

Supply chain battle takes on new ground

The inland logistics battle, already in full swing in both the North and South islands, has intensified with the dual announcements that the Ports of Auckland is to develop a Waikato freight hub and that Coda Group (linked to rival Port of Tauranga) is to develop a warehouse extension in Otahutu.

Each has importance and it emphasises just how much two rival supply chains are being formed.

Dealing first with the Ports of Auckland development, the company has signed a conditional agreement to purchase 33 hectares of land at Northgate Business Park in Horotiu, 8km north of Hamilton, for development as a freight hub, at a cost of about \$20 million.

Ports of Auckland is working through the conditions attached to the sale and is aiming to complete the deal by March 31.

The site offers excellent potential road and rail connections, being next to the Waikato Expressway/State Highway 1 and adjacent to the Main Trunk rail line. Ports of Auckland would have to pay for a private siding but I can't see that posing a problem.

It is located in an area with growing manufacturing, warehousing and logistics businesses, such as Manfreight. It's a stone's throw from the Fonterra logistics complex at Te Rapa and the rail and road links north go past the booming area of Pokeno, at the foot of the Bombay Hills.

The rail link is important. It would allow potential link-ups between Auckland's other freight hubs (Manawatu, Bay of Plenty and Wiri)



Dave Machnyre

and the Waitemata seaport. The company's target is to increase the use of rail from 13% to 30% of traffic to the Waitemata port and the development of the inland freight hub network is critical to achieving this target.

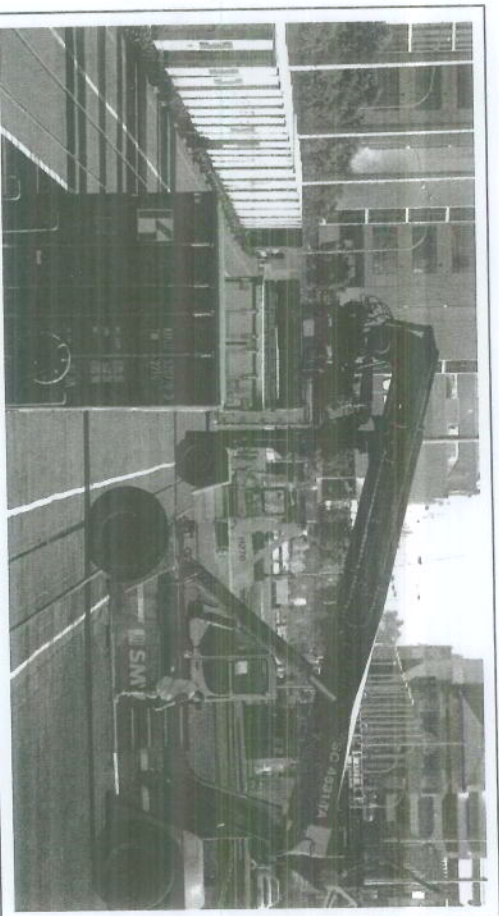
The Waikato play has been depicted as completing Auckland's freight hub network but it is important to make distinctions between the roles of all the sites mentioned above.

Longbun is a long-term play to reach into the southern North Island and possibly is starting from a slow base. The Bay of Plenty I see as a small operation, perhaps an irritant to Tauranga (being on its doorstep) but more of a receiver station for customers who may be sourcing cargo to and from multiple sites. It does not have the scale of the other operations.

Wiri was initially, I believe, a slow starter and possibly was compromised as a rival to Tauranga's MetroPort simply because it isn't in the industrial heartland of Penrose.

However, it has grown from being mainly an empty-container yard and now has a Polarcold facility as well as a cross-dock under construction, giving it a multi purpose as an inland freight hub.

This Waikato development is also a long-term play, perhaps similar to Longbun but possibly with more immediate growth possibilities because the "Golden Triangle" of



Ports of Auckland rail network.

Auckland-Waikato-Bay of Plenty offers large contestable freight flows that are growing.

And what of a potential reach into the South Island? At the moment Ports of Auckland has made no direct play there but Nexus Logistics, its 50/50 freight management joint venture with Netlogix, is understood to be working with Lyttelton in exploring the possibilities of the Rolleston inland hub.

Switching now to the rival Coda Group, the 50/50 joint venture between Kotahi and Port of Tauranga, it has signed an agreement with Goodman (NZ) Limited, the manager of Goodman Property Trust (GMT) to develop a 4950 sq metre warehouse extension at its existing Savill Drive Intermodal Freight Hub in Otahutu. The new facility will feature a

6500 sq metre freight canopy and rail siding, providing direct access to KiwiRail services along the Main Trunk line. The extension will be undertaken in stages with final completion scheduled for December 2016.

Coda currently has 14 intermodal curtain-sided containers moving on rail per day between Auckland and Palmerston North, taking domestic freight southbound and then being loaded northbound to create a fully-utilised rail loop.

Southbound, the freight is FMCG (fast-moving consumer goods) and import products, and northbound is exports. From May, Coda is looking to up this traffic to 34 curtain-sided containers daily running full both ways between Auckland and Palmerston North.

So Coda's move is an expansion of an existing operation on an existing site, as opposed to Ports of Auckland's play which is the creation of an entirely new freight hub.

But the important bigger picture is that the two rival supply chains are relentlessly extending their reach.

Each talks a similar language. Coda speaks of backload efficiencies, connecting export cargo flows with import flows into one transport system by better co-ordinating road and rail movements. It is providing opportunities for lower North Island exporters to access the two main ports in the North Island and is bent on consolidating the freight necessary to support the future of bigger ships into New Zealand.

Ports of Auckland talks of improving access to overseas markets for regional exporters and creating supply chain efficiencies – "the key benefit of our freight hub network is that it can be used to balance freight flows around the North Island and eliminate unnecessary movement of empty containers. By driving out waste from the supply chain we can lower the cost to importers and

exporters."

As these rival supply chains grow, what then of the Ruakura project under development by Tainui Group Holdings, to the east of Hamilton, for which consents are imminent?

Doubts have been raised about its future, after the Ports of Auckland decision to create the new hub to the north of the city. Road Transport Association upper North Island manager Keith McGuire questioned the value of having two freight hubs in the city. Green Party transport spokeswoman Julie Ann Genter said the two competing hubs are an indication of a government failure.

However, I see the two as being on a different scale. Ruakura is 480 hectares; the Ports of Auckland's Northgate site is 33 hectares.

I also see Ruakura as something different, offering companies the opportunity to site distribution or manufacturing facilities within a commercial hub. It offers a new, greenfield industrial development site to the east of the city, away from the long narrow strip of traditional industrially-zoned land to the west of the Waikato River, including Frankton. Logistics companies can establish their own bases and distribution centres on land that adjoins both rail and road. Local light industry could also relocate to the adjacent vacant land.

The vision held by Tainui is for a port-neutral freight hub, to serve non-dairy freight movements between Auckland, the Bay of Plenty and the Waikato.

Whether there is room for all these hubs remains to be seen but my guess is each will find its place.

As I have said before, interesting times lie ahead in the supply chain battlefield.

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