

NEWSLETTER OF THE NEW ZEALAND SHIPPERS' COUNCIL



Issue No 5 February 2016

Message from the Chair

It's been a very busy couple of months since our last newsletter. In this issue we recap the highlights of our Strategy Day in November, look at developments with container weight verification, and the TPPA and cast an eye to other issues shaping global shipping in 2016.

There are several key dates rapidly approaching – make sure to check the calendar so that you don't miss the opportunity to participate.

It looks to be a challenging year ahead. Council is very focused on ensuring members are well-represented and well-informed as the sector grapples with issues such as the introduction of container weight verification, the passage of the Cartels Bill, and the implications of global shipping over-capacity and consolidation.

Executive Update

In early January Deputy Chair Blandina Diamond advised of her departure from NZ Steel to take up a new role with Tegel – and as result she vacates her role with the Shippers' Council. I take this opportunity to wish Blandina all the best in her new position and thank her for her contribution to the Council as both an active Executive member and more recently as a valued Deputy Chair.

Murray Horne (Lodestar) has taken on the acting Deputy role. Unless there are any other nominations this appointment will be ratified at the March OGM.

Blandina's departure also creates a vacancy on the Executive committee. If any members are interested in stepping up to join the team please contact either Megan or Mike – they will be happy to advise on what's involved.

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Upcoming Key Dates:

29 February
EU FTA submissions due

11 March
TPP submissions due

11 March
Deadline for MNZ Container Weight Verification comments

23 March
Ordinary General Meeting - Auckland

Contacting your executive team

Chairman, Mike Knowles E: Mike.Knowles@zespri.com M: +64 21 515 423

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**OGM: 23 March, Auckland
Tamaki Room, Ports of Auckland
10am start**

The New Zealand Shippers' Council Ordinary General Meeting will be held on Wednesday 23 March 2016 in the Auckland. Thanks to POAL for hosting us.

The morning programme (open to full members and affiliates) commences at 10am and will include a meeting with Maritime New Zealand on container weight verification, followed by lunch.

The OGM for full members is set down for the afternoon. The agenda includes presentations from a line-up of key speakers of interest to members. The full agenda will be out in early March.

Strategy Day November 2015

Minutes of the Shippers' Council Strategy Day held at the Wellington Club in November can be found [here](#). Members reviewed the business plan; identifying priority projects for 2016, and reviewed current policy papers; noting areas for update and addition.

External presentations included:

- Mark Batt and Ian Lancaster, Maritime NZ: impending Container Weight Verification regulation, and overview of upcoming items on the IMO work programme.
- Tom Forster and Emma MacDonald, Ministry of Transport: issues of joint interest including road freight review and the Auckland Transport Alignment project.
- Marinus La Rooij, New Zealand Transport Agency: current and upcoming work of NZTA including a new national freight statement related specifically to doubling exports by 2025 (More information can be found [here](#) options for increasing productivity in Northland, new roading projects in Auckland, and potential use of demand management or smart technology to manage traffic flows.

The presentations provided much food for thought, and particular note was taken of the view expressed that there is a greater need for the voice of owners of freight - not just the movers - to be heard on all freight discussions.

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TRADE POLICY

TPP

The big news on the trade front is that the TPP has finally been signed.

NZSC were signatories to a joint letter to the Prime Minister welcoming the signing of the TPP in Auckland on 4 February. The letter, which received substantial media coverage, underlined the significant economic benefits that will flow from the FTA and the cornerstone role of trade to the NZ economy. Full text of the letter can be read [here](#).

Now that TPP has been signed the text and the National Impact Analysis have been submitted to Parliament. The Foreign Affairs, Defense and Trade Select Committee began hearings on 11 February (which NZSC attended) and has called for public submissions.

Council will be making a substantial submission on this important agreement and will be providing materials to members to assist with their submissions.

Submissions are **due by 11 March**. Submitters will be able to speak to their submissions in front of the Select Committee in due course. Details on the submission process can be found [here](#):

A useful and thought provoking infographic on how the TPP redefines the face of global trade can be found [here](#):

EU

MFAT is calling for submissions on the proposed FTA negotiation with the EU. These are required to be with MFAT **by 29 February**. The Shippers' Council supports this negotiation and will be making a submission in support. Members are encouraged to also submit. Details on how to do so can be found [here](#).

Other negotiations

Little appears to be happening on the India, GCC or China FTA Update fronts. There is some talk around Turkey – which will need to begin a process with New Zealand as a consequence of any EU-New Zealand FTA (Turkey and the EU have a Customs Union applying to non-agricultural goods).

The Prime Minister is currently in Sri Lanka - which is also a potential FTA target.

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REGULATORY WATCH

Cartels Bill Update

In December Minister of Commerce and Consumer Affairs, Paul Goldsmith, announced that the criminal sanctions for cartel conduct will be dropped from the Commerce (Cartels and Other Matters) Amendment Bill (the “Cartels Bill”).

The Cartels Bill has been before Parliament for the past four years, and has been awaiting its final reading since the end of 2014. We will know more in a couple of weeks about the likely timing of further Parliamentary consideration of this important Bill. The Government has confirmed to the Council its intention to pass the Bill in 2016.

Container Weight Verification – MNZ releases draft guidelines for comment

In a little over four months, the new container weight verification rule will take effect.

To recap, in October Maritime New Zealand (MNZ) 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 gross mass (VGM). Those amendments will come into force on 1 July 2016. Maritime NZ intends to implement the amendments via an update to Maritime Rule Part 24B by this date.

Council's submission to the discussion document ([available here](#)) focused on members' key concerns, including clarification of tolerance levels, how these will be applied, and concern at the short timeframe for implementation.

In late January representatives of Shippers' Council, along with attendees from CBAFF, Ports, Wood Processors and Road Carriers, attended a meeting hosted by ICLC that was prompted by concern about the urgent need to progress the draft regulation in readiness for the July 1 implementation date.

Representatives from MBIE (Weights and Measures) and Maritime NZ presented and responded to queries from those present. Shippers' Council asked for clarification about how goods transhipped in the run up to 1 July would be treated at the transshipment port when arriving post implementation date i.e. will these goods still require a VGM as they move through the supply chain? We also sought confirmation that the VGM documentation acceptable in New Zealand will be acceptable to other jurisdictions, and reiterated our concerns about the urgent need to see the regulation given the speed with which July 1 is approaching.

Our concerns were consistent with those of the other bodies represented at the meeting. A steering committee, comprising representatives of NZSC, ICLC, CBAFF, Ports, road transport and others, has been established with the goal of working together to consider how the container weight verification rule will work at an operational level across the supply chain.

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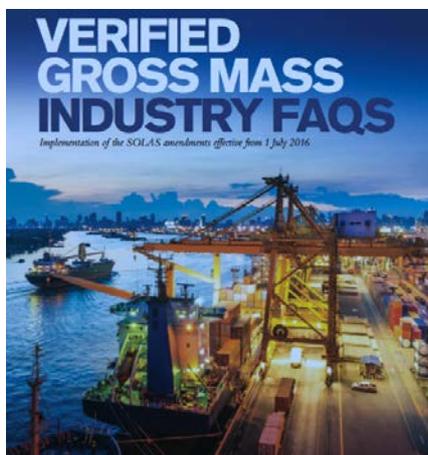
MNZ has now released the draft regulation for comment ([available here](#)).

The draft largely mirrors the IMO rules and continues to leave many unanswered questions. As foreshadowed in their earlier briefings, MNZ has taken the approach of drafting rules that are as flexible as possible, with the intent of leaving the operational detail for commercial arrangement between shipper and transportation parties. What is clear is that the successful implementation of this regulation requires much more than the readiness of shippers – it is evident that there are a large range of impacted parties who will require transparent and clear communication and the earliest possible identification of requirements.

The release of the draft regulation comes against a background of increasing international concern about the potential for significant disruption to the supply chain in the international arena.

In December the European Shippers Council issued a statement urging governments to harmonize their regulations for compliance because too few countries have stated what shippers need to know before the rule takes effect (see: <http://europeanshippers.eu/news>)

A broad industry coalition including the Global Shippers' Forum issued a Frequently Asked Questions (FAQ) document to address issues arising from the new container weighing regulations. ([available here](#))



Industry media continue to report on the widespread expectation of disruption in the global supply chain as a result of lack of preparedness for the July 1 implementation date, citing “too many questions for which there are as yet no good answers.”

Of most concern in international forums are the perceived operational issues and impacts for the supply chain arising from non-compliance – e.g. what happens across the supply chain when the VGM as determined by spot check at the dock is different from the weight the shipper has signed off, especially in already congested ports?

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Commentators have also referred to the issue of uneven enforcement that may yet catapult container weight verification into mainstream media headlines – concerns that exporters of one country will be subjected to a bona fide enforcement regime but not their competitors from another country with a differing enforcement protocol.

In the face of a call from the US agriculture industry for delayed implementation of the new rule, the US Coast Guard has recently issued an unequivocal statement that this is not an option. Its core message was that shippers should not rely on an expectation of further guidance from the Coast Guard; any problems in implementing the new rule are commercial matters that need to be resolved by the commercial parties—shippers, carriers, equipment suppliers, EDI portals, and so on. (More [here](#))

Other recent developments, in something of an about-face, ports in the UK and US have announced moves to offer container weighing services in the effort to overcome potential logistics barriers to exports. Container terminals at London Gateway, Southampton and Felixstowe are to implement “scalable solutions to weigh containers shortly after arrival in the port and provide the VGM”. ([More here](#))

Closer to home a recent TVNZ news item (which included comment from NZSC) noted the invention of a portable container weighing scale by two kiwis in anticipation of the opportunity. (More [here](#))

Also of interest is an expectation that in anticipation of the disruption, importers may build safety stocks during the transition process, which could see a late June surge in shipment volume. Some predict that along with the real potential for delays, cargo rolls, and operational disruption, there may be increased demand for emergency services by forwarders and inland transport operators to have containers trucked back and forth when there are mismatches between declared weight and checked weight.

Council will be comprehensively responding to MNZ's draft regulation and members may also wish to comment by way of individual submission. Note that the final date for comment is [Friday 11 March](#). All details on how to do so are available in the MNZ consultation document. ([available here](#))

PORT NEWS

Port of Tauranga has reported that the company is about a third of the way through its \$350 million project to dredge Tauranga's harbour channels to accommodate larger vessels. The work, to dredge to a depth of 14.5 metres inside the harbour and 15.8 metres outside the entrance, is expected to be completed ahead of schedule in July. Chief Executive Mark Cairns says that the port is looking at every aspect of its operations to ensure it is ready for the step change required by the arrival of larger ships handling significantly larger volumes of cargo per shipment.

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The Port has also announced it has agreed a 10-year freight deal with Zespri International and Tauranga Kiwifruit Logistics, which will mean investment in cool storage and port operations to cope with expected growth in the kiwifruit industry. Kiwifruit exports increased 22.9% over the first half year to 413,102 tonnes.

CentrePort reports that it is accelerating plans to deepen parts of Wellington Harbour in readiness for bigger shipping vessels. Dredging plans have been given urgency amid a changing outlook for the types of ships that could be coming to the port company, with the port company noting that it hopes to have the consent process well-advanced by mid 2016.

In other port news, options for moving Auckland's downtown Waitemata port have been released. The Port Future Study's Consensus Working Group has released initial work identifying a long list of areas being considered as options to meet Auckland's future demand for port activities.

The study's consultants, a consortium led by EY, have identified the areas that offer the theoretical physical capacity for the port services, such as water depth, adjacent land capacity, and distance from transport routes. Detailed criteria to analyse the suitability of these locations are also being developed.

Following this initial work, the group met with the Port Future Study's wider Reference Group to gain feedback. Shippers Council was represented by our Executive Officer. The next Reference Group meeting will be held in mid-April.

The intent is that the final report will give recommendations on a 50+ years strategy for port freight and cruise activities. Auckland Council will then make decisions on the study after it is finished at the end of June.

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INTERNATIONAL HEADLINES ROUND UP

CO2 Shipping Emissions

Shipping was not specifically mentioned in December's Paris climate agreement reached among 195 nations, however international momentum to tackle the environmental footprint of transport trade agencies continues to grow.

Earlier this month the International Civil Aviation Organisation (ICAO) agreed the first CO2 standard to cap emissions from aircraft (still to be endorsed by the ICAO General Assembly before coming into force) and the European Commission has announced it will work with the IMO this year towards adopting a mandatory global system to collect and report emissions from ships (more [here](#))

Meanwhile the Global Shippers' Forum (GSF) has called on the shipping industry to reach agreement on a market-based measure for carbon reduction or risk having rules enforced.

The GSF has released a statement outlining its view on how the maritime sector should address the issue. It is keen to avoid a patchwork approach of national CO2 targets which would be complex to manage and wants the shipping industry to be proactive in agreeing voluntary measures.

GSF says the shipping industry needs to set its own challenging but achievable voluntary CO2 reduction targets for the maritime sector or risk targets being imposed.

A copy of the GSF policy statement: CO2 emissions from the maritime sector can be found [here](#).

On the horizon: Expanded Panama Canal

After nine years of construction, multiple delays and expensive overruns, the new Panama Canal locks are expected to open in June 2016. The expansion project aims to roughly triple the size of ships that are able to transit the waterway from 5,000 TEUs to 14,000 TEUs, substantially boosting available capacity.

What changes can shippers expect? Journal of Commerce reports that there is no clear consensus. Most analysts expect the changes to play out gradually over several years, with wild cards that include: the extent to which US east coast ports can capture significant cargo volumes from their west coast counterparts, the canal's new toll structure, fuel prices, carrier mergers/acquisitions/alliances, and competition with the recently expanded Suez Canal.

What is certain is that the expansion will affect carrier routings by providing container lines with a new way to deploy large ships being replaced by even bigger vessels on high volume Asia-Europe and trans-Pacific routes. In short, shippers will have more options and carriers will compete to provide those options. It will pay to be alert to the changes as they evolve.

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Transparency in shipping line prices welcomed

The European Commission has confirmed that the fifteen container lines suspected of a breach of antitrust rules have committed to change their policy regarding publishing and communicating General Rate Increase announcements so as to avoid further EC investigation and potential fines.

The Commission launched an investigation in November 2013, claiming that since 2009, major global container shipping companies have been making regular public announcements on price increases for transport services on routes to and from Europe, signaling future price intentions to each other and harming competition.

The carriers in question are China Shipping, CMA CGM, COSCO, Evergreen, Hamburg Süd, Hanjin, Hapag Lloyd, HMM, Maersk, MOL, MSC, NYK, OOCL, UASC and ZIM, the EC said.

As the announcements were made several times a year and contained the amount of increase and the date of implementation, generally similar for all announcing companies and were made successively a few weeks before the announced implementation date, a suspicion arose as to whether the liners were working in cahoots.

According to the EC any such future announcements will be binding on the carriers as maximum prices for the announced period of validity, but carriers will remain free to offer prices below these ceilings. In addition, price announcements will not be made more than 31 days before their entry into force. The commitments would apply for a period of three years.

Chris Welsh, Freight Trade Association Director of Global and European Policy, said: "We welcome the Commission bringing this important case on liner shipping prices to a satisfactory close. As one of the original complainants FTA will respond to the market test now that the Commission has published its Notice.

"We look forward to a new clear and open approach by the shipping line operators which will remove the need for our members to resort to court proceedings for competition damages. While the Notice also acknowledges that the shipping lines deny any infringements that does not alter the Commission's original assessment of the allegations. What it means is that the Commission has agreed not to continue its investigation in exchange for a commitment from the shipping lines to significantly change their pricing behaviour in the future.

While the lines involved will not be the subject of a decision finding infringements nor fined, they have agreed to stop the behaviour which the Commission considers unlawful and undertaken to improve the system of price announcements in future.

The Commission's investigation resulted from a complaint made by Freight Transport Association/British Shippers' Council in 2011. Mr Welsh said the commitments apply to all trades into and out of Europe, but are likely to have a wider global impact on shipping lines pricing practices.

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