Strengthening the resilience of New Zealand's critical infrastructure system

A submission from the New Zealand Port Company CEO Group on the DPMC June 2023 Discussion Paper.

The New Zealand Port Company CEO Group comprises the following 13 internationally connected sea ports – These are, from North to South - Northport, Ports of Auckland, Port of Tauranga, Eastland (Gisborne), Napier Port, Port Taranaki, CentrePort (Wellington), Port Marlborough, Port Nelson, Lyttleton Port, Prime Port (Timaru), Port Chalmers, Southport (Bluff). The group welcomes this consultation.

There are other sea ports in New Zealand but of a much smaller scale and activity. Those on the West Coast of the South Island and Whanganui are probably the most significant. Some just service the fishing industry but others do handle domestic freight. These is also a port handling the iron sand trade off the coast of the Waikato.

99% of New Zealand's exports by volume pass through New Zealand's 13 export seaports. A slightly smaller proportion of New Zealand imports pass through the same ports. Air freight delivers the balance of imports and exports but is very small in comparison. Tauranga is New Zealand's biggest export port. Auckland is New Zealand's biggest import port.

The crossing between the ports in Wellington and Picton essentially operates as an extension of the road and rail network and links the North and South islands.

All 13 ports should be regarded as critical infrastructure. Even the smallest of our number play a critical role in their regional supply chains.

Ports are part of a supply chain network and these networks are actually quite vulnerable. There would also be significant benefit if critical <u>infrastructure systems</u> were considered rather than individual elements in an ad-hoc way. There would also be significant benefit if critical <u>infrastructure systems</u> were considered rather than individual elements in an ad-hoc way.

Some criticise New Zealand for having too many international sea ports. From a resilience perspective we are lucky to have this network.

The resilience of our port network has been tested many times in recent years. Major earthquakes, weather events and COVID have been the most significant tests.

The ports have demonstrated a strong ability to withstand or recover fast from these events. They have shown themselves to be very innovative and adaptable.

The ports are part of a supply chain that has been severely impacted by these adverse events. COVID, and to a lesser extent the Russian war with Ukraine, have had a severe impact on the international supply chain. The reaction of international shipping lines to reduce capacity during the initial phases of COVID were in hindsight an enormous error which caused close to three years of disruption. While the ports themselves have proven resilient, the same cannot be said of the inland supply chain. Both rail and road links to ports have been hugely disrupted at times. Coastal shipping has been able to play a bigger role in emergency situations but the supply chain has been impacted severely. This has implications for productivity at ports and the wider economy.

To minimize the risk posed by future weather and earthquake events for the supply chain it is timely to plan for a more resilient future. Essentially this will require investment in more resilient road and rail linkages into ports, and investment in sufficient rolling stock to enable rail to shift capacity quickly to address pressure that might be experienced in parts of the system. It would also be wise to re-designate all road access to ports as state highways. Many such access ways are currently not part of the state highway network. It may be that rail links are not possible or sensible in a couple of cases (Nelson and Gisborne) but there is a very strong case for the extension of the rail link to link Northport to the rail network.

It is our understanding that the new ferry terminals being planned for Wellington and Picton are being designed with resilience in mind. This is welcome. It would be unfortunate if cost pressures pushed some of these resilience requirements were pushed to one side by short term cost pressures.

Having sufficient infrastructure capacity will make NZ more efficient and competitive and likely enhance resilience through multiple options. For example, overburdened infrastructure due to a deficit of infrastructure will have very little capacity to absorb shocks or provide alternate options when other infrastructure is compromised. A power network running at capacity can't absorb shocks, a port running at capacity can't take freight from another region if their port is compromised. The Government has a role to ensure that Government legislation (such as the RMA replacement, S384a replacement – see below etc) and Council Regional and District Plans provide for infrastructure owners to upgrade and expand infrastructure to ensure it is resilient and provides sufficient capacity. Many current capacity constraints are due to consenting complexity or high economic costs to construct.

A very port specific issue exists around renewal of Coastal Occupancy Permits (RMA S384a). Many of these are due to expire in 2026. These are important in the resilience context as they allow the ports to control the area of water and land used by the port and to enforce the security of this area. We had been hopeful that a roll over would have been included in the Bills that are set to replace the RMA. The sector is carefully considering this issue at present. It is resolvable but a legislative roll over would have been the most efficient mechanism to do this.

Regulation is not really an impediment to resilience beyond planning laws.

The sector would welcome recognition that port company are critical infrastructure providers and regulation that is written to facilitate investments that improve resilience.

With the volume of trade growing and with ports occupying a finite land area, inland ports are growing in importance in New Zealand. The access to these inland ports and links between these and the sea ports they service needs to be regarded as critical infrastructure also.

Ports, and the wider supply chain, are clearly potentially vulnerable to cyber attack. All ports are aware of this risk and have active plans in place to mitigate this risk.

We would assess the national security risk to the port sector to be low. This clearly increases when naval assets are visiting/using port facilities. Organised crime is probably a larger concern at present and this is very close liaison between individual ports, Customs and Police to address this risk. None of our ports are majority foreign owned. Local Government remains the dominant shareholder in the sector. The sector is aware of the debate over foreign ownership/control that occurs as close as Australia. Any significant change to ownership of a port involving foreign investors would need to be considered by regulators.

The sector is aware of Australia's recent reforms to enhance infrastructure resilience. Some ports have sought advice on this and the implications for them should New Zealand decide to adopt a similar regime. We note that Australia's reforms are still being implemented. The sector would welcome a continuing dialogue with Government on any plans to follow the Australian path. Introduction of such a regime would increase costs for the sector which would ultimately have to be passed on to port users.

Aside from concerns around the level of investment in road and rail linkages with ports, and a firm view that these links need to be upgraded to ensure resilience, the sector does not see glaring deficiencies elsewhere. Existing relationships with Government agencies in the national security space work well. The sector has an open mind, but is not convinced that Australian style regulation is needed. We suggest that Australian and New Zealand circumstances are different.

The sector notes that the ports are just one step in a complicated supply chain that links producers and consumers. As part of this supply chain we are very dependent on international sea freight operators. The amount of New Zealand Government regulation impacting these international lines is growing, and this invariably increases costs. The sector does not challenge the need for this regulation, but suggests that regulators consider cost implications and the likely reaction from these international lines to new compliance responsibilities associated with the introduction of any proposed new regulation. The case for new regulation therefore needs to be a strong one. We do not want to see unnecessary regulation introduced simply to match jurisdictions such as Australia.

Thank you for this consultation. The port sector welcomes this. We hope that this feedback is helpful to you.

Charles Finny
Independent Chair
8 August 2023

charles@sul.co.nz
0275 441 547