Much Ado about ‘Hubbing’: Forestry leads the charge for the resurgence of regional ports

Martyn McColgan

The central theme of the mid 1990's among the transport industry and particularly that of the nation's ports has been that of 'hubbing'. This centralisation or 'rationalising' to reduce cargo entry and exit points from our shores was based on international shipping trends occurring at the time. Hubbing was viewed as central to the theme of shipping companies taking advantage of economies of scale. Fewer port calls and larger cargo exchanges requiring the use of larger vessels were to be expected. The new 'centralised' theme was predicted to ultimately lead to the demise of our smaller 'regional' ports. These predictions appeared to be prophetic during the Asian crisis, with many of the regional ports suffering comparatively large volume, and hence financial, downturns when compared to the main or 'city-based' ports.

However, successful operation of the hubbing theory at a domestic level depends on the availability of a cost-effective internal land based transport and/or an integrated competitive coastal shipping service. New Zealand's geography and internal employment regulations have limited the cost benefits of such transport means. New Zealand's transport 'model' has therefore not followed the same path as depicted by many international trends and models. With its unique and 'transport limiting' geography, the economic dependency on primary produce and the location of much of this export produce in the regional hinterlands, our transport model has of course turned out to be very individualistic.

With regard to forestry, New Zealand's natural geography has dictated that the logging industry is largely dependent on road transport. The topical, much publicised and highly criticised increasing road usage by logging trucks on the road infrastructure has posed a major problem for our city-based ports. This sustained pressure on major roadway infrastructures, and the subsequent downturn in demand for forestry products during the 'Asian crisis' led some of the city-based ports to review resources they had dedicated to the forestry sector. Some deemed the industry fickle, and whilst not discouraging forest product suppliers (particularly that of logs), certainly did not encourage the forestry sector with further commitment to the industry. Others, due to environmental constraints became incapable of successfully servicing the forest (log) industry.

This led to many 'niche markets' to become of...
increasing importance to 'regional ports'.

The export log trade is of course not the only commodity which regional ports have focused on. Other bulk cargoes, such as fertilisers destined for regional hinterlands, and high volume seasonal products such as horticultural and agricultural exports continue to be shipped in increasing volumes close to the areas of production.

New Zealand is of course heavily reliant on the agricultural and horticultural sectors for its export trade. With many of our primary producers (particularly that of the forestry sector), increasingly focused on adding value to their product by further processing before export, the regional ports are now experiencing a further boon. Not only are imports supplying product necessary for many of these value-adding process increasing, this 'product refining' has resulted in an increased output of export product in a more 'unitised' form. Both factors have led to a greater emphasis on containerised product in regional ports. The resultant increasing number of calls by container vessels to some regional ports has of course coincided with decreasing visits by bulk commodity vessels.

**Hubbing theory is now getting interesting.**

The shipping companies’ desire to limit the number of port calls (as per international models) has allowed regional ports to remain exceptionally competitive. Aggressive marketing and innovation in the provision of extended services to customers has seen some regional ports prosper at the expense of their larger neighbouring counterparts. This is particularly apparent at the Port of Tauranga. The development of Metroport directly targets the Port of Auckland’s customers. This confrontational stance toward Auckland is continued with the formation of a partnership with the Whangarei port company and the subsequent development of ‘Northport’. Should a rail link to Northport develop, akin to the Auckland based southern link of Metroport, a further assault on the port of Auckland’s customer base would arise. The investment in Northport alone by the port of Tauranga displays confidence in the future of forestry products, regional ports and their role in New Zealand’s economy.

The port of Tauranga has been so successful in its marketing and development strategies that it is quickly exiting the label of a ‘regional’ port. Tauranga has unashamedly used its advantage of proximity to the nations largest forest reserves in the central North Island, focusing its attention on forest product. Forestry and its associated products have been used as a core foundation, allowing an exceptionally solid base to launch into such ventures as Metroport.

Likewise the Port of Napier’ proximity to large resources of export product in the form of forestry, agriculture and horticulture has allowed it to aggressively compete with Wellington to be the preferred port of call for the lower North Island. The Port of Napier has also been active in extending services provided to customers. A major bonus for the company has been the success of its ‘port-pac’ facility. This container-service industry provides wharf-side packing and unpacking of containers to meet specifics customer needs. Such initiatives have led many container vessel operators to consider Napier as an alternative port of call to Wellington.

Nelson aside, which has retained its focus on horticultural and forestry products, the South Island ports of Timaru, Port Chalmers and Bluff have also increased their focus on forestry products. With the realisation of large volumes of maturing production plantations in the South, prospects look promising for these regions.

**Logistic Opportunities**

The increase in activity towards our regional ports has opened up opportunities for the transport or logistic sector of the industry. Most regional ports service a larger ‘catchment’ area (hinterland) than the city-based ports. Catchment areas often extend large distances past their official or ‘mapped’ regional boundaries when ‘product-neutral cargo’ is included (product that has similar domestic transport costs and/or distances from two or more ports). The regional areas also possess a greater diversity of geographical terrain and a less developed land based transport structure. The combination of the above effects poses a big challenge and hence large opportunities for logistic companies who are prepared to be bold and are ready for change.

The need for change and the theme of rationalisation has not been lost on the forestry industry. Recent events have seen our forestry companies move away from the use of multiple contractors. One example of this has been highlighted with Fletcher Challenge Forests (FCF). Prior to 1997 FCF dealt with 108 different transport operators. By 1998 only 8 remained. The reforms have been aimed at developing partnerships and alliances, as opposed to contractors simply fulfilling their contractual obligations. The forest industries (and many others) are encouraging their transport providers to be innovative and take more responsibility. Ultimately extending the services of contractors from simply being providers of a single service in the transport function, to that of being a more complete logistic provider.

Many port companies are taking up this logistic challenge; existing logistic service providers who resist change may well be left behind.

**A setback for the regional ports?**

The recently announced restructuring of the New Zealand rail network will be of concern to the development of many regional ports in the near future. A lingering threat to many marginally operated rail lines will threaten the competitiveness of some of the regional producers by limiting access of product to regional ports. The restructuring of such operations may however provide wider entrepreneurial opportunities for
innovative logistic providers. Few logistic providers are in a better position than the port companies to take advantage of the circumstantial opportunities. Greater operational control over what has traditionally been a fragmented transport infrastructure can only enhance services already provided to customers. It may be however, that necessity rather than desire will dictate the future control of the rail system.

The continued focus of New Zealand’s economy on forestry, agricultural and horticultural products will ensure the survival of most of our regional ports. Though international trends foretell rationalisation in pursuit of economic advantages through economies of scale. It has become apparent that many regional ports in New Zealand will continue to play a key role in particular import and export trades that will not traditionally fit a centralised theme.

About the Author

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Internet-Driven Logistics: Practical Applications for the Forest Products Industry in North America

Richard Vlosky

Overview

Internet-driven logistics (eLogistics) has been receiving quite a bit of attention in recent years as supporting business strategies that can dramatically improve competitiveness and efficiency. There has been much written on the way in which the Internet is changing the way logistics business is carried out. The big players such as the integrators, the international freight forwarders and shipping companies have been rushing to bring out new software systems to enable customers to take advantage of Internet access in the supply chain process. (Cox 2000, TimesNet Asia Web Page- http://web3.asia1.com.sg/timesnet/fetpindx.html.)

Companies require complex multi-user systems and broad based physical infrastructure capabilities while receiving high quality services at low cost and with no distraction to core business activities. The goal is to eliminate phone calls, faxes, update requests, lost documents, and repetition that are all-too-often present in the freight industry. By tying everyone together in the shipping process, the Internet can dramatically improve the shipping and tracking process. (FreightWhiz.com 2000- http://www.teamlogisticscorp.com/introa.htm.)

eLogistics systems can provide shipment tracing from booking to delivery instantly linking shippers, agents, brokers and consignees 24 hours a day. Specific functions than can be addressed in an Internet environment include:

- Fulfillment services
- Multi-user systems and physical infrastructure
- Inbound supplier management
- Warehousing and inventory management
- Delivery
- Returns management
- Generating bills of lading, arrival notices, etc. directly from the system, instead of having to attach scanned documents.
- Improved customs functionality for brokers.
- Creating more search options to look for shipments faster.
- Motor carrier management and optimization
- Claims management