

# Supply Chain Management in the Forestry Sector - Transport Logistics Opportunities

John Webb

New Zealand is now entering a period where log supplies and forest products output will be substantially increased. Given the magnitude of the increases in many regions, it is important to consider the forestry products that are currently and likely to be produced in different areas, and the consequent transport services that would be required to move those products. Since the Central North Island forestry area currently enjoys the best forestry transport networks in the country and is not forecast to have large increases in log output, the emphasis is on other areas.

## Regional Opportunities

The Northland region is perhaps the most isolated in terms of distance from forests to production facilities or export ports. It has a substandard roading system and its rail-line runs out in the mid-north at Kawakawa, leaving road and sea transport as the only modes available for forest owners in the far north. The region's lack of water means that many forest processing facilities are not possible, and some logs will have to be moved for export from the region. Opportunities for moving logs by road to the planned port facility at Marsden Point exist, however a substantial increase in logging trucks on the region's only two sealed highways will conflict with the area's major tourism industry. Barging operations may thus be the best transport solution in this region.

The East Coast is similar to Northland in terms of substandard roading, but it has some operational advantages. It has a port within easy distance from most forests, a water supply that can serve future wood processing sites, and a rail link to its port and other regions. Transport companies can therefore plan for the increased log volumes and the prospect of both sawn timber and MDF products adding to transport requirements.



Logs on the move at the Port of Tauranga.  
-Photo courtesy BHP Transport and Logistics NZ Ltd

However, East Coast forests are often relatively isolated and tend to be located on steep land requiring specialist transport solutions for extraction and delivery. Hicks Bay has the potential to become a deep-water barging port to mitigate the problems of poor roads and isolation.

The Nelson/Marlborough region has a number of opportunities for transport companies. The Port of Nelson has no rail service and suffers from tidal restrictions. The recent Shakespeare Bay expansion on the other hand is deep water and is planned to be connected to the Main trunk rail line. A well-planned transport solution in partnership with Tranz Rail and the Marlborough Port Company could compete for the region's logs, and sawn timber volumes. Difficulty of access in the Marlborough Sounds area has already encouraged barge operations rather than attempting to build expensive roads for short term.

The Otago/Southland region is well served by road and rail and has two port facilities. However the region's increasing volume of logs, MDF and sawn timber offer



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many transport opportunities, including stevedoring, as Port Chalmers currently has but one general-purpose stevedoring company to take advantage of the increasing volumes available for export.

Entrepreneurial transport companies could also take advantage of the increasing volumes of forest output that are becoming available in the southern North Island where the ports for Wellington (Centreport) and New Plymouth (Westgate Taranaki) are looking to capture the forest products export trade.

## Transport Issues

From a forestry transport perspective, roading is the most challenging issue. Forest companies pay about \$90 million annually in rates or taxes for the upkeep of roads. Trucking companies also pay indirect petrol taxes and road user charges but are frustrated at the lack of capital being invested into a quality roading network that will meet their needs, particularly in isolated areas such as Northland and the East Coast. The concept of corporatised road companies managing the road network also causes concern in the industry. Over the life of a forest, companies pay for the right to move their logs over the nation's roads and then have to pay again to a profit motivated company. They see that as double taxation.

Perhaps the main problem concerning forest product transportation is the lack of a nation-wide and multimodal vision on what is best for the nation's forestry infrastructure. Most investment in roading is simply repairing or upgrading current networks which service regional process facilities and export ports without questioning if that is the best long-term investment.

Rail is investing heavily in such areas as new ferry purchases and the new port expansion/development at Clifford Bay, but these will have little effect on the bulk forest trade requirements. Even with a change of ownership, there has been no significant expansion of rail networks to cater for the growing harvest levels nationwide. Rail still is the cheapest long distance internal mode.

Port companies are investing heavily to compete with each other for the export market as is to be expected of private companies, but is this competition beneficial to the overall good of the nation? Globally the concept of hubbing has reduced the role of smaller regional ports, especially in direct container trades, and has led to the growth of a few larger hub ports.

This port centralisation will allow for increased opportunities for transport companies who think multimodally to implement the best possible transport solutions overall. For instance, the opportunity may exist

for a transport company to take advantage of the concept of hubbing. By using all appropriate modes of transport to consolidate forestry cargo internally at one port on each island, shipment could then be made to one overseas destination carrying products from any number of producers in New Zealand. If this gives all our forestry producers a cheaper delivery option, it should be considered. A multimodal transport operator is best suited to offer this type of combined service.

However without a nation-wide transport infrastructure plan, the future looks to remain uncoordinated. Competition in all elements of domestic transport remains the order of the day rather than pursuit of co-operation and co-ordination. To give all producers a better transport solution and to make the nation's forestry products cheaper on the international market, ways must be found to integrate internal transport systems to take

advantage of the most effective and efficient international maritime transport options. As long as more than one provider of integrated transport services is in the market, competition remains, but those providers must be in a position to act multimodally.



Port companies are investing heavily to compete.  
-Photo courtesy of BHP Transport and Logistics (NZ) Ltd

## About the Author

John Webb is a part-time Master of Applied Science student in Transport Studies at Lincoln University. He has a graduate research

placement with his current employer, BHP Transport and Logistics New Zealand Ltd. where he is a Foreman Stevedore. Lincoln University offers programmes in transport, logistics and supply chain management that lead to qualifications at Bachelor, Master and PhD levels. Students in these programmes can combine interests in areas such as forestry and transport.

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