

# Shippers' Council urges wider supply chain strategy

## Warren Head

Any future ports study should look 'beyond the border', Tim Ritchie, Meat Industry Association representative on the New Zealand Shippers' Council, told the CBAFF annual conference in Nelson last week.

Future ports strategy work needs to be widened to become a supply chain strategy to ensure integrated planning of investments or policy affecting road, rail, ports and coastal shipping, he urged.

"Government must align its policies on 'behind the border' infrastructure provision (road and rail) with its coastal shipping and port strategies to the reality of bigger ships so that shippers, ports and shipping lines can invest with greater certainty."

The NZSC is an association of New Zealand's major cargo owners (exporters and importers) i.e. the companies that own the freight. NZSC members collectively move over 60% of NZ containerised exports and a significant amount of bulk exports, imports and domestic volume.

NZSC recently commissioned NZIER to test conclusions reached in earlier port studies in light of developments globally and in New Zealand.

Mr Ritchie said, "The concerns that gave rise to the earlier reports now seem unlikely to eventuate, i.e. big ships will not be bypassing NZ because ports have made the investment in infrastructure to accommodate them (and are looking to increase this going forward)."

The NZ economy has reaped the



Container vessels coming to New Zealand are now of a larger scale. Pictured: container vessels at Port of Tauranga.

benefit of this investment and bigger ships have lowered freight rates.

"However, the historically low freight rates NZ is currently experiencing are substantially the result of the global shipping imbalance between supply and demand.

"Supply of bigger ships has outpaced demand and depressed freight rates globally, leading to significant consolidation of the international shipping fleet."

He added, "Whereas the 2010 report issued a warning that NZ's international competitiveness could be threatened by lack of port infrastructure to accommodate

increasingly larger vessels, the 2017 report now points to broader supply chain vulnerabilities:

- Efficiency of NZ's total supply chain infrastructure necessary to support bigger ships.
- Maintaining sound competition is NZ's key insurance for maximising benefits from bigger ships.

"If New Zealand is to keep pace with the global shipping industry's relentless move to larger container vessels, there must be integrated planning of investments right across the country's freight corridors.

"Rather than a ports strategy New Zealand needs a supply chain strategy

to ensure integrated planning of investments and policy affecting road, rail and coastal shipping. The whole of the supply chain needs to be able to adapt to bigger ships and gain competitiveness by lowering total transport costs."

The top 10 shipping lines now control over 80% of the global market, said Mr Ritchie.

"Of the top 25 container shipping lines that were present in 2000, only 15 remained in 2017. Ten of the top 20 carriers in 2013 will soon no longer exist as standalone companies.

"Continued quest for scale has seen the largest shipping lines form three major alliances, which collectively control 80% of global containership capacity, 90% of trans-Pacific trade and 96% of Asia-Europe trade.

"Competition is vital to ensure the required capacity, frequency, choice and quality of service."

Rapid and continuing consolidation amongst the shipping lines creates risk that competition within the international shipping environment will diminish with withdrawal of capacity, and deterioration of service.