

Connecting by Rail - an opportunity for forestry

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During the 12 months to the end of June 1999 Tranz Rail forestry revenue rose 8.4 per cent to \$73.2 million. This was achieved against a background of declining activity levels in many parts of the forestry sector, including a 0.4 per cent fall in total forestry exports. However, most of the impact of the Asia crisis on Tranz Rail fell in the 1997-98 financial year when forestry revenue declined 5.7 per cent.

Many forestry companies reacted to the decline in markets by reviewing their costs, including those associated with transport. They also tried to get suppliers to provide more services for the same cost, for example by asking transport companies to add logistics to their basic transport service.

Tranz Rail, with its background as a low-cost, multi-modal transport company with a national network, was well placed to react to these new circumstances and increase its market share. The strong performance of 1998-99 has continued into the first quarter of the new financial year. In the three months to the end of September 1999, forestry product revenue rose 11.2 per cent to \$19.9 million compared with the same period in 1998.

Options for forestry companies

Twelve per cent of Tranz Rail's revenue is earned in the forestry sector. The company is the major transport supplier for the pulp and paper industry, and a growing supplier of transport services to the log industry.

Tranz Rail offers its forestry customers a full range of transport services. During the last decade Tranz Rail has been evolving from being an essentially line-haul operation to being a multi-modal provider of transport services. Tranz Rail services include, on-site load out operations, linehaul, shuttles, warehousing and distribution, stock control, order picking and delivery. For its log customers, Tranz Rail offers ex-skid site road transport, linehaul, storage and handling.

Tranz Rail's basic approach to its freight customers is to offer complete transport solutions, working in a long-term partnership in which strategies, information and processes are shared. Despite Tranz Rail's growth in value-added services, the traditional siding-to-siding, rail-only service remains, with some modifications to its applications, a key contributor to the company's performance.

One of the key factors in the company's recent success in the forestry sector is the agreement reached with Fletcher Challenge Forests (FCF) in late 1997 to move export logs from Murupara and Kawerau to the Port of Tauranga by rail. Agreement was reached by Tranz Rail and Fletcher Challenge Forests just prior to the worst of the Asian financial crisis and the lowest activity in the forestry sector. While total log exports remained low during the first half of 1998, the FCF agreement has helped Tranz Rail maintain volumes in the shrunken market. Under the deal, Tranz Rail carries pulp logs to Fletcher Challenge's Kawerau mill and export logs from Murupara

and Kawerau to the Port of Tauranga. It is a 24-hour-a-day, six-days-a-week operation (seven days if required).

The key to Tranz Rail's ability to increase its market share has been some lateral thinking on how to decrease wagon turn-around times. In the middle of 1997, the company was running three log trains a day from Murupara and Kawerau to the Port of Tauranga, by early 1998 it was running five, and from March this year it has been running six. This has been achieved through greater utilisation of the existing wagon fleet, not by introducing more rolling stock to match the increased supply of wood to be carried. The key to improved wagon utilisation has been shorter trains.

Thirty wagons have proved to be faster to load and unload and easier to turn around than the 100-wagon behemoths of old. Wagons attached to long trains were spending up to a day at each end of the Murupara-Kawerau run meaning many were only doing one revenue-earning trip every four days. The shorter trains are now doing up to 1.5 full trips a day. Greater asset utilisation has had clear positive spin-offs for Tranz Rail in increased revenue at low extra cost and reduced capital expenditure.

The introduction of rail as the key transport provider to the Port of Tauranga has linked with FCF's move to central processing yards at Murupara and Kawerau. Cartage direct from the skid-site to the wharf now makes up a very small portion of total volume. An additional motivation for FCF to move to the centralisation of processing was its desire to reduce the on-port inventory and associated costs.

Tranz Rail has also completed major infrastructure work at its Mt Maunganui terminal which, when allied with direct access to the Port of Tauranga log sidings, will give even greater efficiency gains. Log shuttles will be able to be placed direct to the wharf's log sidings. About 70 per cent of all logs shipped out of the Port of Tauranga now arrive by rail compared with about 40 per cent two years ago.

There are two significant positive spin-offs from this.

1. The use of rail has reduced the number of trucks on roads and consequently the damage they cause to roads. The New Zealand public have an identifiable safety concern over the presence of larger and heavier trucks on roads.
2. Rail has much less impact on the environment than other major transport modes. Its CO₂ emissions are only about a quarter of road transport on a net tonne kilometre basis.

While log volumes in the Central North Island will remain a large proportion of total volume, forecast growth in other regions, particularly Northland and the lower and eastern North Island have created other opportunities for rail.

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