

27 February 2012  
Document: 1012336

Inquiry into International Freight Transport Services  
New Zealand Productivity Commission  
PO Box 8036  
The Terrace  
Wellington 6143

## Submission on International Freight Transport Services Report

The Taranaki Regional Council (the Council) thanks the New Zealand Productivity Commission for the opportunity to comment on the Commission's report International Freight Transport Services. It is certainly useful to have others thinking about important issues such international freight transport services and providing information and advice to consider in relation to efficiency and productivity gains in this area.

The Council's particular interest in the report is in the sections and recommendations concerning ports.

Port Taranaki is owned by the people of Taranaki. The Taranaki Regional Council currently owns 100% of the shares in Port Taranaki Ltd on behalf of and as agent for the people of Taranaki.

The port is widely recognised as a core component of the transport infrastructure of the region and also as an important part of New Zealand's port and transport infrastructure. The Taranaki community has invested in its port infrastructure because of the important role it plays in the economic development of the region. Nothing has changed in the original context in respect of public ownership of the port.

Nevertheless, the Council continues to monitor the contribution of the port to the region's prosperity and from time to time formally measures the contribution of the port to the wider regional economy. Similarly, the Council undertakes periodic reviews of ownership of Port Taranaki Ltd to ensure that retained public ownership continues to contribute to the region's success. Because the port is owned by the Taranaki community who have invested heavily in it, it is for the people of Taranaki to decide what occurs with respect to future ownership, and as noted this situation is periodically tested and evaluated.

The Taranaki Regional Council currently has two elected members on the port's Board of Directors. This arrangement has never presented itself in a detrimental way around the Board table. Certainly the Council as owner is entitled to representation on the Board and it is up to the owner to decide if it takes up its full entitlement or not. Having said that, the Council only makes appointments after a skills-based assessment to ensure its appointed directors will add value to the business of the company. On this matter the Council is fully

committed to the port being a successful commercial business as required by the Port Companies Act 1998.

On the question of what ownership structure will best promote performance, this is again a matter for this Council as current owner to decide. As noted above the Council does periodically review ownership options including consideration of partial, majority or complete sale of its current shareholding. The Council is not convinced that theoretical constructs such as a complete switch to a stock exchange regime option as one option put up in the report, would in fact lead to any better outcomes.

There has been a good deal of analysis of ports and issues associated with comparators within the port sector. The Council's observation on this matter is that developing meaningful benchmarks and sound comparative metrics is an enormously complex undertaking and that great care would need to be taken in this area. Our overall observation would be that taking account of scale and location, New Zealand ports perform comparatively well internationally.

From the Taranaki Regional Council's perspective Port Taranaki Ltd operates in a very highly competitive environment. The Council therefore takes great care with the investment the community has made in the port and is committed to the port being a successful commercial business over the long term. The comparative rates of return on investment are good however the Council emphasises that the port is a strategically important public asset and because of this broader issues than straight rate of return are relevant.

A final comment would be that while ports are part of New Zealand's wider transport network they may not be the source of the greatest productivity improvements to be gained. Other components such as our land transport system may be worth more scrutiny from a productivity improvement point of view.

The Council again thanks the Productivity Commission for the opportunity to comment on the draft report.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'BG Chamberlain', written in a cursive style.

**BG Chamberlain**  
**Chief Executive**