

Transforming Transport 14-11-07

Logistics and Location Workshop 2

What are the key drivers and points of leverage for emissions in your topic area?

1) "Social outcast" factor wont drive behaviour, so **social marketing/ promotion** is ***not*** a lever

2) **Regulation** was briefly suggested (eg restrictions on road freight movement over long distances) and rejected immediately as

- uneconomic
- reduces choice
- rail networks not complete
- creates market and structural distortions

NB the point was made that removing the 150 k road limit several years ago had structural effects on the logistics and supply chain market in NZ - the change enabled a single national point of distribution for all imports/ manufactured goods (usually Auckland) instead of multiple points of distribution at regional /local level.

3) **Pricing** is the most effective lever where the other drivers are commercial and in a user pays system.

Some general points –

Transport is just part of the entire supply chain, and NZ transport costs and prices are not considered in isolation from the other factors which include:

- Market pressure for “Just in time” delivery. The way this plays out is that the length of time that goods are in transit or waiting to be consolidated with other goods imposes a cost on the business over and above storage costs
- Inventory storage costs (more expensive at port, urban areas)
- Mode transfer accrues costs (accumulation, labour, management)
- Total cost of transport to market (includes international transport, and international shipping movements)

Rail can stack up where there is a high freight density, but road transport is always going to be part of the core logistics solution. (probably 80%)

There is a connection between the location of distribution points in the supply chain, and land use planning, but our understanding of this is poor and supply chain distribution development is occurring ad hoc.

Pricing levers

There is a disconnect between prices and true costs – if the prices of the different modes reflected the true costs, this would set the conditions for more sustainable logistics decision- making.

- 1) One issue affecting mode shift is distortions in funding which bias freight movements towards roads
 - The Funding Assistance Rate (FAR) for state highways is 100%
 - The FAR for Rail infrastructure is 60%
 - The FAR for coastal shipping is 0%.
 - Not clear what the FAR for intermodal transfer infrastructure is, but the perception is that Land Transport NZ is not willing to fund capital works of this nature. (Who should fund/ develop/own/drive it?)

The fact that externalities are not priced creates further pricing distortions.

Governance: The fact that rail funding is outside NLTP and rail policy is driven out of treasury means that rail is not treated in an integrated fashion with other modes

This was thought to be the single most effective lever and where immediate policy effort should go – to ensure that prices are reflective of costs.

- 2) The current cost of intermodal transfer is generally too high and makes discretionary intermodal transfer unacceptable. Costs include
 - Cost of storage/ delays/ consolidation at rail nodes
 - Coastal shipping is uneconomic (example given of barging logs).
 - Historic arrangements are an influence here
 - a) The ports are local independent monopolies, protected from needing to become more competitive, and no co-ordination or supply chain thinking or thinking beyond own region.
 - b) Historic labour arrangements mean it is very difficult to introduce more efficient technologies
- 3) There is room for the industry to alter its practices to become more efficient by, for example

- More use of backloads where possible (although the fact that some ports focus on export, others on import, is a structural problem. Also, the rural location of the high volume export industries (dairy processing/ forestry) is not the same as the urban consumption centres)
- Fuel efficiency practices, (driving style, monitoring fuel consumption and speed)
- Increasing productivity
- Optimising loads(full loads, standard palletisation standards)

What could a climate supportive transport system in your topic area look like in 2025?

- Inland ports
- More localised distribution networks
- JIT will stay, but fewer *small* JIT deliveries
- Better info systems to enable this
- 80% will still be by road
- Smoother more efficient intermodal transfer
- More containerization, standard palleting systems to enable more efficient intermodal transfer
- There will be more rail feeder routes (extend the network)
- Externalities will be factored in – all users pay true costs
- The funding structure will be different – roads will be funded by users, not by fuel (extend RUC to all vehicles and it will be automated)
- The SH network wont be developed further but will be maintained and will run more efficiently
- Traffic management and logistics management will be automated in general

What needs to happen now to help the transformation of your topic area towards a more climate supportive system?

(Largely discussed as part of the first question above)

