



14 December 2017

Hon Shane Jones
Minister for Regional Economic Development
Associate Minister of Transport

Dear Minister,

Recently the New Zealand Shippers' Council commissioned NZIER to undertake a review of our 2010 benchmark analysis *The Question of Bigger Ships - Securing New Zealand's International Supply Chain*. That study assessed the potential impact on New Zealand trade of the global shipping lines' move towards larger container vessels - in particular, the cost to NZ Inc. if the country was unable to accommodate larger container vessels at our ports.

The 2010 report issued a warning that NZ's international competitiveness could be threatened by lack of port infrastructure to accommodate increasingly larger vessels. Our recommendation then was that NZ ports needed to urgently plan for and invest in infrastructure so as not to miss the boat (so to speak).

There has been much change in the global shipping industry since that benchmark analysis, including significant consolidation of the international shipping lines servicing New Zealand. Our 2017 research assessed the extent to which the conclusions of the earlier research remain valid in light of these developments – what is the risk to our shippers in an era of increasingly larger vessels across international shipping lanes? Are there implications beyond port infrastructure that need to be considered?

In summary NZIER's 2017 analysis concludes that:

- Increasingly bigger ships will place unprecedented demands on the efficiency of New Zealand's supply chain infrastructure. If New Zealand is to keep pace with the global shipping industry's relentless move to larger container vessels, it is imperative that there is integrated planning of investments right across the country's freight corridors.
- While earlier concerns that bigger ships may bypass NZ now seem unlikely to eventuate, the issue now is the capability of the entire supply chain to support efficient passage of freight. Put simply, bigger ships place bigger demands on the entire infrastructure.
- Maintaining competition is New Zealand's key insurance to maximising benefits from bigger ships. Given the existence of a vibrant and competitive market between ports, Government should be cautious about talks of a port strategy instead look to a supply chain strategy that ensures we have integrated planning of investments or policy affecting road, rail and coastal shipping.
- While the competitive environment within NZ is currently considered sound, the level of global consolidation of international shipping lines is of concern and requires close monitoring as there is risk that this will result in less competition in the NZ market. New Zealand officials and the Commerce Commission need to keep a close eye on this.

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I attach a copy of the full report for your review and comment.

This research is an important piece of work for the NZ Shippers' Council, in particular to inform our engagement with key stakeholders. We would hope to have an opportunity to discuss the report's findings with you in the New Year and look forward to that opportunity.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Mike Knowles".

Mike Knowles, Chairman
New Zealand Shippers' Council

The New Zealand Shippers Council is the principal association representing New Zealand's major cargo owners including many of the country's biggest exporters and importers. Collectively our members move over 60% of the country's containerised exports and a significant amount of bulk exports, imports and domestic volume.