says trucks will still be carting 93% of New Zealand's freight.

NRC chief operating officer **James Smith** says the coastal shipping developments will provide "increased resilience to the supply chain and reduces our reliance on international ships on our coast".

"The successful applicants provide much needed additional capacity for bulk, and non-time sensitive cargo – a lot of which isn't viable to move by other modes.

"New Zealand's freight task is growing and even with this increased capacity in coastal shipping, road transport will need to grow to meet demand," Smith says.

Commenting on NRC's role on the coastal shipping advisory panel, Smith says its members range from sole traders to large global logistics companies and the organisation was looking at which of the applications delivered "the best value to the wider supply chain and provided resilience".

"Several of the options unlocked economic activity that had no other transport option currently available so there was an added benefit to the wider economy.

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"The process was a great example of how all involved in the supply chain can work with government to deliver targeted assistance that accelerates growth in our sector," Smith says.

MAERSK ENTERS MARKET

Shipping giant Maersk is putting its hat in the ring and launching a dedicated New Zealand coastal service.

It's the first time the company has offered such a service following 25 years' operating here. The service, Maersk Coastal Connect, began on July 12 operated with New Zealand crew.

Two 2500 TEU vessels, Maersk Nadi and Maersk Nansha, have been deployed visiting Timaru, Nelson and Tauranga weekly and Auckland and Nelson fortnightly. The combined capacity will reach 250,000 TEU each year.

Maersk Oceania managing director **Henrik Jensen** points to COVID-19 as driving the need for more resilience in local and global supply chains.

"By operating two dedicated vessels, we can position empty containers to the right places more efficiently to meet export requirements.

"At the same time, we're enabling more than four days of additional schedule buffer to reduce impact from the supply chain disruptions, including port congestion, tidal windows, swell, lower port productivity and longer port stay.

"This will ensure smooth connections to our international mainliner network and benefit more than 2000 cargo owners in the country," Jensen says.

The dedicated coastal service initiative is in conjunction with the company's

announcement that it will build a cold chain facility in Hamilton's Ruakura Superhub.

CAREER OPPORTUNITIES

The union representing seafarers says New Zealand coastal shipping is experiencing a "once in a generation shift".

Maritime Union of NZ national secretary **Craig Harrison** says there have been constructive discussions with Maersk over crewing the new service.

He says the union would work with industry, government, and training providers to provide opportunities for young New Zealanders wanting a career in the maritime industry.

New Zealand is a maritime trading nation and it's essential it has seafaring capability and a skilled workforce, he adds.

Transport minister **Michael Wood** says the Government is committed to investing in coastal shipping and making it a "more viable alternative to strengthen and diversify our domestic supply chain".

"When the new funded services are fully operational, it's estimated they'll remove around 35 million kilometres of truck travel from New Zealand's roading network every year, creating new employment opportunities for mariners and supporting regional development," he says.

Work has begun to discover how many seafarers will be needed.

"Because the sector has been in decline, young people haven't necessarily seen a career pathway. We need to turn that around, and I

intend to bring companies, unions, and training providers together to ensure that we are providing practical training pathways and promoting great careers in the sector," Wood says.

As more cargo shifts to coastal shipping, there will be ongoing work to ensure that different parts of the sector work well together, across ports, shipping companies, road, and rail, he adds.

BROAD CHALLENGES

NZ Shipping Federation executive director **John Harbord** says several challenges still need to be addressed.

First, there needs to be a level playing field so domestic operators have a long-term future. Around 75% of maritime freight is moved by international operators "who pay little or no corporate tax globally", Harbord says.

"They pay no GST on supplies purchased in New Zealand, face little or no emissions charges, and have much lower remuneration costs compared to New Zealand operators," he says.

Then there is supply chain disruption which has meant the international operators are less reliable.

In terms of the workforce, Harbord says NZ doesn't have enough seafarers and the sector needs flexibility to bring in international workers where New Zealanders aren't available.

Shipping also faces charges that road and rail don't, so there needs to be mode neutrality, Harbord says.

Some of these come from international maritime agreements designed to ensure international ship operators pay some emissions reduction costs.

"Yet in New Zealand, unlike most countries in the world, we have an Emissions Trading Scheme, so domestic ship operators are effectively charged twice for emissions.

"That renders them less competitive cost-wise relative to road and rail who aren't exposed to these international agreements."

Harbord says more work is needed to ensure essential infrastructure is in place.

The proposed dry dock at Northport is "absolutely essential", he says.

"Coastal freighters have to dry dock twice every five years.

"The Sydney dry dock is fully booked for 2023, so ships need to sail to Singapore, Shanghai, or elsewhere to do this, burning millions of tonnes of fuel and injecting millions of dollars into those economies.

"Some of our ports also need to expand berthing or other facilities," Harbord says.



MOVE LOGISTICS IS BUILDING A COASTAL SHIPPING STRATEGY.

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