

27 February 2012

Submission on the Productivity Commission's draft report on International Freight Transport Services

Introduction

The Commission has drafted a comprehensive and quality report. This submission updates aspects of the report for Port Otago Ltd's current operation and future planning.

The submission covers the following four aspects of the Commission's draft report. These are:-

- the cost of developing Port Chalmers to handle 7,000 teu vessels
- container productivity at Port Chalmers
- stevedoring and marshalling providers at Port Otago
- the effect of Port Otago's investment property portfolio on the EVA calculations and conclusions.

Port development costs for larger vessels

The NZ Shippers Council report "The Question of bigger Ships – securing NZ's international supply chain" notes on page 50 that the estimated total cost of developing Port Chalmers to handle vessels of up to 7,000 teu is \$NZ100m.

This information is shown in Table 9.9 (on page 135) of the draft report.

At present the shipping channel to Port Chalmers has a minimum depth of 13.0 metres. This is measured on a chart datum (or zero tide) basis. More than 50% of the shipping channel is currently over 14 metres in depth.

We estimate that to deepen to a minimum depth of 14 metres, which would be the next step in the development process, would cost \$NZ15m.

To handle 7,000 teu vessels would require a minimum channel depth of 15 metres. We estimate that the cost of deepening from 14 metres to 15 metres and increasing the depth of the berth pockets would cost between \$NZ30m and \$NZ50m

This would give a total cost of between \$NZ45m and \$NZ65m. We would be grateful if the Commission could update the information in Table 9.9.

Container productivity

In figure 3.7 on page 35 of the Draft Report, Port Otago's crane productivity is shown as 27.4 containers moved per hour. The Ministry of Transport's "Container Productivity at New Zealand Ports" (October 2011) records Port Otago's crane rate as 29.1 containers per hour (refer Table 5). A copy of the Ministry of Transport's report is attached.

We would be grateful if the Commission could review and update Port Otago's container productivity in Figure 3.7.

Stevedoring and Marshalling providers

I would note for Table 13.1 on page 212, that the following companies also provide stevedoring and marshalling services at Port Otago (which includes Port Chalmers and Dunedin):-

- C3 (marshalling only)
- Port Chalmers Cargo Services (part of Southern Cross Stevedores) (stevedoring only)
- Southern Marshalling (marshalling only)

EVA calculations

When reviewing the EVA calculations the Commission should note that Port Otago Ltd's subsidiary company, Chalmers Properties Ltd, holds a substantial investment property portfolio. The value of the investment property portfolio at 30 June 2011 was \$196m. While the port and property business operate on an independent basis, for the financial reporting purposes the financial results are consolidated and reported on a group basis.

When evaluating the conclusions from its EVA calculations, the Commission should have regard to the lower cost of capital for an investment property company than a port operator.

G P Plunket
Chief Executive

Encl: