



Maritime Union of New Zealand submission to the Parliamentary Inquiry into Ports and the Maritime Sector

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Introduction

Thank you for the opportunity to make a submission to the Parliamentary Inquiry into Ports and the Maritime Sector. We also request the opportunity to make an oral submission to the committee.

The Maritime Union of New Zealand (MUNZ) was formed when the Waterfront Workers' Union and New Zealand Seafarers' Union joined together in 2002. As such, we comprise both port workers and seafarers. We have high membership rates both among the crews of New Zealand-crewed coastal vessels and in our country's ports. Our goal is to advocate for our members and to ensure a growing, successful New Zealand maritime industry.

We have consistently pushed the case for smarter ports and coastal shipping policies that will allow more freight to be moved by ship, and protections to ensure seafarers working in New Zealand waters are being employed to New Zealand wages and conditions.

MUNZ championed dedicated funding for coastal shipping in the National Land Transport Programme, which saw an initial \$30m allocated in the 2021-24 NLTP that was used to underwrite more ships to work the coast. Following our continued advocacy, we are pleased that the Government has budgeted up to \$30m in additional funding during the current 2024-27. These investments are key to building back coastal shipping capacity and enabling the next generation of New Zealand seafarers to be trained.

MUNZ continues to ultimately aim for the removal of the "open coast" policy that allows international vessels to carry cargo between New Zealand ports if it is "incidental" to their international schedule. This policy has decimated New Zealand coastal shipping, putting dedicated coastal shippers out of business, and leaving regional New Zealand ports at the mercy of international shipping lines' shifting priorities. The result is more freight being carried by road and fewer jobs for New Zealand port workers and seafarers.

Along with rebuilding the capacity of the coastal shipping sector and preventing exploited foreign workers from being used to move cargo through our waters, a unified Ports Strategy is a crucial part to restoring the potential of New Zealand’s maritime freight sector.

In this submission, we will primarily focus on the need for a New Zealand Ports Strategy that will develop a hub and spoke model, promote cooperation, rather than competition, between the ports, to enable better planning and investment decisions, and enable coastal shipping.

Hub and spoke models are common in countries and regions overseas. A hub and spoke model, where a small number of ports are focused on international imports and exports, and smaller ports have reliable coastal shipping for moving goods to and from those international ports will:

- Eliminate costly competition between ports that does not benefit New Zealand as a whole
- Remove the market power of international shippers that hobbles our regional ports and increases costs to freight customers
- Enable smarter freight infrastructure investment across all modes, with the international ports as the linchpins
- Enable the growth of coastal shipping, making it a more reliable and attractive option than trucking, reducing costs and greenhouse emissions - creating more jobs at sea and in the ports for New Zealanders

A cooperative model between the ports is not a radical idea - it’s how we manage other transport networks in New Zealand and other countries use cooperative frameworks for their ports. It is only an accident of history that our ports have been seen as separate entities while other modes of our freight transport network (rail and state highway networks) are administered as single organisations. That accident of history is holding New Zealand back from making the most of the potential of our ports and coastal shipping.

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Untapped potential of shipping

New Zealand’s geography is excellent for moving freight by sea. Good harbours are spread across the country, with a large majority of the population and economic activity within 100km of a seaport, allowing for easy movement of cargo around the country by sea. In contrast, our hilly and tectonically active land, much of it with high rainfall that makes roads expensive to build and maintain, and that makes truck journeys relatively slow compared to other countries.

Our ports are our economic lifeline to the rest of the world. In 2024, 99.8% of New Zealand’s exports by volume and 86% by value moved through our seaports, along with 99.6% of our imports by volume and 75.5% by value. That equates to over 60m tonnes of goods, including nearly 2m containers (TEU), valued at nearly \$120b or 27% of GDP.

This makes our ports the linchpin in any successful transport policy for New Zealand. How our ports are organised and run largely determines the volume and locations of our requirements for coastal shipping, rail freight, inland ports, and trucking.

Currently, the lack of a national ports strategy means that ports are disorganised and engaged in pointless competition with each other.

One effect of this lack of organisation is that relatively little of our domestic freight is moved by coastal shipping, despite the geographic advantages New Zealand has for this mode of transport. In 2020, NZTA estimated that only 13.4% of domestic freight tonne-kilometres were handled by coastal shipping. Under-utilisation of the potential of coastal shipping creates large infrastructure costs through the inefficient movement of freight by road, greater congestion on our roads, increased safety risk drivers, as well as higher greenhouse emissions from trucking. [Modelling conducted for the NZTA in 2020](#), found even the current low share of freight moved by coastal shipping generates \$300m a year of net externality benefits (over and above the benefits to freight customers) – primarily through reduced congestion costs and reduced safety incidents for road users.

A large percentage of the coastal freight in New Zealand waters is carried by international vessels taking advantage of the lack of legislative protection for domestic shipping and doing milk-runs

around New Zealand regional ports before returning to foreign ports. This undermines the viability of local coastal shipping and local wages and conditions, as crew can be employed on contracts that do not comply with New Zealand law provided their vessel leaves New Zealand waters within 28 days. It also leaves New Zealand strategically vulnerable with little domestic shipping available in the event of local emergencies or international supply chain disruptions.

The competition between ports undermines the efficiency of our transport networks and gives market power to the international shipping lines. Those shipping lines use their market power to drive down their berthing fees, while requiring expensive, inefficient investments by regional ports desperate not to be cut from services. This creates additional costs that ports pass on to freight customers.

Important progress towards rebuilding the coastal shipping fleet has begun under the current and previous governments, with up to \$60m over six years allocated under successive National Land Transport Programmes (although this is still vastly less funding than trucking receives, with similar amounts being spent to make minor improvements in travel times on single short stretches of road). This funding is only part of the solution.

The ports also need to be set up to enable more coastal shipping. Currently, our ports model discourages the use of coastal shipping and gives market power to international shipping lines, with negative consequences for New Zealand.

Too many ports competing for international freight

The country has 16 ports designated as 'places of first arrival' for vessels offloading containers or other cargo. Leaving aside specialist facilities, such as Chelsea Point and Tiwai Point, and adding export-focused Eastland Port, there are still 13 ports open to international container and/or bulk cargo vessels.

The large number and relative proximity of many of these ports to each other, is combined with policy settings that cause inefficient competition. Policy settings require these ports to attempt to maximise their own profits, with costly senior management and marketing teams all focused on taking as much of a share of sea cargo business for themselves at the expense of other ports, regardless of New Zealand's wider interests.

We have seen this recently in Port of Napier's bid to take container business away from Centreport. There is no suggestion that it is in New Zealand's broader interests to convert the existing container terminal at Wellington to a ferry terminal and, instead, moving that container traffic to Napier, which would need investment in additional capacity and would lead to additional truck-kilometres. The move is based purely on trying to grow Port of Napier's business at the expense of Centreport.

The drive to take freight business away from other ports can lead to over-capitalisation and risky investments by ports. It can also lead to fees for shipping lines being driven down, undermining ports' ability to invest in infrastructure, which provides a false economy of lower fees in the short

term, but worse port facilities in the longer term. Individual ports competing against each other does not benefit New Zealand and imposes significant costs.

Misallocation of capital

Reacting to demands from international shippers, smaller ports have been forced to undertake expensive investments in cranes, wharves, and dredging to accommodate larger vessels even though the flow of cargo through those ports may amount to a small percentage of the capacity of those vessels.

Former Port of Tauranga CEO Mark Cairns criticised smaller ports for chasing international ship visits, saying “Ports spending hundreds of millions of dollars to dredge are just not going to attract the big vessels because they don't have enough trade in their regions”. A notable example was Port Taranaki's \$20m investment in dredging to deepen its harbour to win Pike River coal export business and Fonterra exports over other ports, only those contracts to go to other ports. Another example is Port of Napier's long-running effort to take freight business away from Centreport and other ports, including investment in dredging and a new wharf that has been under-utilised.

As international vessels continue to get larger, the pressure from international lines for smaller ports to invest in the infrastructure to accommodate those large vessels will only increase. NZ Cargo Owners Council chair Mike Knowles has said “there is a risk that the ports in a small country like New Zealand become over capitalised by making these investments for bigger ships, when it is clear that they will not come to all the ports”.

In other cases, misallocation of capital has been driven by a desire to maintain or increase market share relative to other ports. The largest example is [Port of Auckland's automation programme](#), which sought to increase container throughput using flawed technology. The project cost Port of Auckland up to \$400m before it was abandoned. Worse, the failure of the automated straddle cranes led to management pressuring workers to work faster and a disregard for health and safety, which contributed to the deaths of port workers.

Poor allocation of capital, driven by current policy settings, increase costs to freight customers and New Zealand as a whole.

Insecurity for regional ports

As regional ports are often serviced only by two or three international shipping lines, they struggle to offer reliable, frequent service for freight customers. They are also highly vulnerable to those lines altering or withdrawing services. A single service being pulled can make shipping out of a port too infrequent and too unreliable for local businesses, forcing them to turn to trucking for domestic transport instead. To keep international lines happy, not only have regional ports had to make large capital investments, but they have also had to reduce their fees to those lines, while the shipping lines themselves are able to charge high fees to local freight customers. Even so, the economics of large international vessels serving smaller ports can be marginal. The threat of international shipping lines withdrawing services hangs over smaller ports, threatening to make their freight businesses non-viable.

As international shipping lines continue to seek economies of scale through fewer visits by larger vessels, the risk to smaller ports of having less frequent services or being dropped entirely continues to rise, even as they make expensive investments to accommodate those large vessels.

International shipping lines also exercise market power by demanding priority berthing at ports over coastal shipping. This makes coastal shipping less frequent and less reliable, which encourages freight customers to favour using international vessels, instead.

Ports uncertainty undermines transport network planning

The large amounts of freight flows to and from our seaports share the country's transport network needs. But uncertainty about whether ports will continue to have forecast levels of cargo or whether other ports will undercut them to take that cargo business away from them. Examples of this competition include Centreport against Napier Port and Port of Tauranga against Port of Auckland. This makes planning for coastal shipping and rail difficult. Trucking tends to be used as the 'quick and easy' solution but carries very large costs in road damage, road safety, and higher emissions.

Customs and biosecurity risks/government costs from having international freight at so many ports

Every international port creates a need for customs operations to record freight movements and collect any applicable tariffs or charges, and biosecurity risks, such as the danger of invasive species, that need to be monitored and prevented. Customs and Biosecurity New Zealand currently operate at the 16 designated points of first arrival for freight, even though relatively small amounts of international cargo cross some of these ports. This is spreading both organisations inefficiently thin and increasing costs at a time when they are being directed to cut costs by the Government.

Privatisation is not an answer

New Zealand's ports are in a mix of full council ownership or council/private ownership. They are organised to run as individual, profit-maximising businesses, regardless of the wider impacts on New Zealand. As discussed above, this already has negative consequences for New Zealand as a whole, which outweigh individual ports' profits.

Further privatisation would only result in worse outcomes. Full privatisation of ports or their operations would almost certainly see them owned by multi-national port companies. MUNZ addressed the risks of greater privatisation in our [report](#) on the costs and risks of the aborted 2023 bid to privatise Port of Auckland:

It is a mistake to view Ports of Auckland solely through the lens of its financial performance. Ports of Auckland is a strategic infrastructure that operates as an effective monopoly. As such, its principal economic role is not to maximise profit but to enable New Zealand businesses to trade, making profit by importing and exporting goods, and moving goods around the country. The Port should cover its costs however, delivering a commercial rate of return for a

multinational private port operator that can only come at the expense of increased costs for New Zealand businesses and the broader economy.

Privatisation of Ports of Auckland's operations would mean more profits for the port operator, who would generate higher income by imposing greater costs on Auckland businesses to use the Port, while cutting labour costs, and underinvesting in infrastructure.

International experience of port operations privatisation and New Zealand's own experience with privatisation of other strategic infrastructure provide salutary lessons. Privatising the Port's operations would lead to higher costs for port customers through the exercise of market power, reduced accountability, under-investment in infrastructure, and the risk of a private investor using its political power as controller of a strategic asset to renegotiate more favourable terms for itself - and worse for Aucklanders.

Privatisation is a seductive option for a Council looking for quick cash, but it is Auckland that will pay in the long run. As the recent Australian experience has demonstrated, moving from a low-profit port model, which covers the public owner's cost of capital while enabling trade, to a private equity model focused on maximising profit for an offshore investor inevitably drives up costs for businesses and causes regional, and national, economic harm.

New Zealand has experimented with privatisation in the past. Despite promises that competition and regulation would ensure that owners of privatised monopolies don't abuse their market power, they do, time and again. The only effective tool for ensuring that core public infrastructure is managed in the public interest is public ownership.

International private investors have no interest in the broader outcomes to New Zealand, only in maximising their return on investment. This will tend to lead to under-investment, sweating of assets, pressure on labour costs, and higher prices for customers. Modelling for the MUNZ report indicated that "Privatising the operations of Ports of Auckland would result in increased costs of at least \$70m a year to New Zealand businesses to meet the investor's return on equity."

Advantages of a 'hub and spoke' model

A hub and spoke model will see 2-4 ports designated as the main import/export ports for New Zealand (excepting a small number of specialist facilities), with the other regional ports feeding export goods to those hubs via coastal shipping and vice versa. This is analogous to airports. Not every airport serves international flights in the normal course of business. Instead, most airports serve domestic passengers while international travellers arrive at a handful of hubs before traveling on to smaller airports if needed.

Hub and spoke models are common in different countries and regions overseas, whether the result of government policy or a natural result of geography and other factors. It is being adopted more widely due to its cost-efficiency and flexibility.

International shippers are expected to increasingly push New Zealand into needing to adopt a hub and spoke model by ceasing to service smaller ports as they attempt to gain maximum utility from

their increasingly large vessels, which is not achieved by milk-runs around New Zealand involving relatively small amounts of their cargo capacity. Lines are already experimenting with hub and spoke models in other parts of the world.

International freight tonnage is already concentrated. The latest NZTA figures show Tauranga alone accounting for a third of total tonnage. Auckland, Wellington, and Lyttleton account for another third. MUNZ is not advocating for any specific port to be a hub or a spoke in the new model, that should be part of the work of developing a Port Strategy and depends on questions such as the expansion of Marsden Point and the future of Port of Auckland. But the existing concentration of international freight flows indicates that a transition to a hub and spoke model will not be a revolution - rather a conscious direction of a process that is, in some respects, already underway.

There are some goods that aren't naturally suited for the hub and spoke model (e.g. iron sand exports from Taharoa or sugar cane imports to Chelsea Point) but for most goods, including containerised goods, bulk agricultural exports, and oil product imports, are well-suited for the hub and spoke approach. Extra costs related to transshipment from international vessels to coastal vessels and vice versa are more than offset by the benefits of the approach.

Benefits of a hub and spoke model include:

Reducing market power of international shipping lines

International shipping lines' market power comes from the ability to play ports off against each other. This will not be possible with a limited number of hub ports, each serving a geographical area. Shipping lines' market power will be further reduced by the hub ports operating on a cooperative basis, rather than in competition.

More efficient capital allocation, lowering costs to New Zealand businesses

This will prevent shipping lines from being able to pressure ports into unsustainably low fees or over-spending on the wrong kinds of capital projects, with the costs put on to freight customers and felt through under-investment in other areas.

Instead, greater certainly for regional ports will enable appropriate investment in port infrastructure, not 'doubling up', leading to greater efficiencies, and, ultimately, lower costs for freight customers.

Enabling coastal shipping

An inherent feature of a hub and spoke model is coastal vessels to replace the international vessels working the coast. More coastal vessels mean more well-paying local jobs, rather than exploited foreign crews working in conditions that fail to meet New Zealand labour standards. This would also see the costs of coastal shipping being recycled through the local community, rather than lost overseas.

A healthy coastal shipping fleet is also a strategic asset for our island nation, improving our resilience in emergencies (being able to supply areas cut off by road and rail) and creating a domestic capacity for cross-Tasman trade in the event of international supply disruptions.

More frequent and reliable services for regional ports

The increase in coastal shipping arising from the hub and spoke model means more frequent and reliable services for regional ports. Rather than waiting for a large international vessel to make its milk run and hoping it won't be diverted or skip the port for any reason, there will be a dedicated fleet of vessels making regular and frequent stops.

Smaller, more frequent coastal ships will need less infrastructure spend and be more reliable than relying on large international vessels.

Transport planning and moving more freight by coastal shipping and rail rather than trucks

The certainty that comes with a hub and spoke model and greater cooperation between the ports will enable wider transport planning. Investments in coastal shipping, rail capacity, and inland ports will be able to be made with improved confidence in which freight will move in and out of which ports.

Former SouthPort CEO Mark O'Connor noted: "If you rationalise ports, that will lead to more consistent flows of cargo traffic which would encourage efficient transport solutions – where to invest in your roads and rail or whether coastal shipping should be the answer"

The existence of a 'feeder' fleet of coastal vessels working the 'spokes' under the hub and spoke model will give freight customers greater confidence that they can rely on shipping for timely movement of their goods across the country, improving its favourability relative to more expensive trucking.

Our ports are well-positioned to make greater use of rail. Improved investment in rail connections to ports enabled by the hub and spoke model will also improve the business case for freight customers to move their goods to and from port via rail, rather than truck.

Better transport planning and greater use of coastal shipping and rail instead of trucking will reduce the country's greenhouse emissions, as trucking is significantly less energy efficient and more polluting than shipping and rail. It will also reduce the significant road maintenance costs and safety issues created by over-reliance on trucking for freight movement.

More local jobs on wharves from increased coastal shipping

Moving more freight via coastal shipping rather than on roads will mean more work in the regional ports. These well-paying jobs will, in turn, recycle wages through the local economy.

Reduced costs to Government

By reducing the number of ports usually receiving international cargo, Customs will be able to concentrate resources on those ports and operate more efficiently and effectively. Fewer points of entry for goods will also help to contain biosecurity risks and enable Biosecurity New Zealand to combat them more effectively.

Government needs to lead with a Ports Strategy

Although there is gradual movement towards a hub and spoke model, it is important that intentional Government policy guides this process, rather than it occurring haphazardly. A disorganised process would not be optimal from a whole of New Zealand perspective. Rather, it would be dominated by financially stronger ports and resisted by other ports seeking to maximise their own profits ahead of the national interest.

A Ports Strategy and the wider transport decisions that flow from it, will help to ensure that hub ports are correctly located for New Zealand's needs and that spoke ports have reliable, frequent coastal shipping services, with each port having the infrastructure it needs.

This Port Strategy needs to be developed in close consultation with all sector stakeholders and with the view that ports are key nodes in the wider freight transport network that must operate for the good of New Zealand as a whole, not only for their own profits. The Port Strategy may drive further specialisation between ports as part of the hub and spoke model, rather than having ports compete for the same business.

Adopt a cooperative model

A cooperative model between the ports is not a radical idea - it's how we manage other transport networks in New Zealand. It is only an accident of history that our ports have been seen as separate entities while other modes of our freight transport network (rail and state highway networks) are administered as single organisations. That accident of history is holding New Zealand back from making the most of the potential of our ports and coastal shipping.

Other countries operate their seaports on cooperative models. Notable examples are Japan and South Korea, which, like New Zealand, are heavily dependent on sea trade. Both countries organise their ports through a government strategy, using a hub and spoke approach and a cooperative framework with ports also focusing on certain specialisations to optimise infrastructure investment and deliver cost-efficient service to freight customers.

Consider which ports should be hubs and investment required

Developing the hub and spoke model will be a key feature of a Ports Strategy. Once the hubs have been identified, the infrastructure and coastal shipping needs of the network will be able to be determined and clear investment plans for each port over the coming years can be laid out.

The policy mechanisms for enabling a hub and spoke network range from simply narrowing the designated first places of arrival to the hub ports, through to dedicated legislation that will alter the organisational goals and structure of ports, away from focusing on individual profit maximisation to requiring them to act in New Zealand's interests first. We will advocate a more planned approach involving legislation to remove the unnecessary competition element between ports, allowing investment in infrastructure and coastal shipping to be optimised across New Zealand.

National planning and price cooperation between the ports means income will be available to fund required infrastructure without overcharging local customers and clipping the ticket on trade unnecessarily.

Prevent privatisation of ports

A successful Ports Strategy will need to rule out privatisation of the ports and their operations. A privatisation approach is wholly incompatible with optimising the port network and would, instead, add to the bad outcomes currently experienced due to uncoordinated ports and international shipping lines' market power over them.