

Friday, 3 November 2017

Hon Phil Twyford  
Minister of Transport  
Parliament Buildings  
WELLINGTON

Dear Minister

Congratulations on your appointment as the Minister of Transport. The Federation looks forward to working with you in the interests of all New Zealand.

A lot has happened since “Sea Change: A strategy for domestic sea freight” was published by the outgoing Labour Government in 2008, some good and some not so good, and much remains the same. That said, Sea Change has stood the test of time very well. It needs a refresh but there is no need to start from zero.

New Zealand is still located a long way from anywhere. We are still reliant on maritime routes for the overwhelming bulk of our imports and exports, as measured by tonnage. Maritime transport still has an environmental advantage over other modes; and it still takes pressure off roads where it is a viable option. The pathway to action in Sea Change is still a good place to start with a role for government in:

- providing a visible focal point
- improving access to developmental funding
- information gathering, and
- work-force initiatives.

Some things have changed.

The coastal shipping sector is now comprised of:

- 5 Cook Strait ferries operated by 2 competing companies. These ferries have a significant role in holding the two islands of New Zealand together. By forming part of State Highway 1, they sit outside much of the traditional discussions about the value proposition of shipping in that they are often the fastest or only possible way to move cargoes (including tourist vehicles) between the islands. They also have a significant tourism role.
- 2 fuel tankers
- 2 cement carriers
- 1 container vessel
- 1 bulk carrier
- 2 NIWA research ships whose purpose is to deliver science that supports New Zealand’s economic growth, understanding of Antarctic and Southern Ocean dynamics and stewardship of our natural resources, ecosystems and biodiversity

Coastal maritime plays a vital role in the economy by moving general freight as well as fuel and cement.

Approximately 1.5 million passengers are carried by the Cook Strait ferries each year, mainly tourists.

In addition the sector contributes value via the maritime schools, support services such as surveying and engineering and related professional services. It would be a useful exercise for government to establish the value of the sector to the economy.

### **Resilience**

In Sea Change, resilience is referred to in the context of ongoing access to international shipping both for imports and exports. This is still important. But more recently, the role of coastal ships in domestic transport links has been highlighted by the Canterbury and Kaikoura earthquakes. Maritime links were important in moving goods from Auckland/Tauranga to Lyttelton while the road links were disrupted. Even more importantly, the earthquakes highlighted the significant role of the 5 Cook Strait ferries, in effect, being State Highway 1 between Wellington and Picton.

In the case of Wellington and Picton, there is a role for government in ensuring that the land-side infrastructure is resilient so that it is available in the event of a natural disaster. There is likely to be a gap between what is commercially justified for daily operations as against the higher standard that is needed to ensure that the infrastructure is able to survive a serious earthquake.

Arising from the quakes, there is an immediate opportunity for you as Minister to provide leadership in bringing together the various government and non-government stakeholders who have an interest in a new multi-user roll-on, roll-off ferry terminal in Wellington. There is some urgency in this so as to ensure that the best use can be made of insurance monies.

### **Levies and Fees**

Coastal maritime pays its own way and we are happy to pay our share of the costs driven by the sector. The regulator, Maritime New Zealand, is partly funded by the maritime levy. Oil pollution response preparedness is funded by the oil pollution levy.

The Federation accepts that we should pay for what we use. We have concerns that the levies are not fairly applied based on the work that the sector imposes or the risk that is imposed. Minister, we believe that you have a role to ensure that the sector is treated fairly.

As a separate issue, we are conscious of the fees charged by Maritime New Zealand for services in respect of vessels flagged in New Zealand.

The Federation believes that there is an opportunity for New Zealand to promote itself as a flag state of choice, leveraging off our reputation for transparency and low corruption. To do this, Maritime New Zealand needs to be competitive in terms of quality of advice, speed of delivery and costs. The contra to this opportunity is that, if Maritime New Zealand is not competitive on all these fronts, existing New Zealand flagged vessels may be moved to other flag states. This would affect the critical mass necessary for any flag state.

## **Environment**

There is on-going work to reduce the emissions produced by ships. This work is driven by the International Maritime Organisation.

Our concern is, firstly, that New Zealand does not get out of step with the rest of the world and secondly, that any change to the fuel standards does not leave New Zealand short of fuel.

International compatibility is important because the vessels need to be able to operate in other jurisdictions, e.g. for repairs. Monitoring the availability of fuel is important because New Zealand is likely to be importing low sulphur fuel but there is a world-wide shortage. Alternatively, if low sulphur fuel is processed in the refinery, the disposal of by products is an issue.

The absence of a dry dock in New Zealand of sufficient size to take most of the vessels operated by members of the Federation is an environmental issue. This arises because of issues around clean ships and also the carbon footprint of going off shore for routine maintenance. We would be happy to brief you on how this issue affects members and the costs that it imposes on the government. The lack of an appropriate dry dock also limits the options of the government in respect of international ships that arrive with dirty hulls or an unacceptable bio-load in their internal spaces.

## **Equity between different ships on the same routes**

In Full Steam Ahead (copy attached) we make the case for fair treatment of coastal ships which are competing directly with international ships. We ask that this issue be included in any review of the Emissions Trading Scheme so as to ensure that non-maritime routes are not incentivised. We would like the opportunity to discuss this with you.

## **Training**

Maritime training is significant in New Zealand. Graduates from our maritime schools work around the world; and students from around the world come here to study. There are problems with the availability of sea-based training for ABs and training berths for officers and engineers. We are sure that the maritime unions will be raising these issues with you and we would like to discuss them also.

## **Ports**

Prior to the election, both the Labour Party and the Green Party indicated that there is likely to be a review of the operation of the ports network. If any such review takes place, we are keen to be involved so as to ensure that the practical implications of any recommendations fully consider the impact of ship operations.

### **New opportunities for coastal vessels**

Shipping is based on cargoes. Vessel operators are always looking at opportunities for new routes and new cargoes. There have been recent examples where the costs of the development of the business case have been the limiting factor in developing ways to expand the coastal shipping task. Sometimes this is because the benefits of moving cargo by ship are not aligned with the costs, e.g., taking trucks off roads is a benefit to road users and road funders but the costs fall on the cargo owner and the ship operator. The Federation is keen to discuss ways in which this impasse could be addressed.

The Federation appreciates that transport is only one of your many responsibilities. We understand that some elements covered by this letter may be delegated to your associates or be seen as under the environment or climate change portfolios.

Minister, there is much to discuss. The Federation is keen to help you understand the opportunities as well as the risks in the transport sector.

We look forward to working with you. We send you our best wishes.

Yours faithfully

Annabel Young

New Zealand shipping Federation