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## Productivity Commission's international freight report released

The New Zealand Productivity Commission has released its findings into international freight services and says although the sector is performing well, there is scope for improvement, which would help lift New Zealand's living standards.

Commission Chair Murray Sherwin says, "New Zealand's economy is very sensitive to international freight costs. Our standard of living is affected by these costs because they are built into the prices we pay for everyday imported goods, and have an impact on the prices our exporters receive for the goods they sell."

"In total, we pay about \$5 billion a year in freight costs. In 2010, that was about 2.7% of our GDP."

In its final report released today the Commission has made a number of recommendations for improvement:

- Ports could enhance their abilities to meet the future freight needs of the country if improvements were made to the governance framework for council-controlled port companies by:
  - clarifying the purpose of those companies by bringing them into line with the statutory objective for state-owned enterprises;
  - precluding councillors and council staff from being directors of port and airport companies; and
  - establishing a monitoring function to create independent comparative performance information for port owners to consider.
- There is scope for a significant lift in workplace productivity at a number of ports. The benefits of high-productivity workplaces include higher real wages, better working conditions, higher levels of job satisfaction, and more competitive and profitable businesses. Most New Zealand port companies, their employees and unions have some work to do to fully achieve these benefits.
- Current exemptions for shipping companies from the Commerce Act should be removed so that normal competition laws apply. This change would outlaw any agreements between shipping lines that fix prices and/or limit capacity unless the Commerce Commission judges that their public benefits outweigh any anti-competitive detriments.
- To better coordinate investment in freight infrastructure, greater use should be made of 'facilitated discussion' models, such as the Upper North Island Freight Plan. These are based on information sharing and relationship building but do not bind the participants to particular outcomes. They avoid the trap of excessive central direction which carries a high risk of error, and exposure of the Government to financial risk.
- The government has an important role in gathering and disseminating freight information. More information on freight in New Zealand – collected and made available on a regular basis – would have considerable value and help freight organisations make better individual and joint decisions. It would also help stakeholders monitor performance, and policy-makers design and evaluate policies and regulations.

The Commission has presented its findings to Government. For a copy of the final report, and summary materials, visit [www.productivity.govt.nz](http://www.productivity.govt.nz)

### About the New Zealand Productivity Commission

- Established in April 2011
- An independent crown entity with a dedicated focus on productivity
- The Commission carries out in-depth analysis and research on inquiry topics selected by the Government (inquiry topics for 2011/12 are trans-Tasman economic integration and an inquiry into

local government regulatory issues).

- The Commission's aim is to provide insightful, well-informed and accessible advice that leads to the best possible improvement in the wellbeing of New Zealanders.

For further information about the Productivity Commission or its inquiry into international freight transport services, please contact:

Jenny Bridgen  
Communications Advisor  
Phone: 04 903 5160 or 029 770 8697  
Email: [jenny.bridgen@productivity.govt.nz](mailto:jenny.bridgen@productivity.govt.nz)

[www.productivity.govt.nz](http://www.productivity.govt.nz)  
Twitter: @nzprocom