



Pacific Marine Management Ltd

Business & Operations Analysts -

Shipping & Ports Sector

Coastal Shipping Investment Approach Report 2 – Summary of Stakeholder Views



For:

Waka Kotahi NZ Transport Agency

100 Willis Street

Wellington 6011

4 June 2021

Table of Contents

1	INTRODUCTION	1
1.1	BACKGROUND	1
1.2	SCOPE OF WORK FOR STAKEHOLDER VIEWS	1
1.3	THEMES	1
1.4	DEFINITION OF COASTAL SHIPPING	1
2	STAKEHOLDERS ENGAGED	2
3	LOGISTICS	3
3.1	LEVEL PLAYING FIELD	3
3.1.1	<i>International Lines' dominance</i>	3
3.1.2	<i>New Zealand Crew</i>	4
3.1.3	<i>Emissions Trading Scheme</i>	4
3.1.4	<i>Fuel supply</i>	4
3.1.5	<i>Marginal Costs of International ships</i>	5
3.1.6	<i>Subsidies for land modes</i>	5
3.1.7	<i>Port charge inequities</i>	5
3.1.8	<i>Taxes</i>	6
3.2	HUB AND SPOKE	6
3.3	CARGOES	7
3.4	LOGISTICS NATURE	8
4	LEGISLATIVE/ REGULATORY	11
4.1	OWNERSHIP/ GOVERNANCE	11
4.2	PORT CHARGES	12
4.3	EMISSIONS TRADING SCHEME INEQUITY	12
4.4	MARITIME TRANSPORT ACT SECTION 198	13
4.5	MARITIME NEW ZEALAND RULES (40 SERIES & OTHER RULES)	13
5	INFRASTRUCTURE	14
5.1	PORT FACILITIES	14
5.2	RESILIENCE	15
5.3	PORT ACCESS	15
5.4	COLD IRONING (SHORE POWER TO SHIPS)	16
5.5	DRY DOCK	16
6	WORKFORCE	17
6.1	PROVISION OF SEAFARERS	17
6.2	SEAFARER TRAINING	17
6.3	ACCESS TO ACCOMMODATION ON SHIPS TO GAIN SEA-TIME	18
7	SUSTAINABILITY	18
7.1	GENERAL	18
7.2	LOW CARBON FUELS	18
8	SOCIETAL ISSUES	18
9	STAKEHOLDERS' VISION FOR COASTAL SHIPPING	19
9.1	THE VISION	19
9.2	HOW TO TRANSITION:	19

1 Introduction

1.1 Background

Coastal shipping is included as an independent activity class in the 2021-24 Government Policy Statement on Land Transport (GPS Land Transport). This report is the second of three commissioned by Waka Kotahi NZ Transport Agency to assist it in delivering advice on how best to invest the \$30 to \$45 million funding that has been allocated over the next three years for coastal shipping under the GPS Land Transport. The first report set out the State-of-Play for New Zealand's coastal shipping. The third will address the sector's challenges, discuss the short, medium and long term opportunities, and set out recommendations on principles and priorities that should guide investment decisions.

This work has been carried out by Mark Oxley and Mick Payze of Pacific Marine Management Ltd.

1.2 Scope of work for Stakeholder Views

The RFQ for this work describes this second stage on the stakeholders' views as seeking information and views, and filling information gaps. A limited number of stakeholders was agreed with Waka Kotahi; their views are summarised here.

Boxes are used to highlight key points throughout the report

Comments in [square brackets] indicate the Consultants explanation or interpretation of stakeholders' views or additional facts to help understanding.

1.3 Themes

The discussions with Stakeholders produced the following themes which mirror many of the policy guidelines adopted by the Western World and which are used to shape legislation and related initiatives:

- Logistics
- Ownership/ Governance
- Infrastructure
- Workforce
- Legislative/ Regulatory
- Resilience
- Sustainability
- Stakeholders' vision for coastal shipping
- How to transition

1.4 Definition of Coastal Shipping

For this work on the Coastal Shipping Investment Approach, Coastal Shipping has been defined as activities conducted by ships, both New Zealand ships and international ships, when carrying coastal cargo (domestic and import/ export tranships) and repositioning empty containers from one place in New Zealand to another. It includes ships carrying cargo across Cook Strait, i.e. the InterIslander and BlueBridge ferries.

Note that this differs from the classification of Coastal Shipping in the National Freight Demand Study, in which Cook Strait ferry traffic is counted as rail or road volumes, and coastal cargo on international ships (import/ export tranships, empty containers or domestic cargo) is not considered.

2 Stakeholders Engaged

The following stakeholders were engaged. We have grouped them for the purposes of reporting their views.

Company	Contact	Role	Meeting date	Meeting time
Coastal Ship Operators - RoRo ships				
KiwiRail (InterIslander)	s 9(2)(ba)(i)		24-May	11:30
StraitNZ (BlueBridge)			11-May	10:30
Coastal Ship Operators - Other ships				
Coastal Bulk Shipping	s 9(2)(ba)(i)		7-May	10:00
Swire (Pacifica)			7-May	12:00
International Shipping Lines				
CMA CGM/ANL			2-Jun	10:30
Maersk			24-May	14:00
NZ Logistics sector Commentators				
s 9(2)(ba)(i)	s 9(2)(ba)(i)		14-May	15:00
			25-May	10:30
			26-May	10:30
Maritime Trade Unions				
Aviation & Marine Engineers Association (AMEA)			28-May	10:00
Maritime Union of New Zealand (MUNZ)			28-May	10:00
Merchant Service Guild (MSG)			28-May	10:00
Industry Training Provider				
NZ Maritime School			18-May	9:00

3 Logistics

3.1 Level Playing Field

3.1.1 International Lines' dominance

Several stakeholders expressed the view that the market power that the international lines hold is to the disadvantage of 'NZ Inc'. s 9(2)(ba)(i)

Their concern seems to be two-fold; that the lines have the advantage over ports when negotiating port services and even port capital expenditure on infrastructure, and that the larger lines have too tight a grip on the major exporters such that smaller exporters and importers are disadvantaged though too little choice.

s 9(2)(ba)(i) expressed the belief that an improved coastal shipping service would;

- stop major international lines gouging rates through a lack of options,
- help protected 'NZ Inc' from the overseas interests, and
- provide for local self-sufficiency.

They and s 9(2)(ba)(i) feel the international shipping lines are leveraging the ports to spend money on things that may not be the answer for an efficient system. In other words, the lines say they will bring the ships in provided that infrastructure is provided. They stay for a year or so and then leave when they do not get their way on other issues. This results in the doubling up of infrastructure in New Zealand and eventually the port cannot keep operating that business.

With regard to coastal cargo, s 9(2)(ba)(i) mentioned that domestic cargo is looked on as opportunity cargo by the international lines. Their priority order for coastal cargo is:

- Import/ export tranships,
- Empties,
- And lastly, Domestic cargo

ss 9(2)(b)(ii) & 9(2)(ba)(i)

Logistics

Level Playing Field

- Concerns about the market power exerted by international lines' dominance
- Although costly, NZ crew costs are not the only additional cost
- ETS levy is not charged to international ships
- Change to low-sulphur fuels erodes coastal ship competitiveness compared with road and rail
- International ships incur very few additional costs when carrying domestic cargoes (as well as imports and exports)
- Subsidies for Rail raises the issue of fair competition for its rail ferry competitors
- Perceived port charge inequities reduce competitiveness with road and rail
- Taxes not imposed on international ships was not voiced as a major concern

ss 9(2)(b)(ii) & 9(2)(ba)(i)

Some other stakeholder statements on this subject:

s 9(2)(ba)(i)

He has concern regarding New Zealand's total reliance on large international shipping lines, especially those showing monopolistic tendencies. He posits surely it is not a good strategy for any major shipper to have all its freight with just one shipping line s 9(2)(ba)(i). Issues such as the dominance this might cause should be addressed in a national logistics plan.

s 9(2)(ba)(i)

Large international ships do not provide a reliable service, for example when the operator is not prepared to wait for tide to access Nelson, leaving booked cargo to wait a further week or more for a ship.

3.1.2 New Zealand Crew

s 9(2)(ba)(i)

: Crewing levels for international ships are generally higher than for New Zealand ships, but the per person rate for NZ crew is higher, and there are two crews for NZ ships, partly because of the intensity of coastal work compared to deep sea voyages. Overall, NZ crew costs are 40% to 65% higher than an International crew. ss 9(2)(b)(ii) & 9(2)(ba)(i)

Consultant's estimate is that s 9(2)(ba)(i), this is approximately NZ\$20/teu, out of an estimate of \$2000/ teu total cost of freight, i.e. 1%.

3.1.3 Emissions Trading Scheme

s 9(2)(ba)(i)

commented on the cost of the emissions trading scheme levy. ss 9(2)(b)(ii) & 9(2)(ba)(i)

Another considers that levy avoidance of overseas vessels gives unfair advantage, not a good outcome for NZ ships. s 9(2)(ba) suggested that the ETS needs to be charged to international vessels.

3.1.4 Fuel supply

s 9(2)(ba)(i)

Additional costs from MARPOL requirements [low sulphur fuel requirement introduced by the International Maritime Organisation (IMO)] will impact on the cost structures of coastal shipping and hence reduce ability to compete leading to a desire to get some redress in order to be able to compete with landside modes.

s 9(2)(ba)(i)

a need to provide potential future fuel supplies at key ports. Fuel for NZ ships has been lower cost intermediate fuel oil (IFO) in the past, but the new low sulphur requirement means that they have to change to higher cost low sulphur marine gas oil (LSMGO), as there is no supply or infrastructure in place to store low sulphur IFO bunker fuel (VLSIFO). LSMGO costs 33% more than IFO and this will further disadvantage coastal shipping compared with rail and road (who already consume LSMGO), although this is only 6% more than VLSIFO. The effect is that costs for operating coastal vessels will rise relative to rail and road, although not so much relative to International ships.

s 9(2)(ba)(i)

The existence of a confirmed supply of a known fuel is at the heart of any proposal to change the fuel used by any vessel. In recent years there have been concerns about the availability of fuel in New Zealand ports that is compliant with MARPOL Annex VI, other than the expensive option of diesel.

Inhibitors to the uptake of new fuels include:

- Lack of bunkering infrastructure (although e.g., methanol could be delivered by barge with no on-shore tanks)
- Cost of converting existing ships
- Additional costs of a different system in new ships.
- Uncertainty as to low carbon fuel availability (e.g., hydrogen)
- Unacceptability of some other fuel options (e.g., nuclear but possibly also LNG)

3.1.5 Marginal Costs of International ships

A common theme is that international ships have very small marginal costs when carrying domestic cargo if they are on a route that they would follow anyway; no or very little additional fuel or ship operating costs, just the direct cargo costs associated with the domestic cargo.

s 9(2)(ba)(i) pointed out however that currently while they are experiencing higher demands in the international trades they only have a fixed berthing window within certain of the port calls and thus they must focus on their international trades – the backloading of their own transhipped or relayed cargoes, the movement south from Auckland of empty food grade containers and where this fits with the movement of empty containers between ports, the carriage of domestic cargoes into the South Island. They cannot afford to unnecessarily extend the port loading and unloading time as this will compromise their schedule keeping and at best increase costs if they have to steam faster to make up time.

3.1.6 Subsidies for land modes

In the past, the issue of subsidies for land transport modes has been cited as an advantage over sea transport. This was not raised as a major issue by stakeholders. They did however comment on what they see as unreasonable cargo charges and port charges for sea transport, charges they feel road and rail do not face. In general, it was agreed that this is more an issue of equitable charges rather than that the charges themselves are levied; that if costs are incurred by ports they need to charge, provided they are fair and proportionally represent the cost of supplying facilities and related services.

s 9(2)(ba)(i) expressed concern about implied subsidies for rail ferry operations, making competition uneven.

3.1.7 Port charge inequities

As mentioned in the above section, there is a feeling among stakeholders that there are port charges inequities; do they reflect the real cost of providing facilities? s 9(2)(ba)(i) suggested there needs to be some central oversight to ensure a reasonable approach. Maybe a fixed annual fee for routine, regular callers, regardless of ports called at.

s 9(2)(ba)(i) was more specific: Port charges need review:

- Domestic Cargoes should be levied lower than imports and exports.
- Charges should relate to the task facilities are provided for and for period used.
- Bundling of charges should be prohibited e.g. tug charges with port entry fees.
- All charges should be gazetted and accessible to anyone.
- Discounts should also be declared.

3.1.8 Taxes

Generally, there were comments relating to NZ taxes not being paid by international ships; PAYE, GST, ACC levy. However, these are either not paid by the NZ entity (PAYE which is paid by the employee) or are not an impost (GST). The ACC employers levy may be a case where international ships get ACC cover for their crews without having to contribute. This amounts to about 1.2% of the payroll.

s 9(2)(ba)(i) recognise that NZ crews also make a tax contribution whereas foreign crews do not.

3.2 Hub and Spoke

s 9(2)(ba)(i) posed the question, why do the international lines have to go south? Why not hub? He opined if you model this, a hub should be more attractive than calling at all ports. (He did concede that it is hard to save enough time to be able to remove one ship from the weekly timetable for the international ships.)

Asked if NZ moved to a hub and spoke model, would there be a modal change for domestic cargo, he thought not a large amount. Inter-Regional freight volumes are 20% of the total freight task, (i.e. 80% is within each region), of which road carries most. Rail will move most of the remaining inter-regional freight that doesn't get trucked, leaving a small quantity that goes by sea. Contestable coastal shipping volume could possibly be doubled by incursion into the rail and road volumes but this is from a very small starting point.

He further opined that more coastal shipping availability will enable hubbing to evolve further so long as there is the frequency to match the rail alternative and the door-to-door times can be matched (no delays in port handling). This could lead to a transformation of the service over time. Ideally a four days a week frequency of service will be required. Thereby, transfer of volume can be induced and other objectives like reducing the carbon footprint can also be attained, but the change will require a long-term plan. He agreed that coastal shipping is unlikely to grow without the movement of transshipment cargoes and empty containers.

s 9(2)(ba)(i) have a common goal of achieving additional New Zealand flagged vessels for the coastal fleet citing the following reasons:

- Need for the response to Climate Change.
- Will assist in addressing the road congestion issue and contribute thereby to improving road safety.
- Will stop major operators gouging freight rates owing to lack of shipping options.
- Potentially assist in the reduction of the delays to ships that are compounding costs for the freight movements.

Logistics

Hub & Spoke

- There was general consensus that New Zealand should have a hub and spoke (feeder) service around the coast for containerised cargo
- This would carry transhipped cargo and empty containers from/to import/export services, allowing the larger ships to reduce port calls
- This would also carry domestic cargoes, shifting them from rail and road:
 - Reducing GHG emissions
 - Increasing resilience of the supply chain
 - Improving road safety
- There is a question over the capacity of existing main ports to handle the increased container handling for tranships
- Potential for a small bulk carrier/container vessel that could integrate bulk and outlying container port feeding

-
- 'NZ Inc' needs to be protected from the overseas interests and provide for local self-sufficiency.
 - Earthquake resilience for which the International ships proved to be of little assistance.

Locally owned coastal shipping makes sense but must be combined with an updated Ports Strategy. s 9(2)(ba)(i) proposed that Activity Class funding be spent on underwriting, and if necessary, subsidising two or three ships in a coastal service. They propose a pilot project so as to get things moving with a three-year trial that would enable the market to be tested and the need for further change to be clearly demonstrated. [Note: the issue of port capacity for increased tranship activity still needs to be addressed].

Some other stakeholder comments are:

As ships increase in size, they will make fewer port calls, therefore we do not need to legislate against use of international ships carrying coastal cargo as ultimately, they will be unable to do so anyway.

It is very costly to introduce a ship into a coastal service in NZ. It costs \$1.5m to position it then US\$15,000 pd. After 5 years the ship must dry-dock so it goes offshore. It needs customer commitment for operating a transhipment service but committed support is very difficult to obtain. ss 9(2)(b)(ii) & 9(2)(ba)(i)

It is essential to have priority berthing for coastal/domestic vessels at container terminals.

Do not legislate entirely against foreign ships carrying cargo (as they can support the task and be available in emergency situations).

s 9(2)(ba)(i) sought an increase in the domestic coastal cargo sailings out of the upper North Island to the South Island so as to induce additional use of the coastal mode. This would require at least a second captive NZ vessel, but this may need some form of incentive to make it happen.

s 9(2) endorsed introducing coastal feeders. He believes that any move to reinstate coastal shipping must consider the interests of 'NZ Inc'.

s 9(2)(ba)(i) consider that at least two, maybe three NZ hub ports will be required to enable appropriate level of services. ss 9(2)(b)(ii) & 9(2)(ba)(i)

s 9(2)(ba)(i) made the point that hub and spoke is still OK for regional ports; cargo still passes through the port. He also advocated adding a small bulk carrier/container vessel that could integrate bulk and outlying container port feeding.

3.3 Cargoes

s 9(2)(ba)(i) Coastal containerised cargo consists of: ss 9(2)(b)(ii) & 9(2)(ba)(i)]. Some empties are repositioned North Island to South Island by being used for domestic cargoes southbound. International ships are not ideal for a reliable coastal service; drop calls, cut and run. NZ is remote from international lines decision makers. Perhaps NZ has to dictate the solution. Lines likely to comply with a directive rather than drop cargo. We need to get a stable regime to persuade cargo owners to elect to move to coastal shipping.

s 9(2)(ba)(i) confirmed that they move domestic cargo in containers that they would otherwise have to position from Auckland to the South Island. They still need to position empties, s 9(2)(ba)(i)

Some points raised by stakeholders:

Just-in-time (JIT) freight unlikely to change from truck to rail on account of its faster delivery requirement.

Review possible impact of a closure of the Marsden Point Refinery closure and the subsequent direct delivery of fuel oils to individual ports from Australia and/or Singapore.

What are the contestable cargoes for Coastal Shipping? Getting long term commitment is a struggle; a feature of NZ business. Rail ferries unlikely to impact on current dry bulk cargoes. Bulk cargoes that are receiving s198 exemptions should be gazetted and available for public scrutiny.

ss 9(2)(b)(ii) & 9(2)(ba)(i)

s 9(2)(ba)(i) estimates that a 4% increase in the rail share of the overall market is expected, through a modal shift from truck to rail.

s 9(2)(ba)(i) estimated that in the short term, at best domestic cargo moving on coastal services would only double the present very small volume of sea-borne domestic cargo if encouraged by a second vessel, meaning no significant change to road or rail volumes. A more comprehensive shift would require a radical modal system change.

3.4 Logistics Nature

The best overall description of the inter-regional domestic freight market came from s 9(2)(ba)(i). There are three sectors of the market:

- Customers that have distribution centres in all three of Auckland, Palmerston North, and Christchurch. They have a requirement to move on a regular basis and use rail or coastal shipping to move product to replace stock in the Distribution Centres. Rail takes 2 to 3 days Auckland-Christchurch. By sea is longer but cheaper.
- The majority, who are smaller distribution customers only have one distribution centre and thus focus on Auckland. This is because the market split is 55% north of Taupo, 15% Lower North Island based on Palmerston North, 25% Christchurch and the rest for the balance of the South Island. Rail carries the majority of this traffic.
- The balance [the greater part by volume] of commodity forwarders use trucks leaving suppliers in Auckland before midday and can deliver the next morning in Christchurch, (or 1 day later for rest of South Island), thus giving the fastest direct delivery which other modes cannot match. This is more expensive than rail or sea.

Logistics

Cargoes

- Coastal containerised cargo ss 9(2)(b)(ii) & 9(2)(ba)(i)
 - Empty containers need repositioning from North Island to South Island for SI exports
 - Domestic cargoes can be moved in these
- Also:
- Getting long-term commitment from NZ businesses is difficult

Transport costs are normally approximately as follows for Auckland freight moving to Christchurch:

- Trucks \$5-7,000
- Rail \$3,000
- Coastal \$2,000

Why therefore does the freight not move by sea? There is not enough scale to justify duplication of infrastructure for the smaller customers although some have been consolidating product into a shared facility and thus potentially that market could more easily use coastal shipping.

ss 9(2)(b)(ii) & 9(2)(ba)(i)

Longer term the added capacity will address this.

The next option for customers is Coastal. Meanwhile it is presently not easy to get space on international vessels making coastal passages because such vessels do not have sufficient time in port allotted to use available slots and thus, they cannot offer much assistance. To really help, the frequency of service needs to be addressed, (as well as port capacity to offer more time slots). Three days transit is possible, but more ships are required to meet demand and add the frequency required by the market. The catch is that there is not enough committed volume to justify more ships.

Customers use s 9(2)(ba)(i) for southbound domestic cargo movements, but northbound domestic customers ss 9(2)(b)(ii) & 9(2)(ba)(i)

[Redacted]

[Redacted]

s 9(2)(ba)(i) opined that the retail market will not support a service that cannot guarantee service integrity.

Other points raised by stakeholders:

Coastal feeder ships need berthing priorities to ensure timetables are maintained.

Logistics

Logistics Nature

- Domestic Market has three sectors:
 - Customers with distribution centres (DC) in Auckland, Palmerston North and Christchurch, using sea and rail
 - Others, the majority with only one DC, usually in Auckland. Mostly on rail
 - Commodity forwarders who want fast delivery, using trucks
- Trucking is fastest but most expensive
- Rail is slower, but cheaper
- Sea is slowest and cheapest
- To succeed, coastal shipping needs frequency (at least 3 times a week on main route), network of ports and reliability (berthing priorities)
- ss 9(2)(b)(ii) & 9(2)(ba)(i)

Issues:

- Storage capacity is seen as a problem. JIT deliveries have failed, but no capacity to hold inventory
- Rail capacity interisland is stretched when a ferry is out of service for docking
- Incentive required to push customers to receive and despatch containers 24/7

Expansion of RoRo to other ports is possible, but needs more certainty in the market in order to take the risk.

- s 9(2)(ba)(i)

NZ business used to hold stock, then went to JIT. Now it is apparently being realised that more storage capacity is needed to cope when JIT fails.

The logistics chain and all its contributory stores and transport systems need to operate 24 hours a day to get better use of port facilities and decongest ports as well as easing the daytime access pressures to such ports.

Refrigerated storage in NZ also needs addressing and updating especially for periods of excess congestion and delays as there are several examples of customers trying to use shipping containers for storage owing to a lack of capacity.

Port and inland store capacity is causing problems, for example it was reported that ss 9(2)(b)(ii) & 9(2)(ba)(i) [These were given as examples of unknown costs that occur as a result of a failing logistics chain system.]

ss 9(2)(b)(ii) & 9(2)(ba)(i)

The recent congestion has meant that vessels have got off window ss 9(2)(b)(ii) & 9(2)(ba)(i) and efforts to move cargo round the coast have been unreliable which has in turn resulted in a migration of freight back to road and rail. Road and Rail compete on price and delivery while rail and coast share slow moving low cost freight movements.

With respect to cargoes that might move off rail to sea in the upper North Island:

- It would become a competitive issue.
- Some freight might move across despite the longer transit time.
- Suggested that it would run today if it was viable (despite only a few opportunities per week compared with rail).
- If cabotage were imposed then perhaps the majority of contestable transship volume might move across.
- Would depend on price point and transit times.
- The low-Sulphur fuel requirement would impose a cost penalty for such an operation compared with rail and road.

However rail adds value:

- Kiwi Rail have Distribution Centres at their railheads to offer.
- Also, they have new 25ft curtain sided units (which are better for palletised cargoes than 20ft ISO containers)
- Rail containers are 8.5 ft wide in which it is easier to place pallets.
- Curtain sided units can move on transport to end destination and be unpacked from the side using client's smaller forklifts etc.
- Shipping containers normally have to be grounded to unpack them.

ss 9(2)(b)(ii) & 9(2)(ba)(i)

4 Legislative/ Regulatory

4.1 Ownership/ Governance

A major concern of stakeholders is the ownership of ports in New Zealand, and the lack of an integrated ports strategy. A range of comments is:

s 9(2)(ba)(i)

- Ports were once to facilitate cargo movement; now seem to be cash cows for owners.

s 9(2)(ba)(i)

- Port Companies Act needs to be reviewed and brought up to-date.
- Ensure that the industry has a sustainable structure.
- Ensure s198 is not abused.
- Port investments should be done in the National interest.
- Review the requirements of the Regional ports and related investment requirements.

s 9(2)(ba)(i)

- Port Companies Act needs to be revised and brought up to-date.
- Ports currently set their own often different rules.
- Ports operate as monopolies in many cases.
- They need regulating to ensure appropriate outcomes.
- Ports should not be treated as cash cows by their owners.

s 9(2)(ba)(i)

- Port Companies' Act needs review to ensure better focus on stakeholder needs.
- A National Ports Strategy is required to avoid inefficiencies and that includes a review of Port Governance.
- Coastal trade development has not happened because there has been no declared strategy.

s 9(2)(ba)(i)

- The ownership of the ports needs to be dealt with. There is a duplication of capital expenditure and no agreed logistics understanding for New Zealand as a whole that takes into account its location on the edge of the world (and its shipping network).
- Competition between ports wastes time and money. A combined solution is required, and coastal shipping is but a small part of what is a much larger issue. He considers that there should be regional ownership of ports, (groupings of ports), to get the most effective use out of the assets and gave the following examples:
 - Northport Auckland and Tauranga should be in a Northern Group;
 - Napier, New Plymouth, Wellington, Nelson, Marlborough in a Central Group and

Legislative/ Regulatory

Ownership/ Governance

- Ownership of ports and lack of an integrated ports strategy are major concerns
- Review of ports purpose and objectives, followed by Port Companies Act reform

Port Charges

- Considered inequitable
- Should be reviewed
- Port charges should be published

ETS Inequity

- International ships carrying coastal cargo should be levied an equivalent charge

Maritime Transport Act s198

- Needs updating to give clarity
- Exemptions need to be promulgated for data and transparency
- Concern over exemptions given for bulk cargoes such as fertilizer

Maritime NZ Rules

- Review of 40-series needs to consider harmonisation with other countries
- Crewing scales need review
- Role of trainees/integrated ratings/ABs needs updating

- Lyttelton, Port Chalmers, Timaru and Bluff in a Southern Group.
- He opined that if ports had been in private ownership at the outset, [after port reform in 1989], they would have regionalised already. He expressed a wish that Government take on the issue of Port Company ownership and deliver a structure that will be in the interest of 'NZ Inc'. It needs clarity of purpose and non-corruptible values which also defines long term strategic goals and takes care of the fact that one is also dealing with other privately owned stakeholders. The required legislative changes will then develop out of this.
- He also considers that the large overseas shipping lines are monopolizing the trade lanes. No larger shipper should have all its freight with just one shipping line where diverse markets are to be served. This will only be addressed if there is a national logistics plan.

s 9(2)(ba)(i)

- The Port Companies Act has encouraged the continuation of an excessive number of ports.
- The original Port Companies Act had never been reviewed and this needs to happen.
- It has an impact on coastal trades because of the pricing regimes that are used.
- Coastal cargoes incur two sets of port charges within New Zealand which is an additional impediment.

s 9(2)(ba)(i)

- A New Zealand Port Strategy needs to be reviewed to make sure it is on the right track and the Government should take the lead on this.

4.2 Port Charges

Port charges are considered inequitable. Some of the views expressed were as follows:

- Port charges are a concern. – Are port charges reflective of their purpose, to provide and maintain facilities, or are they used to generate income?
- They need some central oversight to ensure a reasonable approach.
- Suggestion- a centrally negotiated port charge for a specific ship, rather than having to negotiate with individual ports. Fixed annual fees for coastal ship access throughout NZ regardless of use and port calls, to cover what is essentially a fixed asset that does not incur costs related to use.
- Rates charged to coastal operators need to be reviewed so as to reflect facilities and services provided.
- Port Companies' Act needs to be revised and brought up to-date.
 - Review for equitable charges,
 - Coastal ships compared with international ships, and
 - For unfair bundling of charges.
- Port charge tariffs need to be published. This will improve openness of information and thus competitiveness

4.3 Emissions Trading Scheme inequity

The Emissions Trading Scheme levy (ETS) is not applied to overseas ships, giving them an advantage ss 9(2)(b)(i) & 9(2)(ba)(i) One suggestion is that overseas ships that carry coastal cargo (which may or may not include tranships and empties) be levied an equivalent charge through a mechanism similar to the Maritime Levy and Oil Pollution Levy.

4.4 Maritime Transport Act section 198

s 9(2)(ba)(i) considers s198 needs updating to give clarity on a number of issues including but not limited to:

- Provision for carriage of empty containers between NZ ports
- Provision for short notice changes to exemptions
- Commercial approach to cancellation arrangements of exemptions; needs to be two way – ability to cancel by the Government and the requirement to work out a notice period so other arrangements can be put in place

s 9(2)(ba)(i) consider that s198 has been abused in past, but now has some definition.

s 9(2)(ba)(i) is concerned about exemptions, or even lack of application for exemptions for coastal movement of bulk cargoes such as fertilizer.

s 9(2)(ba)(i) thought exemption notices should be promulgated to provide data on volumes and transparency as to reasons.

4.5 Maritime New Zealand Rules (40 series & other Rules)

s 9(2)(ba)(i) commented on Ship Classification – The Construction Rules [40-series of Maritime NZ's Rules] need to be reviewed to ensure:

- Harmonisation of standards for smaller vessels with those countries from where such smaller ships are likely to come.
- Review crewing scales requirements.
- Review bridge design requirements in view of automation, etc.

Maritime New Zealand advised they have commenced a review of the 40-Series, but this will take 2 to 3 years to complete. Input is sought from the NZ Industry for changes that will benefit the country.

s 9(2)(ba)(i) replacements are in short supply. Need Rule changes in order to acquire suitably built ships that are non-compliant with NZ's overstrict Rules.

s 9(2)(ba)(i) considers that the role of trainees/integrated ratings/ABs needs updating.

5 Infrastructure

5.1 Port facilities

Several stakeholders commented that dedicated berths and/or reserved berthing windows are required for committed coastal services to guarantee service provision and timely deliveries.

On other issues, s 9(2)(ba)(i)

- Inland ports and their respective railheads should be merged to form one site to improve the options for consolidating cargo and the ability to direct it to the required port. For instance, Inland areas such as the Waikato should have a single common user facility from where cargo could be despatched to any port.
- The rail accesses to both Auckland and Tauranga ports should be assessed to determine their absolute capacity both within terminals and in the access tracks to such ports, to ensure that modal planning reflects what is operationally possible.

s 9(2)(ba)(i)

- Ports should be assessed for maintenance and possible upgrades.
- Berths need also have facilities to suit small vessels, e.g. fendering.
- The possible requirement for on-wharf facilities and stores such as in Whanganui should be considered.

s 9(2)(ba)(i) As part of SH1, should the link spans be paid for under state highway funding instead of by the ferry operators?

s 9(2)(ba)(i) Terminal and Landside studies currently underway in Picton and Wellington should be reviewed to ensure that there are no voids in the planning particularly for increased traffic peaks around the terminals.

s 9(2)(ba)(i) Port and harbour physical constraints need reviewing to determine current and planned capability so shipping lines can plan appropriate ship and service allocations including length and draft limitations. ss 9(2)(b)(ii) & 9(2)(ba)(i)

Generally, when asked about future port capacity, there was agreement that Auckland and Tauranga had limits, and that studies had forecast that these ports could cope with

Infrastructure

Port Facilities

- Dedicated berths/ berth priorities needed for coastal ships
- Inland depots should be linked by rail to ease port congestion
- Inland depots should be 'common user' with respect to port affiliations, to increase competition between ports and provide choice
- RoRo linkspans treated as part of SH1 and funded accordingly
- Road links to ferry terminals should be reviewed

Resilience

- Coastal shipping improves resilience
- Places to land RoRo stern ramps at a range of ports
- Regional ports need to remain container capable
- Condition assessment of all ports needed to form a baseline

Port Access

- As ships get larger, ports will not be able to accept them
- Tidal constraints will become an increasing problem e.g. Nelson, Tauranga
- Land-side access, especially rail will become a major issue

Shore power for ships

- Needs investigation
- Power supply to Picton may be insufficient for new ferries.

Dry Dock

- General agreement a dry dock is necessary

projected traffic for at least 25 to 30 years. It was recognised that a new or expanded port would be needed but thought that this is some way off.

On existing facilities, aging infrastructure for refrigerated cargoes does need to be addressed – insufficient cold- and cool-store capacity is evident – it was reported that exporters have experienced a shortage of storage capacity and some by arrangement with ports, have been allowed to hold containers in terminals for short periods as storage.

5.2 Resilience

This leads to the issue of resilience. The thrust of discussion was around the improvement in resilience that a flexible sea transport system provides. Concerns were earthquake, volcanic eruption, severe weather events, tsunamis, disruptions caused by events such as a pandemic. Comments received were:

An overall plan and with related strategies is needed to ensure the maximum security for Inter Island services and capability in the event of another major earthquake or eruption.

A feeder network (hub and spoke) provides resilience. Ports need to remain container capable to provide resilience.

Provision should be made for landing the proposed rail ferry emergency ramps and other RoRo ships in any port where the vessels may have to call after a catastrophe like a major earthquake and tsunami.

Ability of all ports to be able to contribute to resilience should be reviewed. The existing Wellington Ferry Terminal is to be completely rebuilt and ships have been designed to provide resilience – a ss 9(2)(b)(ii) & 9(2)(ba)(i)

combination is suddenly required, e.g. Napier – Lyttelton.

RoRo ships only need a wharf to land their stern ramps on. Consideration should be given to re-instating link spans at ports such as Auckland, Timaru, Lyttelton and Nelson. These can then be available if the present fleet of ferries have to change port rotations in an emergency.

There does not seem to be a coordinated plan to check for resilience in the ports and this should be investigated.

Ports should be assessed for current maintenance standards and condition to create a baseline, and the possible need for upgrades assessed especially those required in the national interest.

5.3 Port access

A selection of comments on this subject:

Berth priorities for coastal feeders is a necessity.

As ships get larger, existing ports will not be able to accept them.

Nelson is tide-constrained causing scheduling problems for short sea trades.

In respect to Tauranga the tidal constraint is well managed, but it has to be recognized that it is a tidal port, and this will become an issue with larger and more frequent vessels.

Will Tory Channel use by bigger ferries be approved?

ss 9(2)(b)(ii) & 9(2)(ba)(i)

Kaimai tunnel will be the limiting factor for rail to/ from Tauranga.

Port of Tauranga needs to address its ability to be properly serviced by rail ss 9(2)(b)(ii) & 9(2)(ba)(i) e.

5.4 Cold Ironing (Shore power to ships)

Generally, stakeholders agree that shore power connections need investigation:

Shore power connection requirement for all ports should be reviewed and where required plans for installation formulated. s 9(2)(ba)(i) commented that presently, shore power price often makes it cheaper to run ship's generators.

Shore power connection plans at Picton and Wellington should be checked to ensure that adequate power can be provided to all vessels when docked at each end of their respective services. The power requirement is extremely high; the new ships are to use batteries to manoeuvre, which requires very high power supply to recharge whilst alongside for a short turnaround.

5.5 Dry dock

Generally, s 9(2)(ba)(i) agree that a New Zealand dry-dock is necessary. Some comments:

s 9(2)(ba)(i) : supports the concept of a floating dock at Marsden Point. ss 9(2)(b)(ii) & 9(2)(ba)(i) Definite need for NZ dock. Marsden Point best location. ss 9(2)(b)(ii) & 9(2)(ba)(i) Note: has regional development attributes.

s 9(2)(ba) keen for dry dock at Marsden Point. Sydney dock suffers from ships being bumped by Australian Navy requirements. Even docking in Sydney ss 9(2)(b)(ii) & 9(2)(ba) There is a requirement for a NZ dock, but has the concept grown 'like topsy' to be more than necessary?

s 9(2)(ba) Supported the proposal to have a New Zealand based dry dock to reduce the time out of service for the vessels plying the Cook Strait, which reduces the network's capacity.

s 9(2)(ba) Such a facility is essential in New Zealand for all routine docking requirements so as to reduce out of service time. Some points:

- Considered that there are sufficient skills available in NZ for doing all but the major refits.
- Most dry-docking is fairly routine and should not pose any issues.
- Ship operators take their own technical people to Singapore to oversee some tasks.
- Navy priorities were not considered to be a threat for a NZ dry dock providing appropriate understandings are in place from the beginning.
- Commercial governance should be provided.
- Perhaps Government would seek a competitive tender for the dry dock supply and operation.

6 Workforce

6.1 Provision of Seafarers

Overall, there does not appear to be a problem with the supply of seafarers. However, NZ is reliant on Pacific Island training schools for supply of ratings. s 9(2)(ba)(i) did say that a shortage of skilled labour needs to be addressed.

s 9(2)(ba)(i) considers that we should review crewing level requirements for all ships.

An aging workforce is an issue; the average age of crews is close to 50.

Workforce

- Supply of seafarers is OK
- But, ageing workforce
- Training schools provide good training
- Berths on ships needed for ongoing sea-time training requirements

6.2 Seafarer training

There are two main maritime training schools in New Zealand, the New Zealand Maritime School (NZMS) in Auckland and the International Maritime Institute of New Zealand (IMINZ), as well as specialist establishments that are Approved Training Providers by Maritime New Zealand.

s 9(2)(ba)(i) Two Diploma courses (2 years) for Navigating and Engineer cadets, followed by placing them on ships to accrue sea-time towards their initial qualifications. Typically there are s 9(2)(ba)(i) on navigation course and s 9(2)(ba)(i) on engineering courses. It takes 9 to 10 years for a person to progress to Master's or Chief Engineer's certificate, through several stages. They then 'disappear' into the industry, many of them overseas.

Ratings (deck and engine room) start the diploma course, and can decide after one year to become a rating. Not enough entrants pursue this category; the average age is about 50.

s 9(2)(ba)(i) suggests tax incentives to encourage trainee positions to be provided on ships and trainee remuneration or allowances need to be proportional and aligned. Maybe a levy on ships carrying cargoes on the New Zealand coast that do not provide training berths.

ss 9(2)(b)(ii) & 9(2)(ba)(i)

s 9(2)(ba)(i) is a leading provider of training for the fishing, maritime transport and maritime tourism industries.

In summary, for industry training in New Zealand:

- there seems to be quite a good program for new entrants coming into the industry and
- it is up and running and can increase numbers if required and
- thus, can deliver qualified people although on a 9 years' timeframe right through to full qualification as Master or Chief Engineer.

s 9(2)(ba)(i)

Also that bridge simulators are too costly.

s 9(2)(ba)(i)

suggested training levies should possibly be considered so as to fund the required functions.

s 9(2)(ba)(i)

who employees NZ seafarers says NZ training is excellent.

6.3 Access to accommodation on ships to gain sea-time

The main training-related problem is finding places on ships so that trainees can complete their sea-time towards their first professional qualification. Cruise ships are one source. s 9(2)(ba)(i) [redacted], but without on-board accommodation.

It was generally considered that an increased NZ coastal fleet might address this problem.

7 Sustainability

7.1 General

Generally, the stakeholder views support reduction of emissions. All consider that coastal vessels are a lower emission alternative to land transport.

s 9(2)(ba)(i) [redacted] Moving from truck to sea/ rail also improves safety as well as reducing emissions.

Sustainability

- Coastal shipping acknowledged as lower emissions than land transport
- Low carbon fuels are in the plans of ship operators

7.2 Low Carbon Fuels

ss 9(2)(b)(ii) & 9(2)(ba)(i) [redacted]

[redacted] nother said we need to look to future and examine how bio-fuels etc. might be delivered to coastal vessels. ss 9(2)(b)(ii) & 9(2)(ba)(i) [redacted]

8 Societal Issues

s 9(2)(ba)(i) [redacted] was particularly concerned about societal issues. He considered social licence issues should be addressed as far as the congested accessed to ports are concerned to ensure that an appropriate cap is put on the volumes that can reasonably be tolerated and permitted in transport routes through the respective cities of Auckland and Tauranga.

Societal Issues

- s 9(2)(ba)(i) [redacted]

ss 9(2)(b)(ii) & 9(2)(ba)(i) [redacted]

[Large redacted area containing multiple paragraphs of text]

9 Stakeholders' Vision for Coastal Shipping

9.1 The Vision

The stakeholders' vision was summed up by s 9(2)(ba)(i) who took a New Zealand-centric view:

- There are too many NZ ports trying to be large-ship container ports
- But change must be cost effective
- The southern ports are export- dominated, whereas imports are predominantly for places north of Taupo
- This creates an imbalance of containers, and a need for coastal movements of domestic cargo in these empty containers, and tranships of imports and exports
- Combined with a desired reduction in port calls for international ships, this requires a network of coastal feeder connections
- Allied with this is a need for good inland ports to de-congest ports, supported by improvements to rail to feed them.

Stakeholders vision for Coastal Shipping

- General opinion that a network of coastal feeder ships is needed to:
 - Allow larger international ships to minimise port calls
 - Cover resulting transhipment moves
 - Cover empty imbalance
 - Contribute to NZ domestic freight task
 - Add to resilience
 - Reduce emissions

s 9(2)(ba)(i)

endorse this view as did most other stakeholders. No one expressed a contrary view.

Other visions included:

- Berthing priorities required for coastal vessels.
- Coastal shipping essential to intermodal mix for domestic freight.
- Must consider resilience and sustainability.
- Coastal shipping needs a structure.
- Coastal shipping brings NZ employment.
- s 9(2)(ba)(i) sees a fleet of 1700 to 2300 teu ships all on weekly schedules.
- Ports need forward planning to ensure they are fit for purpose and to avoid wasted developments.
- As part of SH1, should the link spans be paid for under state highway funding instead of by the ferry operators?

Concern was expressed however about the potential loss of one or both of the coastal tankers if the Marsden Point Refinery closes and fuel is subsequently delivered directly from overseas.

Likewise, the reduction of three InterIslander vessels to two will possibly reduce employment overall.

9.2 How to Transition:

Some general points were made by various stakeholders including:

The need to sell the requirement for change and what this will mean in the future and the need for all to get on board (either with or without direct legislation). There should be a discussion about why it was not happening and encourage the debate.

The possibility of a second or third coastal container ship being underwritten for an introductory period to help deliver the preferred outcome.

Some need convincing of the feasibility of the ability to economically create a new port in the Manukau and believed that the associated “Red Flag” issues should be thoroughly investigated as part of the GPS investment.

ss 9(2)(ba)(i) & 9(2)(f)(iv)



Released under the Official Information Act 1982