NZSF
NEW ZEALAND SHIPPING FEDERATION

New Zealand Shipping Federation submission on the Inquiry into Ports and the Maritime Sector

Introduction

1. The New Zealand Shipping Federation (NZSF) welcomes the opportunity to submit on the Transport and Infrastructure Select Committee's Inquiry into Ports and the Maritime Sector.

2. NZSF has represented New Zealand-based coastal and international shipping operators since 1906. Our members include the Cook Strait ferries, container and bulk freight vessel operators, cement carriers, Chatham Islands Shipping and NIWA. A list of our members is on the last page of this submission.

3. NZSF is the New Zealand representative at the International Chamber of Shipping (ICS), which is the global representative body for ship owners and operators. Through ICS we interact regularly with global shipping operators and with the global regulator, the International Maritime Organisation (IMO).

4. NZSF wishes to speak to our submission.

5. If there are any questions relating to the submission below, please contact the Executive Director of the New Zealand Shipping Federation, John Harbord, at execdirector@nzsf.org.nz

Executive summary

6. Around 99% of New Zealand's trade by volume travels by ship. As a small, geographically remote country far from major shipping lanes, New Zealand is highly vulnerable to international supply chain disruption. Trends in international shipping will make this vulnerability worse.

7. Coastal and trans-Tasman shipping plays a vital role in ensuring resilient domestic supply chains. Over the last 30 years, successive governments have done little to ensure New Zealand retains a domestic capability and the industry has gradually eroded due to an unlevel playing field.

8. Almost all countries globally have policies and/or regulation in place to ensure they maintain a minimum domestic shipping capability. In a less-globally secure environment, many countries, e.g., Australia, the United Kingdom, and the USA, are putting in place support for their domestic shipping to reduce the risk from potential international supply chain disruption.

9. New Zealand is an outlier in effectively having almost no such policies or regulation, and needs to act now.

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10. This submission is organized into the following sections:

- The international shipping context and trends
- The state of the domestic coastal shipping
- What are other countries doing?
- Other issues facing coastal shipping
- Proposed solutions

The international shipping context and trends

Managing strategic risk

11. New Zealand is reliant on international shipping for our economic prosperity. 99% of our trade by volume is transported by ship. Any disruption in global shipping risks disproportionate impact on New Zealand. We are more geographically distant from major shipping lanes than most countries and we have no land borders with other countries to provide alternate sources of freight transportation.

12. Continued service levels by international shipping should not be assumed. Feedback from international shipping operators is that New Zealand is costly to visit, it takes a lot of time to get here that could be spent accessing multiple markets elsewhere, port and other charges are higher in New Zealand than many other markets they service, access to ports is unreliable, and biofouling rules are onerous. This means services to New Zealand are already under constant and ongoing review.

13. International shipping is flighty by nature. There are multiple demands on every ship and they are moved at short notice to markets where profits are higher (or costs are lower). Examples that illustrate this include:

14.1 The global rules-based system has explicitly recognized the unreliable nature of international shipping services. For example, 130 countries representing 90% of world GDP, including all G20 economies and New Zealand, have signed up to the OECD's minimum corporate tax rate of no less than 15%. Those countries explicitly exempt international shipping from this regime because of how flighty international shipping is.

14.2 During the COVID pandemic, global shipping companies considered ending services to Australia on the basis that Australia was considered a small, geographically remote market and their ships could earn higher profits servicing the major shipping lanes. While this did not eventuate, Australia did experience reduced service from international shipping – and that service has not returned post-COVID.

14.3 At the April 2024 Freight Futures Conference in Auckland, the New Zealand country manager for COSCO Shipping, the world's fourth largest international shipping operator, observed that New Zealand comprises less than 1% of COSCO's business and that services to New Zealand are under constant review as to whether they are commercially worthwhile. The country manager further noted that if it became more difficult, or more costly, to come to New Zealand then it would be a straightforward decision for the global business to stop coming here.

14.4 Maersk commenced a coastal service within New Zealand in 2022. That service was discontinued in 2023 on the basis it was too costly and difficult to maintain, relative to the profits that could be generated using the same vessels elsewhere.

14. In short, New Zealand is completely dependent on international shipping, which can and will reduce service to New Zealand if their vessels can be better utilized elsewhere. Despite this vulnerability, successive governments have done nothing to ensure New Zealand retains a minimum domestic capability to provide some supply chain resilience.

Trends in international shipping

15. We live in a less secure world. Because of global supply chain disruption, there is significant demand for international shipping to increase the number of ships servicing the major shipping lanes. That is, to supply more frequent sailings to compensate for delays and disruption.

16. This is already impacting New Zealand. Maersk has informed cargo owners that their vessels servicing New Zealand will be smaller, older vessels as their larger vessels are needed elsewhere. And these smaller, older vessels are unlikely to maintain a regular port schedule, i.e., they will arrive as-and-when-they-can.

17. Australia has seen reduced service from international shipping on the basis that Australia is a small, geographically remote market. There is no sign of this changing and the Australian government is developing what it calls its "strategic fleet" as a response (more on this later). The majority of the international vessels coming to New Zealand do so after first stopping in Australia.

18. Emerging and future trends:

- To save time and cost, some international shipping will stop in Australia and no longer come to New Zealand. This will require a trans-Tasman shipping capability that does not currently exist.
- International container vessels coming to New Zealand will look to minimize the time they spend in New Zealand, stopping only at our three major ports, Auckland, Tauranga and Lyttleton. This will require an

expanded domestic coastal fleet to move freight between these major ports and to and from our regional ports.

- Bulk freight vessels coming to New Zealand are, as a generalization, some of the older vessels in the international shipping fleet. Maritime New Zealand (MNZ) has already identified safety risks here.

19. These trends in ships and ship movements will be exacerbated by two factors:

23.1 The new container ships being built today are much larger than their predecessors[1] and are too large to fit into many of New Zealand's regional ports, many of whom are also too shallow to accommodate vessels of this size.

23.2 This August, the IMO is likely to approve a global Zero / Near-Zero framework to reduce emissions from international shipping. If approved, the regime will price emissions from well-to-wake (i.e., from the point of removing oil from the ground to when it is used on ship) for all vessels over 5,000 tonnes. The impact of this framework is that between 2028 and 2035 the price of diesel will go from around USD$600 per tonne to around USD$1,100 per tonne (with further yet-to-be-agreed increases to come after 2035). The cost-impact on imports and exports will be felt more severely by markets like New Zealand that are more distant, making imports more expensive and our exporters less competitive. Given the costs involved for shipping operators, the trend of international shipping servicing New Zealand less frequently will likely get worse.

The state of domestic coastal shipping

Freight movement in New Zealand

20. Domestic coastal shipping moves around 3.5% of New Zealand's total freight[2]. Shipping overall directly contributes $4.47b to New Zealand's GDP, and another $4.27b indirectly.

21. The Ministry of Transport (MOT) has forecast total freight volumes will increase 55% from 2012 to 2042. We cannot put all that on our roads without significant increases in road maintenance costs and congestion. Road freight also produces between 5.0 and 5.6 times the emissions of coastal shipping, and rail produces around 2.0 times the emissions of coastal shipping[3].

[1] Many container ships visiting New Zealand are around 3,500 TEU (TEU is the old size of a container, i.e., a 20-foot equivalent unit). The newer ships being built are up to 6,500 TEU.
[2] *Coastal Shipping Investment Approach Report 1 – State-of-Play*, prepared for Waka Kotahi NZTA by Pacific Marine Management Ltd, 12 May 2021, page iii.
[3] *Evaluating the opportunity to engineer transition to a low carbon freight transport system in New Zealand*, Electric Power Engineering Centre, University of Canterbury, 2022.

22. Domestic supply chains need a multi-modal approach. This was recognised in the first Emissions Reduction Budget, which explicitly called for greater use of coastal shipping. Despite this, no work has been done within government to explore options on how to make greater use of the "blue highway"[4].

The state of the domestic industry

23. All countries we are aware of have legislative or regulatory regimes to ensure they retain some degree of minimum domestic shipping capability. In Australia, for example, vessels that are not Australian flagged and do not have Australian crew must get an exemption from the federal government to move domestic freight within Australian waters. In the United States, only US-based coastal shipping with American crew can carry coastal cargo.

24. In New Zealand, the deregulation of the late 1980s and 1990s opened up New Zealand's coast without taking meaningful steps to ensure we retained a minimum domestic capability. That capability has gradually been eroded as a result. International shipping now carries around 78% of all domestic coastal freight[5].

25. The New Zealand legislative regime, set out in section 198 of the Maritime Transport Act 1994, is the most open regime we are aware of globally. It provides no material protection for domestic operators from international competitors. Foreign ships are permitted to carry coastal cargo provided they either:

    - Do so as part of a continuous journey from one foreign port to another foreign port (given international shipping is circuitous, this covers almost every ship visiting New Zealand), or

    - They load or unload intentional cargo in New Zealand as part of their journey.[6]

26. In effect, this allows multinational shipping corporations to work in New Zealand without complying with New Zealand tax and employment laws. International shipping is based in countries where they pay little or no company tax, they pay no GST on supplies purchased in New Zealand, they do not pay any ETS costs, and they pay their crew around 60% (or less in many cases) what New

[4] Up until 2024 the Ministry of Transport did not have a single team of officials with explicit responsibility for the maritime sector, despite 99% of our international trade being moved by sea.
[5] *Coastal Shipping Investment Approach Report 1 – State of Play*, prepared by Pacific Marine Management Ltd for Waka Kotahi NZTA, 12 May 2021, page iii.
[6] The Ministry of Transport has acknowledged in discussions with NZSF that they have never monitored compliance with section 198 of the Maritime Transport Act since the Act came into force in 1994.

Zealand operators pay[7]. In practical terms, a single New Zealand-based container vessel costs around $3.3m per annum more to operate than an equivalent foreign vessel, plus an additional $0.9 million in ETS costs.

27. The result has been international operators have undermined New Zealand shipping companies who simply cannot compete on cost. Outside of the Cook Strait ferries and NIWA's offshore research vessels, the industry is struggling to survive. Today, the domestic coastal freight and passenger fleet is around 11-14 vessels.

What are other countries doing?

28. Many of New Zealand's traditional allies are taking steps to ensure they have a strong domestic coastal shipping capability, for both supply chain resilience and security reasons. Below are brief non-exhaustive examples of what the United States, the United Kingdom and Australia are doing.

29. NZSF believes the New Zealand government should consider what is the minimum shipping capability New Zealand needs to manage our vulnerability to international shipping, and what needs to be done to achieve this.

The United States

30. In April 2025, two bills were introduced to the US Congress, the SHIPS for America Act and the Building SHIPS in America Act. The legislation aims to strengthen American sealift capacity, rebuild domestic shipbuilding and develop a robust maritime workforce. A cornerstone of the legislation is the new Strategic Commercial Fleet Program, which seeks to grow the existing fleet of U.S.-flagged vessels from around 80 to 250. The program provides support payments for capital and operational costs to encourage the introduction of new U.S.-built, -flagged and -crewed vessels.

31. The legislation significantly enhances cargo preference requirements, increasing the percentage of U.S. government cargo that must sail on U.S.-flagged vessels from 50% to 100%. It also requires that within 15 years, 10% of all cargo imported from China must be transported on U.S.-flagged vessels. There are subsidies for U.S. agricultural exports, and a requirement that U.S. ports give U.S.-flagged vessels priority over non-U.S. ships.

32. The legislation envisions a dedicated shipbuilding financial incentive program with $250 million in annual funding through 2035, and $100 million in yearly allocations for small shipyards. The legislation also provides significant tax

[7] The global minimum wage for international seafarers was this year raised to USD$600 per month – around USD$20 a day (noting most international operators do pay more than this). A New Zealand seafarer with two years' experience typically earns around NZ$80,000 - $100,000 a year.

benefits, including a 33% investment tax credit for U.S. vessel construction and a 25% investment tax credit for shipyard facilities.

The United Kingdom

33. The United Kingdom already has the Royal Fleet Auxiliary (RFA), which comprises 11 civilian vessels to support the Royal Navy. The vessels are largely tankers and logistics support vessels.

34. In 2024, the current Labour Government in the UK invested £217 million in strengthening Britain's shipping capability. Earlier this year, the British Government committed another £4 billion towards new vessel construction and shipbuilding infrastructure.

Australia

35. The Australian government has created what it calls the "Strategic Fleet" to address Australia's vulnerability to being almost 100% reliant on international shipping operators. The strategic fleet comprises up to 12 Australian-flagged and crewed vessels, with the intention to grow this fleet to 30-50 vessels.

36. The Australian government has specified these vessels will be fuel carriers, container vessels with cranes, multi-purpose cargo vessels with cranes, RO-RO vessels, liquid bulk vessels, dry bulk vessels, and break-bulk vessels. In exchange for government support, these vessels can be co-opted by the Australian government in times of security crisis, natural disasters, supply chain disruption, etc.

37. The following is just a small selection of initiatives that already exist in Australia or have been announced as part of the strategic fleet:

- Australian-flagged ship operators pay tax only on profit, not revenue
- 100% income tax reduction for Australian seafarers
- The Australian federal government pays the salary differential between Australian and international seafarer remuneration rates
- Federal funding for training positions on vessels
- A "second register" for Australian-flagged ships that sail internationally, that allows operators to use international seafarers on international routes (but not domestic routes)
- Legislated for allocating port capacity for domestic shipping
- Introduced tax credits for the shipbuilding industry

- Simplified seafarer certification processes and streamlined seafarer visa processes
- Investigate partnering with New Zealand and Pacific Island nations on regional shipping resilience.

Other issues facing coastal shipping

38. In addition to level playing field issues outlined above, coastal shipping has the following issues which cannot be solved without government assistance.

Workforce pressures

39. Workforce shortages impact the industry. In recent years some ships have been at daily risk of not being able to sail for lack of minimum crew numbers. It is an aging workforce. With more seafarers in their 70s than in their 20s, a wave of retirements is imminent which will compound existing shortages.

40. Despite this, the regulatory regime does not recognise training or work experience in related industries, e.g., a deck watch rating on an offshore fishing ship cannot keep watch on an offshore freight ship. They would need to completely re-train as a new entrant into shipping regardless of years of experience. In addition, our classroom-focused training courses have evolved to suit providers rather than industry or trainees, with ballooning course length and anecdotal dropout rates of over 80%.

41. The government is progressing tertiary education reforms that will return maritime training to on-the-job apprenticeship-style training as part of wider reforms to vocational training. NZSF is working with the New Zealand Maritime Transport Association and the New Zealand Federation of Commercial Fishermen on this. These reforms need to be completed.

42. It is also important that our immigration rules are improved, as the domestic training pipeline is often insufficient to meet demand. Despite some ships being at risk of not sailing due to lack of crew, our processes are inflexible and slow. It takes around 3 months to bring an overseas seafarer into New Zealand to fill time-critical shortages. In this time, the seafarer has often secured alternative employment in another country.

43. Immigration New Zealand (INZ) also does not use the same seafarer categories as the International Maritime Organisation (IMO) and almost every other country. Instead, INZ has created its own unique categories of seafarer. This means seafarers effectively cannot be placed on any INZ critical skills shortlist, as there are no international seafarers who match INZ's categorisation of seafarer skills.

44. There also needs to be greater recognition of seafarer qualifications from countries where many seafarers come from, e.g., the Philippines[8]. There is an IMO "white list" of countries with recognised STCW[9] qualifications. New Zealand is a signatory to this, yet has not sought or developed undertakings with other white-listed countries.

Lack of dry dock facilities

45. New Zealand only has dry dock facilities for small vessels. Larger dry dock facilities are essential strategic infrastructure for a commercially-sustainable coastal shipping fleet, the Royal New Zealand Navy's larger ships, and for Australian and Pacific Island shipping looking for available facilities[10].

46. Coastal vessels are required to dry dock twice every five-years. Ships may need to dry dock more than that, e.g., if hull cleaning is required by regulators (dry docking being much safer than hull cleaning at sea with divers).

47. New Zealand does not have dry dock facilities suitable for larger coastal ships. The closest dry dock is Sydney. The lack of suitable facilities within New Zealand means high financial, emissions and opportunity costs are being incurred, for both the country and shipping operators.

48. A return voyage to Sydney takes seven days (dry dock time is in addition to this), consumes around 340,000 litres of diesel, and injects $4m-$7m into the Sydney economy. The Sydney dry dock is so over-subscribed that the Royal Australian Navy is sending some naval vessels to Singapore or elsewhere for dry docking. Commercial operators struggle to access the Sydney dry dock, as naval ships have precedence there. Commercial operators typically need to sail to Singapore or Shanghai.

49. Dry docking in Singapore takes a ship out of service for around 28 days. The journey consumes around 1,700,000 litres of diesel at a cost of approximately $2,550,000[11]. The costs of dry-docking are on top of that.

50. An estimated $84 million of carbon abatement would be realised by not running ships offshore for dry docking.[12]

[8] Filipino seafarers comprise around 30% of the international shipping workforce.
[9] Standards of Training, Certification and Watchkeeping for Seafarers. STCW is a globally recognised set of standards that all seafarers on commercial vessels must adhere to.
[10] There is also considerable interest in a new dry dock for larger vessels at Northport from the Royal Australian Navy and the United States Navy, to support regional security resilience.
[11] Once the IMO's Zero/Near Zero framework is in place, by 2035 this fuel cost will double to around $5 million.
[12] Ibid., page 11.

A lack of certainty on emissions reduction regimes

51. Domestic shipping is subject to the ETS, which incentivises fuel efficiency by pricing emissions. However, domestic shipping is at risk of being double-charged for its emissions, exacerbating the unlevel playing field it competes on. The government should clarify that domestic shipping is subject to the ETS and not to international systems designed to capture international shipping.

52. The international regimes in question are:

    - The International Convention for the Prevention of Pollution from Ships (MARPOL)
    - The Zero/Near Zero Framework subject to approval in August 2025.

53. MARPOL was developed in the absence of an international carbon pricing mechanism, and aims to achieve emissions reduction by reducing air pollution from engine fuel.

54. Regulation 19.2.1 of MARPOL Annex VI, Chapter 4 (the chapter that aims to reduce air pollution and lower emissions) explicitly states the Convention does not apply to domestic shipping. Despite this, the previous government extended MARPOL Annex VI Chapter 4 to domestic shipping[13].

55. Last year, the draft Second Emissions Reduction Plan proposed a process to apply MARPOL Annex VI Chapter 4 as the Convention is written, i.e., only to international operators, on the basis that domestic operators are already subject to the ETS. This recommendation needs to be implemented.

56. In August the IMO is expected to approve what is called the Zero/Near Zero Framework, which will introduce a charge on all vessels over 5,000 tonne in weight for the emissions from use of fuels. The funds collected will primarily support transition to alternate fuels. This regime will come into force in 2028 and will be the only industry-specific global emissions reduction regime in existence.

57. The Zero/Near Zero Framework is intended to capture international shipping. It includes a clear statement that vessels should not be subject to double-charging, i.e., vessels that are subject to a domestic regime such as an ETS and which do not sail internationally, should not be subject to the Zero/Near Zero Framework which is intended to capture ships that sail internationally. Assuming the Zero/Near Zero Framework is approved by the IMO, the government should

[13] Cabinet was not advised in relevant Cabinet papers that MARPOL Annex VI Chapter 4 explicitly excludes domestic shipping. See:
Cabinet Paper Approval to Consult on Accession to the International Maritime Organization Treaty MARPOL Annex VI: Prevention of Air Pollution from Ships (transport.govt.nz)
MARPOL-Cabinet-Paper-Annex-VI-Regulations-for-the-Prevention-of-Air-Polluition-from-Ships-Approval-to-Accede-v2.pdf (transport.govt.nz)
MARPOL-Annex-VI-National-Interest-Analysis.pdf (transport.govt.nz)
Rather Cabinet was advised on being a "high ambition" country on emissions reduction. See paragraph 16.1 of MARPOL-Cabinet-Paper-Annex-VI-Regulations-for-the-Prevention-of-Air-Polluition-from-Ships-Approval-to-Accede-v2.pdf (transport.govt.nz).

confirm it applies to all international shipping, and that domestic vessels that sail within New Zealand waters will only be subject to the ETS.

A pathway towards a lower emissions future

58. As part of an overall strategy to improve maritime supply chain resilience, the government should work with industry to develop a pathway to a lower emissions future.

59. Shipping is a hard-to-abate industry. Ships have an operational life of 20-30 years or more. Around 95% of international freight-carrying vessels currently being built are diesel powered. Of those vessels currently on order to be built, around 86% are incapable of using any alternative fuel other than biofuels.

60. Deciding on which ship to purchase is fraught, taking into account the lack of available and commercially viable alternate fuels, and the lack of infrastructure required to store, transport and deliver these alternate fuels.

61. A transition to alternative fuels will happen but it is some time away, largely due to the availability of alternative fuels, infrastructure constraints, and problems with carrying some of those fuels on ships at sea. Hydrogen, for example, is highly flammable and, at a molecular level, hydrogen leaks through steel and causes brittle hulls, which crack. Of the 60,000 vessels currently carrying international freight, only one is hydrogen-fuelled.

62. Many ports are surrounded by residential or hospitality areas. Storing and moving poisonous gases like ammonia, or highly flammable fuels like hydrogen, near such areas would be challenging from a consenting point of view. Many such ports cannot expand to add space on which they can store alternative fuels.

Proposed solutions

Below is a Ten-Point Action Plan to revitalise shipping and reduce New Zealand's maritime supply chain vulnerability.

1. Create a single trans-Tasman strategic fleet capability by integrating into Australia's strategic fleet and other policy, legislative and regulatory measures Australia has implemented to support domestic shipping[14]. The Australian strategic fleet policy already requires investigating partnering with New Zealand on regional shipping resilience.

2. Align New Zealand's regulatory and legislative settings with Australia's regulatory and legislative regime wherever possible. We should have a single trans-Tasman regional regulatory and legislative regime.

[14] New Zealand may not adopt every single initiative Australia has done, but we should have as much commonality across New Zealand and Australia as possible.

3. Partially address the unfair advantage international operators have over domestic operators by adopting Australia's legislative regime, which allows international operators to obtain permission to move domestic coastal freight in addition to import/export freight. The majority of international shipping comes to New Zealand via Australia, so this imposes no new conditions over what already exists while simplifying the existing regime here in New Zealand. Move monitoring of the legislative regime from the Ministry of Transport to Maritime New Zealand[15].

4. Develop a strategy or pathway to a lower emissions shipping industry.

5. Consider incentives to encourage use of shipping as a lower emissions form of freight and passenger movement, and to reduce the multi-billion dollar annual spend on road maintenance.

6. Government to invest in the proposed dry dock at Northport, and to fast-track consenting for both the dry dock and Northport's proposed container expansion.

7. Do not introduce double-charging for shipping emissions. Domestic shipping is subject to the ETS. It should not be subjected to international regimes to ensure international shipping faces some emissions liability.

8. Complete current reforms to vocational training, which will re-introduce apprenticeship-style, on-the-job learning. This includes being neutral as to education providers, as they as they are qualified to deliver the relevant training.

9. Introduce support for trainees entering the maritime industry, or for operators willing to create training positions on their vessels[16].

10. Improve immigration processes to make it faster and easier to bring in foreign seafarers, when this is required. This includes aligning Immigration New Zealand's seafarer categories with those used by the IMO.

ENDS

[15] The Maritime Transport Act was enacted in 1994. In the 31 years since, the Ministry of Transport has never monitored compliance with section 198. As the regulator, Maritime New Zealand is best placed to monitor compliance. Changing the monitoring agency does not require legislative change.

[16] Note that Australia's strategic fleet regime requires operators to take a set number of trainees in return for the assistance the strategic fleet regime provides.

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NZSF members

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Chatham Islands Shipping Ltd

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