



International Freight Transport Services Inquiry

15 May 2012

Focus Group Evaluation

MARTIN^IJENKINS

Preface

This report has been prepared for the Productivity Commission by Nick Hill and Hayden Johnston from MartinJenkins (Martin, Jenkins & Associates Limited).

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Introduction

This report sets out feedback received on the International Freight Transport Services Inquiry during a focus group held in Wellington on 3 May 2012.

The objective of the focus group was to provide feedback on the inquiry, with reference to the following key dimensions of the Commission's performance:

- The **focus** of the inquiry report (significance of the issues covered, whether they were covered in sufficient depth, the relevance of information sourced and people engaged with)
- The **quality** of the analysis of information and the quality of findings and recommendations
- Satisfaction with the **process management** for the inquiry
- The quality and effectiveness of the Commission's **engagement** in completing the inquiry
- The effectiveness of **delivering the messages**, as evidenced in the inquiry reports and supporting material (summary reports and "cut-to-the-chase" summaries).

The focus group consisted of a small group of representative inquiry participants, selected by the Commission. A full list of participants is attached at the back of this document.

Introductory remarks

Participants wished to congratulate the Commission for its work in conducting the inquiry. They commented that the quality of the engagement and analysis were excellent, particularly given the time constraints, the complexity of the subject matter, and that this was one of the first inquiries to be undertaken.

Right Focus

The Focus Group talked about the difficulty of defining the focus for such an inquiry, and were in general complimentary about the approach adopted by the Commission, given the complexity of the area, the tight timeframes and constraint on resources.

Two aspects of the report's focus were discussed in particular.

Economic efficiency and wellbeing

One participant felt that the report was too tightly focused on analysing economic efficiency, rather than the broader concept of "well-being". He was concerned that future inquiries would also focus on economic efficiency and that issues such as workplace relationships and practices, training, and the role of employees would not be explored in detail. He noted that the objective of the Commission is to find ways to grow productivity to improve wellbeing – a wider concept than economic efficiency.

Other participants felt that the report rightly focused primarily on economic efficiency, although agreed there maybe times when wellbeing requires a broader consideration than a pure economic efficiency lens.

A few participants felt that more consideration could have been given to the benefits that activities/infrastructure provide for regions and the national economy, compared with the benefits accruing directly to participants in the value chain.

Even though economic efficiency was the primary framework for analysis, participants did not feel that the approach had been dogmatic in practice.

They noted that competition and economic efficiency are not the same thing, and that the report correctly did not portray increased competition as the ultimate goal.

Value chain coverage

Participants agreed that the report was heavily focused on ports, with limited analysis of air or land freight.

"It boils down to a study of ports, but did not fully scratch the itch. The report could have nailed the port issue while providing some initial recommendations on land transport, to be followed up at a later date"

Participants felt that given the complexity of the value chain, it was ambitious to try to cover as much as the report had attempted to. As a result, they felt that the report was trying to be all things to all people and that some conclusions were undercooked as a result:

“They Could have used it to boil down the key issues for future work”

“The important issues are covered. But it is so wide, that they now need to say that further work is required on x,y, z issues”

At the same time, they acknowledged that it was difficult to separate out different aspects of the value chain because they are so closely inter-related.

Good Process Management

The general feedback was that the Commission had managed the process well. Participants were particularly pleased with the willingness of the Commission was to meet with interest groups during the inquiry.

However, as the inter-relations in the freight value chain are complex, participants felt that the it would have been beneficial for the Commission to undertake this inquiry later, when the inquiry model was better established and participants were more familiar with the process.

Timeframes

Participants felt that the process was well-signalled and were impressed that the Commission had been able to meet the timeframes imposed. However, they questioned the amount of time allocated for them to respond. They felt that timeframes were too tight given the large number of points they were asked to address and that more time between the draft and final reports would have allowed for more effective consultation.

Use of focus groups

As the Commission was new to participants, and the inquiry approach was new to New Zealand, it was felt that the Commission could have drawn upon the expertise and experience of interested parties earlier to help frame the problem.

The benefit in doing this would be that it would help to ensure the scope was appropriate, and it would also enable the Commission to receive a cross-section of views that could be tested in an open forum. An example of this in practice is the Upper North Island Strategic Alliance project.

Opportunities to reflect on the evidence

Participants did not think that a purely linear approach was most effective for undertaking analysis. They felt it would be useful for the Commission to test the evidence submitted based on other submissions received.

“The Commission erred on the side of managing process rather than getting to the truth of the matter”

This is also reflected in comments regarding the strength of the analysis.

Use of contractors

One participant raised concerns about the use of third parties to deliver elements of the report if they don't own the final output. They were disappointed with their engagement with one external contractor who they felt did not give them the same opportunity to represent their views as that given to other parties. This resulted in the draft document representing some views more prominently than others.

High Quality Work

Depth of analysis

Participants felt that the report provided a good description of the value chain (in particular, that it starts at the factory, not at the port), but noted that the depth of analysis was uneven. The analysis was considered light in some areas, particularly on the domestic component of international freight (i.e. transport to port), but despite this, it was felt that the value chain was clearly explained and had been well-understood.

Areas of limited analysis:

- The report identified high freight costs for goods shipped from New Zealand, but only provided a cursory examination of the underlying reasons for this (geography, size, pricing). More could have been done to tease out these points.
- The report refers to ports as potential choke points – but does not explain that at present they are not. Looking at the entire freight journey would help to establish where the big wins are. For example, in the case of kiwifruit export the choke point is not between the port and the market, but the roading infrastructure which limits the amount of kiwifruit that can be carried on trucks to the port.
- One participant suggested that economic modelling work could have been undertaken to support the analysis.

Areas of strong analysis:

- The shipping exemption from Commerce Act was given as an example of where a good level of detailed analysis had been conducted.

Testing the accuracy of submissions

A recurring point during the conversation was the accuracy/bias of submissions and how well the Commission had investigated their accuracy. Some participants felt that the Commission had been too willing to accept the accuracy of submissions without testing them. This was raised in particular with regard to airports, and during the drafting phase in relation to union vs. employer views.

It was noted that the Commission was responsive to feedback on the draft and that this had improved the balance of the final report. Participants felt that testing the ideas in an open forum early would help the Commission to develop a more balanced understanding from the outset.

Quality of the recommendations

Overall, participants felt that the recommendations that were made were good for New Zealand Inc. One participant was particularly pleased that the Commission was not recommending central port planning. He felt that central planning would lead to significant lobbying, would

interfere with the freedom of companies to make rational decisions, and would almost certainly result in sub-optimal outcomes.

Although participants felt that the recommendations were helpful, they were concerned that some recommendations were not 'angular' enough and therefore could potentially be kicked to touch easily by the government. Participants were very keen to see some action as a result of the recommendations:

"We've got all this interesting stuff, but what does it really mean, what can we do tomorrow?"

One participant felt that the Commission had misinterpreted the Local Government Act in relation to Council-Controlled Organisations and Council-controlled Trading Organisations. This had implications for the report's interpretation of who could act as a Director. Satisfaction with process management

Effective Engagement

The focus group was pleased with the overall quality of the engagement undertaken by the Commission (especially compared to other consultation processes such as select committees). They had personally been involved in one-to-one meetings and had had opportunities to make contact throughout the inquiry process.

Participants complimented the Commission on its ability to get out and meet interested parties, as well as the visibility of Senior Commission staff. They described the Commission's representatives as professional and felt they had established a good quality dialogue with them.

Importantly, they didn't feel that decisions had already been made by the Commission.

Participants made the following points regarding different engagement methods:

- Group discussions tend to result in more valuable engagement than bilateral discussions, and participants were keen to see more use of group discussions in future inquiries.
- Conferences had created a bit of interaction, but were a bit stilted and not as effective as group discussions.
- The Commission was responsive to comments on the draft report. Participants were able to identify how the report had changed to reflect comments in the drafting phase, and they felt that the final report was more balanced than the draft which seemed to echo the views of particular parties. In relation to this, the Australian Productivity Commission is seen as an example of good practice – it has previously provided submitters with feedback about how their submissions were accounted for in their final report.

Clear Delivery of Message

Participants highlighted the importance of the independence of the Commission. They felt this enabled it to tackle some 'sacred cows'.

"It was able to act as a circuit breaker and disperse debate that had been swirling around and preventing the sector from moving forward"

The report

The tiered approach to reporting (full report, executive summary, "cut-to-the-chase" summaries) was considered effective because it could cater to all levels of interest.

Participants noted that few people would read the full report, even though it was easy to read and accessible. But the "cut to the chase" summaries were regarded as very helpful and had been distributed to their members and international colleagues.

The documents were well-presented, clearly written and accessible. They made good use of diagrams and plain language. The following additional points were made:

- The use of quotes should be limited to avoid a 'tennis match' of competing views
- The you-tube video, articles, the conference, and officials briefing were all useful
- The glossary was very helpful
- Having such a large number of recommendations was queried.

The response to the report

Participants were very clear that the most important measure of effectiveness would be what impact the report has on actions. This was expressed in several ways:

"We need to see that submissions are considered, and that recommendations are acted upon"

"It is a good report, but what difference will it make?"

"The Commission needs to get some runs on the board"

"The report will be no use if it sits on the shelf"

"The test will be in the government's response"

"The Australian Productivity Commission is highly regarded because the recommendations it makes influence government decisions and generate action"

"It is important that the government respond in the next six months and that some recommendations get 'over the line'"

Participants were expecting the Commission to engage government directly on its recommendations. They wanted to ensure that the report would not simply be sent to Ministers then not followed up.

Participants raised some questions about how widely the report's findings should be communicated, and who was responsible for doing this. They were interested to know:

- What strategies are in place to engage public debate? Is it the role of the Commission?
 - Some felt that there was value in communicating the messages to the general public because this could help to inform contentious debates such as the location of residential accommodation or stadia on waterfronts.
 - Others felt that educating the public was outside the remit of the inquiry, but that educating unions and employers was important.
- Is the Commission structured to be able to carry on further work? Can it increase its knowledge and capability in some areas and retain it?

Overall Performance

The Focus Group considered that the Commission has set and reached some high performance standards, which was impressive for a new organisation. Its process management and engagement with stakeholders was rated highly. Managing the formation of the terms of reference and then the ongoing management of the scope of the Inquiry was one area that the Focus Group identified that the Commission could refine and improve on in the future.

List of participants:

Barrie Saunders	Port CEO Group
Bill Rosenberg	New Zealand Council of Trade Unions
Bruce Goldsworthy	Employers and Manufacturers Association
Geoff Swainson	Local Government New Zealand
Greg Steed	New Zealand Shippers Council
John Blair	Air New Zealand
Marinus La Rooij	New Zealand Transport Agency