



International Freight Transport Services Inquiry  
New Zealand Productivity Commission  
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*Via Email*

Dear Sirs/Madams,

**New Zealand Shippers Council (NZSC) Submission on the Draft Report by the Productivity Commission into International Freight Transport Services**

**1. Scope of the NZSC Response**

Firstly the NZSC congratulates the Productivity Commission in producing a comprehensive and measured report that covers most of the issues that occur in our supply chains.

We agree with the majority of findings and recommendations and will not comment further on these. Where we do not agree and wish to point out issues we comment below.

Also given most of our members do not utilise air freight to any large degree we specifically do not comment on international air freight although it is important to compare the relativities of air and sea freight environments and regimes.

**2. Finding 9.11 The scenario in which a lack of container ports in New Zealand capable of handling “bigger ships” forces hubbing through Australia with both higher costs and transit times appears unlikely. The commercial viability of this scenario would be undermined by direct services with smaller, albeit less fuel efficient, container ships**

NZSC comments that hubbing through Australia occurs now. By way of example MSC offers services to Asia and beyond requiring cargo from NZ to be shipped across the Tasman. With industrial action, congestion and delays in recent months at Sydney's Port Botany, NZ cargoes going through this port have often suffered delivery delays and in some instances additional costs. . Additionally we understand there is at least one Australian carrier planning to introduce bigger vessels of 5000-6000 TEU size to Australian services during 2012. NZSC remains concerned that if NZ ports cannot service vessels of the size calling Australia, and with Australia's

inbound front-haul leg, and New Zealand's outbound front-haul leg, bigger vessels may only call Australian ports with NZ exports serviced by smaller feeder vessels through higher cost Australian ports. The alternative is, as this report comments, NZ ports may be serviced directly by smaller and higher cost container ships.

### **3. Recommendations 8.1, 8.2 and 8.3 Resource Management Act**

- **Section 5 of the RMA should be reviewed to clarify (and elevate) the consideration of net social benefits and costs (including those accruing at a national level). Should the government decide not to review section 5, section 6 should be amended to include specific reference to the development and operation of regionally and nationally significant infrastructure**
- **The Minister for the Environment should commence development of a National Policy Statement for transport infrastructure, which would provide central govt recognition of the importance of NZ's transport infrastructure**
- **S166 of the RMA should be modified to include port companies as network utility operators affording them the same status as airports and electricity operations allowing first rights to procure land in surrounding areas**

We strongly agree with these recommendations. Even though the RMA has been streamlined, it still presents an unfair burden on ports. Recent experience with the Ports of Tauranga and Otago consenting processes have highlighted the excessive amount of time taken to gain consent to dredge harbours and with it cost. Both have taken over 4 years and aggregate cost is over \$5 million. This is a clear impediment to economic growth and cost is unacceptable if NZ is to remain internationally competitive. It must be addressed urgently before further port applications are undertaken.

### **4. Recommendation 11.1**

**Exemptions for the types of agreement with the higher risk of anti competitive detriment – ratemaking and capacity limiting agreements – should be removed. These arrangements should have access to the authorisation and clearance mechanisms in the Commerce Act.**

We understand how the recommendation was arrived at and agree that rate making agreements should be bought under the Commerce Act. However there needs to be care taken to ensure capacity agreements that assist shippers are not rendered too difficult to operate.

There is a distinction between liner conference price fixing cartels and so-called "discussion agreements"<sup>1</sup> which have the object or effect of limiting price competition with other forms of shipping cooperation agreements such as consortia, non-rate making agreements and vessels sharing agreements. The APEC guidelines on pages 261 and 262 recognise this distinction.

The NZSC believes the latter form of agreements provide benefits to shippers, as opposed to liner cartels, in terms of reduced costs and enhanced efficiency and hence should not be legislated against. Pure capacity limiting agreements can exist which are detrimental to shippers and these need to be captured so the challenge is to define exactly the conditions that are anti competitive and ensure the exemption does not apply to them.

The Commission needs to ensure there are no unintended consequences of including capacity sharing agreements in the recommendation that would present a barrier to more capacity entering NZ and bigger vessels.

## 5. Recommendation 13.2

**The government should develop a proposal to extend the Freight Information Gathering System and subject the proposal to a regulatory impact analysis “efficiency test” to determine whether it would deliver net benefits beyond existing information collection and dissemination**

The NZSC believes the ultimate solution to lack of real time freight information can come from the Joint Border Management System being developed by Customs, MAF and Immigration with the Trade Single Window. However this is some years away and we support in the meantime the extension to the Freight Information Gathering System developed by the MOT. We additionally believe that there needs to be a mandatory data collection regime.

Yours faithfully

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