

NEWSLETTER OF THE NEW ZEALAND SHIPPERS' COUNCIL



Issue No 4 November 2015

SHIPPERS' COUNCIL POLICY AND STRATEGY DAY - 18 November

Shippers' Council members are meeting in November for their annual policy and strategy day.

The Council will meet to agree policy positions on major issues that affect all major shippers while also encouraging more coherence in Government policy as it relates to the supply chain. We are all aware that freight is going to grow substantially. Can our port, airport, road, rail and coastal shipping infrastructure cope?

The Council will meet with key Ministers and officials across a range of Government portfolios, as well as key members of Opposition parties.

The policy and strategy day is open to full members only.

Rob Phillips steps down from Executive

Rob has recently announced that he is leaving his current role with Lodestar to pursue a new business opportunity and stepping down from the Shippers Council executive team.

We take this opportunity to acknowledge Rob's valued contribution to the Council over a long period. Rob has been a member of the Council since 2008. His knowledge and experience gained from many years in the NZ logistics and shipping industries has been a considerable asset to the Council including his contribution to the Big Ships report, and more recently, involvement with the Container Weighing regulations and Commerce Amendment Bill.

We wish Rob all the best for his future endeavours. Lodestar's Murray Horne will step into Rob's role on the Executive.

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WELCOME TO NEW MEMBERS

We welcome new affiliate member, **C3 Limited**.

C3 offers product handling solutions for all import and export requirements, including consolidation, devanning and packing containers, bulk storage systems, warehousing and distribution, marshalling services, inter-wharf cargo transfers, stevedoring services, bulk import transportation and inventory management of containerised, bulk and break bulk cargoes.

The company has over 800 staff working in 15 ports around New Zealand and Australia and works with exporters, importers and shipping lines handling more than 14.5 million tonnes of cargo each year. This includes some 23 million logs, 3.5 million tonnes of forest products and 300,000 tonnes of steel.

As noted in the previous newsletter, **Seatrade New Zealand** and **Netlogix** have also recently joined the Shippers' Council as affiliate members:

Seatrade New Zealand is part of the Seatrade Group, which operates around 100 fully refrigerated vessels, or "reefer vessels", purpose-built ships for ocean transport of perishable and frozen cargo.

Seatrade's "NZ Liner Service" operates between NZ and Europe, offering the fastest transit time of 27 days from last load port in NZ, via the Panama Canal to the first discharge port in Europe. Seatrade carries all of New Zealand's key export products on its service such as: kiwifruit, apples, onions, dairy, meat, wine, and honey, and any other products including project and marine cargoes.

Netlogix is an innovative New Zealand-based freight logistics solutions provider. The business works in partnership with customers operating significant freight networks and with more than 175 carriers across the country, moving over three million freight tonnes per annum through more than 5,000 freight corridors.

The business collaborates with freight owners and freight carriers, 'targeting inherent structural inefficiencies in the freight transport market to bring sustainable freight efficiencies that owners and carriers cannot bring by acting on their own.'

The Netlogix business officially launched to the market in March 2013 with the operational go-live for management of the national domestic freight network of foundation customer Carter Holt Harvey. An example of Netlogix's collaborative approach is Nexus Logistics, a port neutral venture launched in 2014 specifically designed to utilise the wasted capacity that is inherent in New Zealand's container distribution model.

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TRADE

TPP Update

TPP member legal teams have been locked away in a hotel at Narita airport trying to finalise the text of the agreement but according to some media reports their work has not been completed. The new Canadian Government is a further complicating factor. According to other reports officials want the new Canadian Government to understand the detail of the agreement before it is released publicly. This briefing/education process may take several weeks.

Once it is finalised member countries will coordinate a time for simultaneous release of the text. The sooner this happens the better, as much of the controversy caused in large part by the excessive secrecy of the negotiating process will hopefully dissipate. Once released, the US is required by the negotiating authority to follow procedure, which means that it cannot be signed for at least 90 days. Only after it is signed can the TPP members begin the various ratification processes that will lead to it coming into effect.

For New Zealand it means that the Select Committee process will probably not begin until at least mid-February 2016. In the case of the US it is hard to predict what will happen with regard to ratification. Two windows of opportunity are talked about for 2016. One is May/June, after the Congressional primaries are held and candidates are selected but before the Party conventions that will confirm the Presidential candidates. The other is post-Presidential election in what is known as the Presidential "lame duck" period. While both these timings are in theory possible, many observers in Washington DC are talking about 2017 as being more likely for ratification. This means that TPP may not come into effect until late that year or even early 2018.

Interestingly, the material provided about TPP at www.mfat.govt.nz is probably the most detailed that has been provided by any of the TPP participants. The US, for example, won't even reveal the 30 Chapter headings. These have been on the MFAT site since the day negotiations were concluded.

We will provide a fuller assessment of the agreement once the text is made public.

EU FTA On The Cards

The Prime Minister's visit to Brussels at the end of last week has made the possibility of a Free Trade Agreement with the EU a reality. The EU announced that they have agreed to begin the FTA process with New Zealand. <http://www.consilium.europa.eu/en/press/press-releases/2015/10/29-tusk-and-juncker-statement-on-nz-visit/>

This is in line with the revised EU trade strategy that was issued on 14 October: http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153846.pdf, which makes reference

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to the possibility of FTA negotiations with both New Zealand and Australia.

The EU has a set process for negotiating FTAs, which means that an actual negotiation is unlikely to start for 18 months to 2 years. Encouragingly, the EU Trade Commissioner Cecilia Malmstrom has said that she does not want the EU to start any new negotiations that cannot be finished.

Agriculture will be a difficult component to this negotiation but existing quota arrangements in the most sensitive product areas in some way make this a more straightforward negotiation than trying to negotiate with Canada, Japan and the US.

Minister Groser was in Brussels at the same time as the Prime Minister and had detailed talks with Malmstrom.

REGULATORY WATCH

Maritime NZ releases container weight verification discussion paper

In early October Maritime New Zealand released its discussion paper inviting feedback on the preferred options for implementing amendments to Chapter VI of the International Convention for the Safety of Life at Sea (SOLAS) that will require all export containers to have a verified weight.

Amendments to SOLAS to require the containers to have a verified weight were adopted in 2014 and will enter into force on 1 July 2016. Maritime NZ intends to implement the amendments via an update to Maritime Rule Part 24B by this date.

The amended SOLAS text requires shippers to provide a verified weight in the shipping documents. This must be obtained using either of the following two methods:

Method One: Weighing the packed container using calibrated and certified equipment; or

Method Two: Weighing all packages and cargo items, including the mass of pallets, dunnage and other securing material to be packed in the container and adding the tare mass of the container to the sum of the single masses, using a certified method approved by the competent authority of the State in which packing of the container was completed.

Maritime NZ's Preferred Options

Maritime NZ's preferred option in relation to the implementation of Method One is to require shippers to weigh the packed container using approved weighing equipment that is verified, and marked with a current annual 'certificate of accuracy' in accordance with New Zealand's Weights and Measures legislation.

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Maritime NZ's preferred option in relation to the implementation of Method Two is to require the shipper to calculate the weight of the packed container by either:

- Weighing every single item to be packed into the container on trade approved equipment, verified and marked with a current 'certificate of accuracy' in accordance with the existing weights and measures legislation. The combined weight of the goods, including the weight of the dunnage and packaging, would be added to the tare weight of the container to arrive at a verified gross container weight. The pallets, packaging and dunnage could be weighed on trade approved equipment by a third party. This calculation would use the tare weight of the container and measurements made on equipment of known accuracy; or
- Calculating the weight of the packed container using a system based on predetermined quantities; the weights for which are obtained using trade approved equipment, verified and marked with a current 'certificate of accuracy' in accordance with the existing weights and measures legislation. The system must be confirmed by regular audits. The discussion paper refers to a range of other matters related to implementation of weight verification such as the form of the shipping documents, who signs the documents, the time by which the verified weight needs to be with the port or the shipping company and instances where a verified weight is not provided - and concludes these are commercial matters to be agreed between the parties.

It notes that where a verified weight cannot be obtained, or there are serious and/or ongoing breaches of the verified weight obligations, Maritime NZ would be notified as appropriate.

The full discussion document can be found at

<http://www.maritimenz.govt.nz/Consultation/Container-verification/default.asp>

As earlier advised to members, the deadline for submissions was Friday October 30th. Council has made a submission focusing on concerns of members including asking for further clarification on tolerance levels and how these will be applied. Individual SC members have also made direct submissions.

In its submission NZSC has noted concern at the short timeframe for implementation given that we are still only at the discussion document stage and we have the Christmas holiday period coming up.

A copy of Council's submission can be found on the NZSC website.

We will be watching developments in this space very closely. Council has an open channel of communication to Maritime NZ and will be pursuing other opportunities to directly address the issues and concerns of members.

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PORTS NEWS

*BusinessDesk reports that **Port of Tauranga** now handles almost all of the North Island's dairy exports following its Coda joint venture with Kotahi.*

Tauranga's share of North Island dairy exports rose to 97% in 2015, from 70-75% in the previous year. Port of Tauranga chief executive Mark Cairns told BusinessDesk that Coda's freight load is forecast to be more than 5 million tonnes of container and bulk cargo a year.

At a recent presentation to analysts the Port produced before and after diagrams of logistics flows in the North Island, showing the elimination of empty domestic trucks and containers travelling north to Auckland, and the end of empty Fonterra freight space moving south. Napier didn't feature in the 'after' diagram for Fonterra's dairy products and empty containers. Another diagram revealed the number of containers being sent empty overseas has been declining this calendar year, having climbed in 2014.

The changes are slashing the number of empty containers and trucks between Auckland and Palmerston North, for example, while routing more export volumes through Tauranga. Dairy export volumes across Tauranga's wharves rose 12.6% to 1.75 million tonnes in the 2015 financial year.

*In news from further afield, **The Port of Long Beach** achieved its busiest September ever, closing out a record quarter in the port's 104-year history. Measured by individual containers of freight, cargo volume at the Port of Long Beach climbed 4.1 percent in September compared to the same period last year to 655,624 TEUs. The year's third quarter — July through September — topped 2 million TEUs in a first for the Port, and improved 14.8 percent over the third quarter of 2014.*

The Port of Long Beach is currently investing \$4 billion in improvements to prepare for even further growth. In 2016, the Port of Long Beach is expected to overtake neighboring Los Angeles as the top container shipping gateway in the country.

EMISSIONS/CLIMATE CHANGE

Shipping emissions now part of Paris Climate Draft

International shipping and aviation emissions have been reinserted into the draft Paris agreement. The move came in the final week of official negotiations before the key UN Climate Change conference in December.

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The shipping and aviation sectors were initially exempted from targeted CO2 emissions cuts in the Paris climate agreement however on October 14, E.U. parliamentarians called for emissions reduction targets for both aviation and shipping to be set before the end of 2016 by the corresponding UN agencies, the International Maritime Organisation (IMO) and the International Civil Aviation Organisation (ICAO).

The draft text now states:

Parties [shall][should][other] pursue limitation or reduction of greenhouse gas emissions from international aviation and marine bunker fuels, working through the International Civil Aviation Organization and the International Maritime Organization, respectively, with a view to agreeing concrete measures addressing these emissions, including developing procedures for incorporating emissions from international aviation and marine bunker fuels into low-emission development strategies.

Environmental group Transport & Environment praised the decision to re-include the industry, stating that international aviation and shipping emissions are the elephants in the room for the UNFCCC. “ The Paris Agreement must send a clear signal – not a passing reference – to the U.N. bodies regulating these emissions, ICAO and IMO, that time is up and action is now due. The two degree global warming limit becomes next to impossible if Paris gives these sectors a free pass.”

Exactly how the outcome of the Paris talks will affect shipping remains to be seen. International shipping currently accounts for just over two per cent of global CO2 emissions and emissions are likely to grow anywhere from 50 per cent to 250 per cent by 2050, according to a UN-backed study released last year.

Commentators have noted that regulation of the shipping (and aviation) sector has become something of a bureaucratic headache for climate negotiators. As international industries they are not easily covered by national or regional de-carbonisation policies, but nor are they covered under international climate agreements. During the 1997 Kyoto summit, the issue of regulating shipping proved too much of a sticking point for negotiators, who opted to leave it out of the final agreement.

Since then, shipping regulation has been the responsibility of the IMO, however progress has been slow. Since 1997 few measures have been introduced to address the sector's emissions.

The new ship efficiency standards adopted in 2011 required all new vessels to meet the Energy Efficiency Design Index (EEDI), but new ships are already well exceeding the required standards. The IMO says it is also planning to develop a global data collection system to monitor ship emissions, with an announcement detailing how this system will work expected at the next assembly in 2016, but it continues to resist calls for an overall emissions reductions target.

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Businessgreen reports that the shipping industry is largely opposed to market-based measures for limiting its emissions. It notes that many within the sector insist efforts to reduce emissions should be limited to efficiency measures and voluntary fuel emissions savings, claiming that this already gives ship owners the most powerful incentives to minimise their carbon impact.

According to the International Chamber of Shipping, "The important thing to understand about the shipping industry is that fuel costs are by far the most significant cost that a ship operator has. So ship operators have every interest in reducing the fuel consumption of a ship as much as possible."

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