

LOCAL GOVERNMENT FORUM

27 February 2012

Geoff Lewis
International Freight Transport Services Inquiry
New Zealand Productivity Commission
PO Box 8036
WELLINGTON 6143
Email Address: freightinquiry@productivity.govt.nz

Dear Mr Lewis

International freight transport services inquiry

The Local Government Forum welcomes this opportunity to submit to the New Zealand Productivity Commission's draft report on the Inquiry into International Freight Transport Services.

The Local Government Forum was established in 1994 to promote greater efficiency in local government and to contribute to debate on policy issues affecting it. The Forum comprises organisations that have a vital interest in the activities of local government. Its members include Business New Zealand, the Electricity Networks Association, Federated Farmers of New Zealand, New Zealand Business Roundtable, New Zealand Chambers of Commerce, and New Zealand Retailers' Association.

Forum members are each significant representatives of ratepayers in their own right but the Forum's perspective is to advance community welfare through the advocacy of sound public policy. We believe that local government can best serve the interests of the community and ratepayers by focusing on the efficient provision of public goods at a local level. More information on the Forum can be access from its website www.localgovtforum.org.nz.

The Forum congratulates the Commission on producing a comprehensive and robust report in a short time frame.

We share the Commission's concern about the evidence of inadequate returns on capital from all but one port and agree that improved governance arrangements that focus ports on a single, commercial objective, and remove conflicts of interest are necessary. In particular, if the ports are to remain under full government ownership, we agree with the Commission's recommendations that:

- the statutory purpose statement for ports and airports should be brought into line with the statutory objective for state-owned enterprises, ie, to be successful businesses as profitable and efficient as comparable businesses that are privately owned;
- councillors and council staff should be precluded from being directors of port and airport companies, where this has not already been done; and
- a collective monitoring function should be established to create independent comparative information for port owners to consider (similar to the role played by

“COMU” for monitoring State-Owned Enterprises). This information should further strengthen ownership disciplines and port performance.

However, we have very little confidence that such arrangements would long persist, should it be possible to establish them in the first place. The political incentives to use ports for non-commercial purposes in a non-transparent manner will remain, and future opportunities to do this will arise. The introduction of private capital could bring greater stability to the focus of the ports on a commercial objective, but full privatisation should also be considered.

We also strongly support the Commission's recommendation that labour market legislation be reviewed to assess the degree to which it is contributing to the problems of restrictive work practices and poor labour relations that are holding back productivity.

The Forum also supports many other aspects of the Commission's draft report. One of its members, Federated Farmers, has prepared a wider ranging submission and its comments, particularly in respect of the RMA and property rights, would also largely reflect the views of other members of the Forum on these aspects.

If the Commission wishes to contact the Forum for more feedback on any aspect of its inquiry, it can contact me by phone at 027 563 1150 or email mbarnett@chamber.co.nz or Nick Clark phone 03 357 9459 or email nclark@fedfarm.org.nz).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M. A. Barnett', written in a cursive style.

Michael Barnett
Chair