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ON THE ROAD AGAIN!
– Our transport modes'
recovery after Covid-19

From booming to beleaguered – the Oceania cruise market

Port Nelson – gateway to the top of the South

Independent contractor or an employee?



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and Transport

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LOGISTICS & TRANSPORT NZ

ON THE COVER

InterCity, NZ's national coach service, restarted on Queen's Birthday Weekend after the Covid-19 lockdown. To read about how our other transport modes fared, see pages 4-9.

Photo courtesy of Entrada Travel Group

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In the next edition

The editorial team welcomes expressions of interest for submitting an article for the September 2020 edition of this journal. Contributors should in the first instance contact the editorial convenor, Murray King (email murray.king@xtra.co.nz) to discuss their article.

Deadline for the September 2020 edition: Friday 21 August 2020



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Nominations open for the 2020 CILT NZ Awards

The Chartered Institute of Logistics and Transport



Photo by Mel Waite Photography

Rick van Barneveld, winner of the Sir Bob Owens Award for Outstanding Contribution to the Logistics, Supply Chain Sector and Community in 2019, with CILT NZ president Keith Robinson

EACH YEAR, CILT NZ recognises individuals and organisations for their academic, industry expertise and overall excellence with a series of awards presented at the annual gala evening and celebratory dinner. This year, the awards have had a bit of an overhaul. Awards convenor Fiona Knight says it's time for businesses to put their thinking hats on and get their nominations in for consideration.

"We know that organisations and individuals in the transport, logistics and supply chain sector truly appreciate being recognised for their efforts to improve their business or personal standing, either through innovation, education and training, or through research and development of new products and services," she says. "CILT NZ wants to recognise their hard work and determination."

This year, nominations for the awards start closing on 15 August, with 31 August being the ultimate deadline for all. The various categories are outlined on the CILT NZ website along with the criteria which all nominations must meet. "We welcome nominations from across the industry and from all transport modes," Fiona says. "Some of the awards are not restricted to CILT NZ members, so check the entry criteria and start preparing your nomination now."

All nominations must be made electronically – the nomination form can be downloaded from the CILT NZ website along with a declaration form regarding intellectual property where necessary.

Academic and research excellence

This year there will be three awards for academic and research excellence: the MITO/CILT scholarship for a graduate of MITO, the industry training organisation for the logistics and transport sector; the top student in the CILT UK Diploma in Logistics and Transport programme, run by the Logistics Training Group; and the award for outstanding research achievement for a master's dissertation or thesis.

"Previous award winners for the latter

category have completed some incredible research with wide application in the field of transport, logistics and supply chain," says Fiona. "All research is required to be original and innovative, and demonstrate a clear potential to improve one or more elements in their chosen field of study. The prize of \$3000 goes towards the award winner's attendance at a conference in Australasia to present the results of their thesis. They must also make a presentation to a CILT event or meeting."

Communications and industry category

The CILT Communications Award has a long history and recognises the best article or presentation on an aspect of supply chain management, logistics or transport. "We're looking for nominations for written articles from editors, publishers, writers or journalists who have published original work about or relating to transport, logistics or supply chain management," Fiona comments. "Alternatively, we're looking for the best presentation to a supply chain, logistics or transport forum, or a CILT meeting in the past year."

The Award for Excellence and Innovation is proudly sponsored by Dexion. "This is a new award," Fiona says. "It will be presented to an organisation for a project or initiative that addresses a challenge they have faced in a unique way, and includes integrity in relationships and innovation in application – values that Dexion holds dear. Nominations must demonstrate the uniqueness of the solution, which represents out-of-the-box or cutting-edge original thinking, as well as the beneficial impact on the organisation."

The Safety Made Simple Award is another new award and will recognise innovation or best practice in health and safety in the transport and logistics sectors. "Nominations must include evidence of a full commitment right through the organisation to exceed the basic regulatory requirements for health and safety, including a culture where all staff are able to

raise health and safety issues, a health and safety risk management programme, regular audit reports and evidence of collaboration with others to achieve the highest levels of health and safety within the organisation," Fiona explains. Judging will include a site visit by one of the judges.

The final award in this category is for the Rising Star/Young Employee of the Year, sponsored by DRD Consulting. "This award was introduced last year and we received many really good nominations," Fiona notes. "I'm hoping to see more young professionals under the age of 35 being nominated by their employers this year too."

Excellence awards

There is no change to the awards in the excellence category, these being the Young Achiever of the Year, the Norman Spencer Memorial Medal for Contribution to Transport and the Institute, and the Sir Bob Owens Award for Outstanding Contribution to the Logistics, Transport, Supply Chain Sector and Community.

"As always, the national council of CILT NZ will ask for nominations for the Norman Spencer Memorial Medal and Sir Bob Owens Award from among our own network of branches and sectors. Nominations are to be supported by full details of the nominee's achievements, contributions to community and experience," Fiona says.

"The Young Achiever Award is open to anyone under the age of 35 years, but their employer or an appropriate professional association must sponsor the nominee for the award by sending a letter of endorsement outlining their reasons for sponsoring them."

And finally, there are still sponsorship opportunities available for some of the awards, if there are any organisations that are keen to be involved. "Please do get in touch," Fiona says.

Full criteria for the awards and nomination forms are available from the CILT NZ website: www.cilt.co.nz/awards/categories-and-criteria/

On the road again

By Lynne Richardson

NEW ZEALAND has achieved what many other countries have failed to do – contained the spread of the coronavirus Covid-19 and eliminated community transmission. Implementing a hard-line approach to preventing the spread of the disease, the NZ Government locked down the country on 26 March 2020, with only essential services allowed to function. On 8 June, the country returned to a new normal, albeit with stringent border restrictions and a ban on foreign visitors.

So how did New Zealand's transport modes fare during the lockdown period, and how are they recovering post Covid-19? How did they adapt to the requirements for social distancing and contactless payments? What innovations did they introduce and what role did technology play? CILT NZ spoke to a number of organisations and operators across the modes – air, sea, road and rail – to find out.

Road transport – a critical role

"It's fair to say that road freight transport played a critical role in keeping New Zealand moving once the Government started



New Zealand's freight and passenger transport operators are up and running again after the Covid-19 lockdown, many having to adapt to accommodate Government regulations

responding to the global pandemic," says Road Transport Forum (RTF) chief executive Nick Leggett. "And we believe it will be equally important through the recovery as the value of export goods surpasses tourism, which has been largely disabled by global passenger travel disruptions and restrictions. As a trading nation, we need to keep the flow of imports and exports going to and from ports and planes to ensure any kind of economic recovery."

Mr Leggett says that through the restrictive Level 4 lockdown, trucks were on the road keeping essential goods moving. "With the country closed for business, this meant truck drivers were on the lonely roads with no access to food to buy, or public toilets."

He says the Government's restrictions did not take into account the balance and logistics of New Zealand's supply chain. "By saying only essential goods could move, this created unintended consequences. Firstly, goods that were deemed 'non-

essential' often blocked the way on ports for those considered 'essential'. All those involved in the supply chain took a hit from the essential/non-essential labels as cost-effective freight movement relies on full vehicles on all legs of a journey – for planes, trucks, trains and ships.

"Explaining this to Government officials meant they gained a deeper understanding of both the value and nuances of New Zealand's freight supply chain. We believe this will be of great benefit moving forward, and we welcome the public service's interest in making the supply chain work for economic good."

Jason Heather, commercial transport specialist at the National Road Carriers Association, concurs. "As Ports of Auckland and other ports around New Zealand were deemed critical infrastructure and therefore an essential service, the containers sector continued to operate. However, non-essential goods arriving at the ports still had to be removed to allow the port to operate efficiently. This caused some major congestion in the network due to non-essential businesses being closed and not able to receive their goods.

"And this wasn't just restricted to containers," he adds. "Import vehicles, construction materials and aggregates all had to be hubbed somewhere, leading to a lot of double handling. This meant no revenue to the carrier for moving these goods through for the whole of Alert Levels 4 and 3."

Safety first

Mr Leggett says road freight transport is a safety-sensitive industry, so when the rules of engagement were laid out by the Government for business operations through the various alert levels, transport operators were able to respond quickly and safely.



Ports around New Zealand were deemed an essential service and the containers sector continued to operate during lockdown, keeping trucking companies busy



Road Transport Forum chief executive Nick Leggett: "The Covid-19 experience has certainly shone a light on the value of digitising as much business as possible"

"We committed to getting information out to trucking operators – including where they could access toilets on the road – as quickly as possible, using all available channels. There was a lot of confusing messages coming out of the Government, and there was a high need for trucking companies to know what they were and weren't allowed to do. We set up a dedicated Covid-19 web page, which has had an enormous amount of traffic."

The RTF published a set of health and safety protocols that could be followed in Level 3 and beyond. "We worked with WorkSafe to ensure these met the Government's expectations. Every business has a new view of hygiene," Mr Leggett notes. "There are still a lot of paper-based businesses that interact with road freight. While people were moving to digital as fast as they could, we also needed to be sure there were safe processes for handling paper documents, both on the road and back at the truck driver's base. The Covid-19 experience has certainly shone a light on the value of digitising as much business as possible."

Paula Rogers, commercial transport specialist at National Road Carriers, agrees. "With trucks now back on the roads, carriers have found themselves having to embrace the way companies are implementing changes to their safety policies. Some frustration was felt when protocols kept changing daily as consultants were suddenly in a zone they had never been in before and almost panicked. As a result, procedures that were implemented have added extra time for drivers that are trying to get back to some sort of normality and be financially viable again."

She says social distancing was fairly easy to achieve, with drivers staying in the cabs of their trucks and carrying no passengers. Sanitisation products were kept in cabs and drivers adhered to guidelines around using sanitisation stations. "Water carriers in the Northland region were kept busy throughout lockdown and implemented contact-

less payment and delivery processes which were welcomed by all customers requiring water delivery," she adds.

Responding to the challenge

Nick Leggett says the trucking industry continues to respond quickly and well to the challenges presented by Covid-19. "Some trucks were off the road for the lockdown and businesses have been hit hard, particularly in forestry, which did not make the essential freight list. Like all businesses, trucking companies want to get back to full operations as soon as possible, recover their losses as quickly as they can, and keep good people employed."

"The challenge ahead for the trucking industry, that already operates with tight margins, will be the ability to absorb, or pass on, increasing costs when all businesses are tightening their belts."



National Road Carriers commercial transport specialist Jason Heather: "Carriers are struggling to keep up with demand"

Jason Heather says that since the level restrictions have been lifted, the bow-wave of freight has been difficult to deal with. "Carriers are struggling to keep up with demand as many of them had to make redundancies to stay solvent, and those who did not operate at all are trying to adapt to a different world than the one they left two months ago."

Carriers were hampered by the protocols introduced by the Government to limit the spread of the virus, he adds. "Each delivery and collection point they went to had a different procedure around social distancing and contact tracing. At some it took longer to register than it did to load or unload the goods. This slowed down an already choked supply chain as carriers attempted to keep up with demand. Many are now trying to do things differently, like using 'sign-on-glass' technology and contactless transactions. These all take time to train staff and there's a financial outlay."

Paula Rogers says transport companies have implemented a range of new policies to suit their business needs. "Many have electronic GPS systems already in their



National Road Carriers commercial transport specialist Paula Rogers: "Sharing drivers with another company could become the new norm"

trucks with some looking at ways to communicate better with their drivers. Keeping drivers employed is a big deal as there were some that were made redundant during lockdown. We are seeing some companies sharing their drivers with another company, which could become the new norm."

Unprecedented challenges for rail

In late May, the Australasian Railway Association (ARA) released the results of its member survey of rail suppliers, contractors and freight operators on the impact of Covid-19 and how the rail industry was responding to it. Some 58 member organisations responded to the survey, more than half of which employ more than 250 people.

The survey confirmed that supply chain disruptions, falling customer spending and resource constraints were the biggest issues facing ARA members. But it also found the industry is working hard to retain its people, with most respondents expecting a quick return to normal operations once the pandemic passes.

KiwiRail group general manager Greg Miller says Covid-19 presented unprecedented challenges for KiwiRail, confronting them with the need to keep essential services running while dealing with the fallout from the collapse in tourist numbers and substantial falloffs in freight volumes. It also underlined the vital part that rail has in the logistics supply chain for the country.

"KiwiRail was – and is – acutely conscious of the need to keep staff and the public safe, and made that paramount, while also recognising the need to keep freight flowing, both on rail and across Cook Strait," he says. "The Interislander ferries played a key role in moving New Zealanders to where they needed to be as the Level 4 lockdown began. Once the lockdown was in place, we continued moving essential workers and freight between the islands."

"As a precaution, the *Aratere* became a

Cont. on page 6



KiwiRail's three scenic services, including the TranzAlpine, were suspended prior to lockdown – overseas tourists are important to their long-term viability

Cont. from page 5

freight-only ferry in order to lessen the chances of the service having to be halted because of infection. Measures were also put in place to ensure essential parts of KiwiRail's operations, such as the National Train Control Centre, would continue to operate."

Rail freight and tourism services

Mr Miller notes that as New Zealand lowered its alert levels, freight volumes began gradually climbing. "We are tailoring our services to match capacity with demand, both for trains and ferries. The export market for meat and dairy continued through the lockdown, and KiwiRail maintained its core services to keep those exports moving. As forestry and coal have come back onstream, we have moved quickly to resume those services too.

"Our three scenic services – the TranzAlpine, the Northern Explorer and the Coastal Pacific – were suspended on 22 March. We continue to look at when and how we will serve the tourism market. The breakdown of our passengers is commercially sensitive, but a large proportion are foreign based," Mr Miller adds. "As with the rest of the New Zealand tourism industry, overseas tourists are important to

the long-term viability of the scenic train services. Government decisions on reopening the border, at least partially, will be key.

"Around our network, works have resumed on important upgrade projects, including on the Auckland network, where maintenance is needed to cope with growing freight volumes and commuter passenger services. Work has also begun on the Northland line so that after years of under-investment, its track, bridges and tunnels will be made resilient and able to carry hi-cube containers."

On 14 May, the Government recognised the importance of rail, announcing a \$1.2 billion investment in the 2020 Budget. It included \$400 million towards replacing the ageing Interislander ferries and \$421 million to continue the replacement programme for some of KiwiRail's oldest locomotives.

The funding also provided \$246 million, plus a \$148 million top-up of the National Land Transport Fund, towards ensuring New Zealand's rail network, which includes more than 3000 km of track, more than 1000 bridges and nearly 100 tunnels, is reliable and resilient. "That investment continues the rebuild of rail that was underway before Covid-19 hit, and will



NZSF executive director Annabel Young: "People who operate ships need to be clear-headed and able to think fast – this serves them well in a crisis"

continue in the coming months and years," says Mr Miller.

The value proposition of maritime

Annabel Young, executive director of the New Zealand Shipping Federation (NZSF), says the maritime network is important for New Zealand's economic, environmental and social welfare, and vital during emergencies when road links are disabled, as after the Kaikoura quake, or when air links are disrupted, as with Covid-19.

"With each crisis, the maritime sector hopes that the value proposition of maritime – for international connections and for local distribution – will be recognised. We are concerned that maritime still takes a back seat to road and rail in the national consciousness and the Government's thinking," she says.

"New Zealand depends on coastal ships for the delivery of important goods, such as fuel, oil and cement, and moving containerised and bulk cargo around the coast. The road and rail 'bridge' between Picton and Wellington is vital for freight and passengers. Coastal ships also come into their own when roads or railways are unusable," she adds.

"Central and local government decisions, as well as port decisions, affect the efficiencies and effectiveness of the coastal network. The NZSF is committed to working with decision-makers to ensure that the best policy settings are in place for the benefit of all New Zealanders. We are



Design credit OSK Shiptech

Concept design of one of the new Interislander ferries in the Sounds – Budget 2020 included \$400 million towards replacing the ageing fleet



Auckland Transport chief executive Shane Ellison: "Covid-19 created unprecedented challenges for public transport virtually overnight"

happy to work proactively to bring sector knowledge to support the policy-making process."

Impacts hard to predict

Established in 1906, the NZSF is the key representative body for New Zealand's coastal shippers. Members include Coastal Bulk Shipping, Coastal Oil Logistics (COLL), Holcim, KiwiRail/Interislander, NIWA, Swire/Pacifica, Silver Fern Shipping, and StraitNZ/Bluebridge Cook Strait Ferries. Each of these companies and their vessels were affected differently by the lockdown and its consequences, Ms Young says.

"The main impact of the virus on coastal shipping depended on how the Covid-19 lockdown affected both demand and the availability of other options. These impacts were hard to predict and necessitated operators being able to read the operating environment and react quickly. People who operate ships need to be clear-headed and able to think fast. This serves them well in a crisis. It is a strength of the New Zealand maritime environment that we have many operators making independent assessments of their operational environment.

"By way of example, a shortage of trucks opened up an opportunity for bulk movements by ship; fewer international ships coming into our ports increased the demand for container movement by coastal operators; reduced demand for fuels (especially cars, trucks and planes) reduced the demand for fuel deliveries, but increased the demand for ships to be used for storage; the movement of passengers across Cook Strait to near zero seriously affected the Cook Strait ferries; and the rules around 'essential goods' were problematic for the wider supply chain and took a while to sort out with officials."

Ms Young says Government decisions in respect of the crisis also affected coastal ships. "We have significant concern that across the Government there is a lack of institutional knowledge of what impacts on

ships and how the impact can be ameliorated. This is especially the case where health officials are suddenly thrust into making decisions with maritime consequences.

"Around the world, all dry docks are currently struggling with the impact of 14-day quarantine requirements placed on ships as they arrive in-country to enter a dry dock, or when they return to their home port. In effect, this adds 28 days to the period that a ship is unavailable. The impact on New Zealand coastal shipping, especially the availability of the five Cook Strait ferries, will be huge. In effect there will be lanes missing from State Highway 1 between Picton and Wellington for a much longer period due to the quarantine requirements."

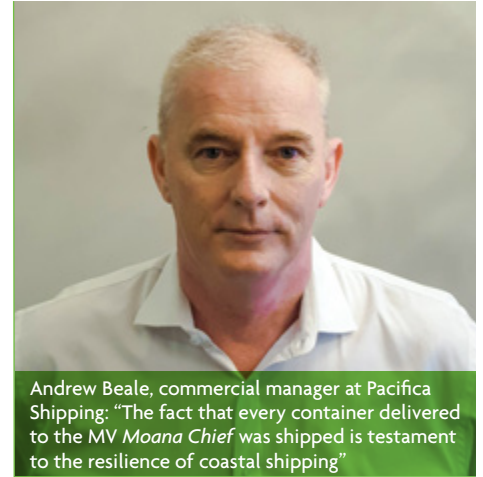
Pacifica's 'bubble'

As New Zealand's only dedicated coastal carrier, Pacifica Shipping was deemed 'essential' under the Government categorisation of businesses permitted to operate during Alert Level 4. "Our vessel *MV Moana Chief* continued to connect major ports in New Zealand, calling at Tauranga, Auckland, Lyttelton and Nelson on her normal fixed-day weekly cycle," says Andrew Beale, commercial manager at Pacifica Shipping.

Resourcing and technology enabled Pacifica's land-based team to function remotely when commuting to the office was not an option, as well as supporting team culture and wellbeing via regular FaceTime calls and virtual meetings.

"Our crew of thirteen on the *MV Moana Chief* received appropriate PPE equipment and were restricted from having contact with stevedores during cargo operations," Mr Beale says. "To maintain their 'bubble', crew were confined to the vessel during their four-week rotation and all shore leave was suspended. Thankfully for them, the vessel is in a different port four times a week, so they did not have to wait long to see some familiar faces, albeit from a socially acceptable distance."

'Zero Harm' is a primary focus at Pacifica and across all Swire Shipping businesses,



Andrew Beale, commercial manager at Pacifica Shipping: "The fact that every container delivered to the *MV Moana Chief* was shipped is testament to the resilience of coastal shipping"

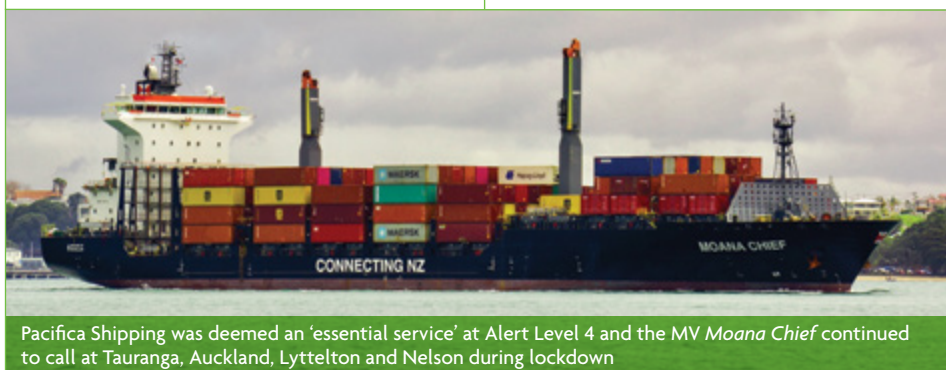
so there was little adjustment required in terms of adapting to the health and safety measures introduced as a result of Covid-19, Mr Beale adds. "Apart from some initial tweaking, the rules of engagement to operate a business under Alert Levels 4 and 3 were universal, and despite obvious challenges around managing distancing, there was relatively smooth conformance."

Operationally, he says, Pacifica has not been significantly impacted by Covid-19 regulations and protocols. "However, commercial repercussions were evident from the first week of lockdown, with the forecasted drop in volumes and revenue, because we could only carry goods from 'essential' businesses that continued to operate. That said, Pacifica has not sought Government support packages, and our liftings have slowly rebuilt as the alert levels have scaled down.

"To all intents and purposes, Pacifica is a domestic transport carrier and, as such, the majority of our movements are multi-modal. Whilst our prime mover is a 1700 TEU capacity vessel, we utilise trucks to deliver the first and last miles and can link with rail from/to the nearest port," Mr Beale says.

"A large percentage of our cargo profile is classified as FMCG (fast-moving consumer goods) and consequently Pacifica is well versed in managing this vital supply chain, which elevated in importance during the

Cont. on page 8



Pacifica Shipping was deemed an 'essential service' at Alert Level 4 and the *MV Moana Chief* continued to call at Tauranga, Auckland, Lyttelton and Nelson during lockdown

Cont. from page 7

lockdown. As a measure to take pressure off our labour-restricted shippers, we waived container detention charges, extended our container free-time period and withdrew cancellation fees,” he adds.

“The fact that every container delivered to the MV *Moana Chief* under Covid-19 restrictions was shipped is testament to the resilience of coastal shipping and all parties involved in the supply network who adapted quickly to unprecedented challenges.

“If we’ve learned anything since 26 March – and not just about our colleagues’ taste in home decor courtesy of Zoom meetings – it’s that ‘business as usual’ will not prepare you for the unusual challenges yet to test us.”

The impacts on public transport

Covid-19 created unprecedented challenges for public transport virtually overnight, says Auckland Transport’s chief executive, Shane Ellison. “Whether it was helping ensure that essential workers could move around the city during lockdown or making sure more Aucklanders could use transport as nationwide restrictions eased, Auckland Transport has been working hard to ensure people can safely get to where they need to go,” he notes.

“We stopped accepting cash on public transport and we only boarded buses from the back door, both of which helped to reduce the possible spread of Covid-19. We put up signage to show customers the best places to sit to maintain the two-metre physical distancing required by the Ministry of Health, as well as stickers to show the capacity of each vehicle as it approached. We also installed more hand sanitising stations, and we took the cleaning of our buses, trains and ferries to a new level using industrial-grade products or fogging.”

And Auckland Transport didn’t stop at physical solutions, Mr Ellison adds. “Our team knew that we could do more from a data perspective and create innovative solutions to not only help our network to move more smoothly during these unique times, but also give peace of mind to our customers.

“During lockdown, Auckland Transport introduced a major upgrade to its app, AT Mobile, which showed how many people were on a bus or train at any given time. This feature allowed people to see if the recommended physical distancing between other passengers of two metres would be achievable before the service even approached. Once a bus or train was at its safe-distance capacity, the app showed



InterCity’s national coach services restarted on Queen’s Birthday Weekend

passengers were no longer being accepted and bus drivers would only do drop-offs until it was safe to accept people again.

“We provided this real-time occupancy data in our public APIs too, which meant other third-party apps or services could also present this information in their apps. The real-time information provided to the app was based on live data from AT HOP card on and off tags, which also allowed us to monitor passenger numbers and make fast adjustments to services if required due to changes in demand. We worked to make those changes as quickly as possible and again advised customers to plan their journey ahead. Registering AT HOP cards would also have helped with contact tracing, should it have been required.”

Mr Ellison says the update to AT Mobile is another example of the Auckland Transport team working to respond to an unprecedented situation to keep customers safe. “Those who were travelling were able to make an informed decision about which service to take for their health and safety. Our innovation with AT Mobile and ability to make quick adjustments based on real-time data have received international attention. I’m proud to say our teams have already been sharing our approach and learnings with other transport agencies, such as TransLink in Vancouver and the Massachusetts Bay Transportation Authority in Boston.”

Physical distancing and seating capacities

It wasn’t just passenger transport services within our cities that were affected by the lockdown. Travel around the country wasn’t permitted at Alert Levels 4 and 3, meaning InterCity, which operates New Zealand’s largest passenger transport network (more than 130 services each day to 600 destinations around the country), had to curtail its services immediately.

“We accepted these restrictions as being a vital part of the effort made by the

whole country to stamp out Covid-19,” says Sam Peate, general manager, NZ Coachlines and Auckland Tourism, at Entrada Travel Group, the parent company of InterCity. “The move to Level 2 in mid-May meant we were permitted to operate, so long as we were following Government guidelines – especially around contact tracing and physical distancing.

“When our customers book travel, our booking system stores passenger names, email addresses and phone numbers, and so we were already set up for contact tracing. The physical distancing rules, however, provided us with several challenges. We followed Government guidelines and worked with our teams to make sure that we kept our drivers and passengers physically separated throughout the boarding, travel and offboarding components of their travel.”

The most pressing physical distancing challenge was seating capacity, Mr Peate says. “Around 90% of our bookings are for single travellers, and so the lack of regular group ‘bubbles’ meant that we had to cap our sales at 50% of capacity. On most of our routes we need a load factor of above 60% to cover our costs, and therefore the stark reality was that any services we operated would likely be at a loss.

“The prospect of not operating any services was obviously daunting for us, but it was even more worrying for our customers, many of whom do not have access to any other form of transport, live in remote rural areas, and rely on us to get them to their workplace or education, and to connect them with friends and family,” he adds.

“We have received an immense amount of feedback from our customers over the past weeks about how important the InterCity network is to them. As a result, as soon as the Level 2 rules became clear, we began working on a plan to re-establish our services as quickly as possible.”

The InterCity team worked on reshaping a ‘shutdown collection’ of services that



Sam Peate, general manager, NZ Coachlines and Auckland Tourism, at Entrada Travel Group: "We identified that by operating around a third of our pre-Covid services, we could reconnect around 70% of our network"

would allow them to open up as much of their network as possible. "We identified that by operating around a third of our pre-Covid services, we could reconnect around 70% of our network, and we were extremely pleased to be back on the road on Queen's Birthday Weekend," Mr Peate says.

Now that the country is at Alert Level 1 and physical distancing rules have relaxed, InterCity is looking forward to playing its part in getting New Zealand moving again. "There is less frequency than before – this means we can concentrate passenger demand and be more efficient with our costs. The reduced frequency also means that we can use our largest-capacity double-deck fleet to operate as much of the network as possible," he notes.

"We have been in constant communication with the Government to make sure they are aware of the vital part that InterCity plays in providing transport accessibility to communities all over New Zealand. These discussions are still ongoing, but we are very encouraged at the response we've had so far."

The key to aviation survival

Of all the transport modes, it is perhaps air travel that has been affected the most by Covid-19, with airlines around the world mothballing aircraft and making thousands of pilots and crew redundant. Board of Airline Representatives NZ (BARNZ) represented 28 airlines before Covid-19, and executive director Justin Tighe-Umbers says it is difficult to imagine just when the frequency of flights they brought to New Zealand from all parts of the world will return.

"Right now, BARNZ and its colleagues in the aviation industry are firmly focused on keeping the sector capable of being rebuilt – and quickly," he notes. "When Covid-19 started its stranglehold, airlines started fighting a battle of attrition as flights

were increasingly cancelled in response to escalating border restrictions. But once New Zealand closed its border to all those except returning New Zealand citizens, residents, or those with an exemption and agreeing to quarantine or mandatory isolation, it became a war to protect vital elements of the aviation sector."

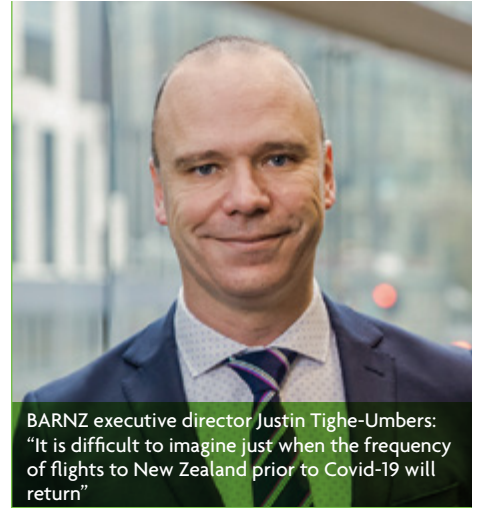
He says a strategic alliance was born – the New Zealand Aviation Coalition (NZAC). New Zealand's key tourism airports, the NZ Airports Association and BARNZ together started negotiations with the Government and its ministries. "NZAC's ambition is to protect as much of the aviation sector as possible, so that post Covid-19, vital people and infrastructure critical to rebuilding our air connections will remain in place. The Ministry of Transport (MoT) put it succinctly when it publicly stated air services are vital to New Zealand's economy, with almost all tourist arrivals, and 14% of exports by value, being carried by air.

"Just take the people who load aircraft as an example," Mr Tighe-Umbers says. "Loading and balancing a large passenger plane is a highly skilled occupation. Those people are just some of the skilled workforce that we need to ensure does not disappear from the sector. The MoT was very quick to understand that."

The Government responded on 19 March with the first tranche of a \$600 million aviation relief package: \$163 million to pay passenger-based Government charges and \$37 million to cover Airways-related fees from March to August; \$70 million to Airways to help offset declining revenue; and any other border fee increases put on ice for 12 months. At the same time, as majority shareholder, the Government offered loans of up to \$900 million to Air New Zealand.

Then at midnight on 19 March, the New Zealand border closed. Passenger numbers were choked to a trickle. "Freight became the only thing that kept some airlines flying to New Zealand," says Mr Tighe-Umbers. "Others suspended services completely. With more than 90% of air cargo capacity gone, the Government quickly recognised the need to ensure essential supplies were able to cross the border and it negotiated some early freight deals."

In its May Budget, the Government announced a \$330 million short-term and market-led freight deal with some carriers. "The funding guarantees cargo on key routes under agreements with those carriers. Carriers can then offer that capacity directly to freight customers on commercial terms. Air New Zealand, China Airlines, Emirates, Freightways Express, Qantas and



BARNZ executive director Justin Tighe-Umbers: "It is difficult to imagine just when the frequency of flights to New Zealand prior to Covid-19 will return"

Tasman Cargo were the first beneficiaries of the scheme," Mr Tighe-Umbers says.

NZAC's focus has now turned to being allowed to reinstate some international passenger flights – first across the Tasman, second the Pacific, and then to selected international hubs. "We have shown that we can safely manage people through airports and on flights through the quickly growing number of domestic flights since New Zealand returned to Level 2 on 13 May," Mr Tighe-Umbers concludes.

"For aviation and the rest of the economy, we believe the focus now should be on risk management and economic growth. Airlines are well versed with risk management and have responded quickly and responsibly around Covid-19."

Waka Kotahi NZ Transport Agency weekly reports

In the first week of lockdown at Alert Level 4, Waka Kotahi NZ Transport Agency instigated a continuous monitor across New Zealand to assess the impact of Covid-19 on people's transport choices. The in-field questions started on 3 April and the monitor is expected to run for a minimum of eight weeks. The nationally representative study offers weekly insights and high-level analysis of how people responded in their transport choices, their perceptions and attitudes to different modes of transport, and how these changed under the different Covid-19 alert levels.

To access these reports, visit www.nzta.govt.nz/resources/covid-19-impacts-on-transport/



Lynne Richardson is the editor of FTD and NZ Construction News magazines

From booming to beleaguered — the Oceania cruise market

The cruise industry has been hit hard by the Covid-19 pandemic – cruise executives should use the downtime to contemplate their future business strategies

By Neil Douglas

A YEAR can be a long time in demand forecasting! Back in April 2019, I co-authored an article for this magazine about the surging New Zealand cruise market. Between 1999 and 2019, cruise ship visits had increased five-fold from 40 to 191. Passenger numbers had increased twenty-fold from 18,000 to 333,000 reflecting a four-fold increase in ship size from an average of 470 to 1800 passengers.

Our article followed on from research I'd done on the Australian cruise market as part of assessing a new cruise terminal for the Port of Brisbane. The research showed how closely the Australian and New Zealand cruise markets were entwined and how popular cruise tourism had become for Australians. They were the world's keenest cruise tourists, making 54 voyages per thousand population compared to Americans on 36 and New Zealand on 20 (based on 2017 UN world tourism data).

Analysing 637 cruise itineraries for 2018/19 produced an Australasian market of 1.027 million passenger voyages, which represented a 4% share of a world ocean cruise market of 25 million voyages. Of the Australasian total, 29,400 passenger voyages (3%) were made on 37 New Zealand cruises that did not involve Australia (see diagram).

Sydney remains the fulcrum of the Oce-

ania market (Australia, New Zealand and the Pacific Islands). What happens in Sydney affects New Zealand and the wider Oceania market.

In 2019/2020 I assisted in a demand and economic appraisal of developing a third cruise terminal at Yarra Bay near Port Botany. This was until April 2020 when the NSW Transport and Ports Minister announced the proposal had been put on indefinite hold. The terminal was no longer seen as a priority. Australia was in the midst of the Covid-19 crisis and the cruise industry was viewed as contributing to the spread of the virus.

This followed on from the deaths of 14 Australians on 9 December 2019 in the volcanic eruption at Whakaari/White Island. The Australians were on a 12-day voyage around New Zealand from Sydney aboard the *Ovation of the Seas* and were on a day trip to the island. The vessel, owned by Royal Caribbean, had berthed earlier that morning in Tauranga. As well as the 14 Australians, five Americans and two New Zealanders died. In April 2020, legal action commenced in Australia on behalf of the relatives against Royal Caribbean.

The Ruby Princess debacle

On 8 March 2020, the *Ruby Princess* arrived in Australia carrying the Covid-19 virus. The

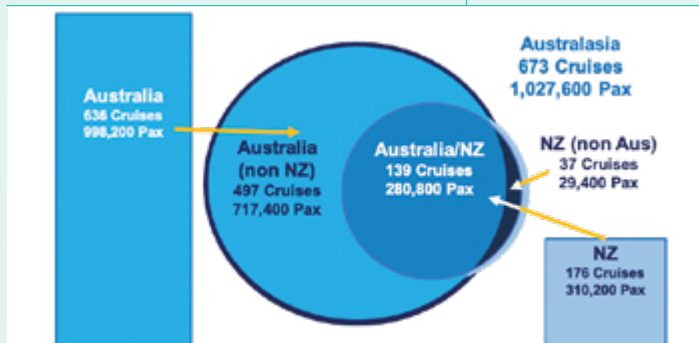
cruise ship, owned by Carnival Corporation, set sail from Sydney on a 13-day cruise around New Zealand. It visited Fiordland, Port Chalmers, Akaroa and Wellington. Its visit was cut short at Napier on 15 March because some Covid-19 swabs needed to be tested.

The ship arrived back in Sydney on 19 March and the 2700 passengers onboard were allowed to disembark. On 20 March, the NSW Health Minister announced that 3 of 13 people had tested positive for Covid-19 and that all the passengers were requested to go into self-isolation. By 24 March, one passenger had died and 133 had tested positive. By 13 May, 20 Australians and two Americans had died.

The ship was moored at Port Kembla until 23 April and of the 1100 crew, six were medically evacuated and 542 repatriated. The ship sailed to Manila, arriving 7 May where 214 Filipinos disembarked.

In April, the NSW Government launched a police criminal investigation and a Special Commission of Inquiry. For New Zealand, the *Ruby Princess's* visit to Napier was assessed to have caused a cluster of sixteen Covid-19 cases, but fortunately no deaths.

Three other cruise ships that also docked in Sydney have also had Covid-19 deaths reported: the *Celebrity Solstice* (one), the *Ovation of the Seas* (one) and the *Voyager*



Composition of the Australasian cruise market (2018/19)

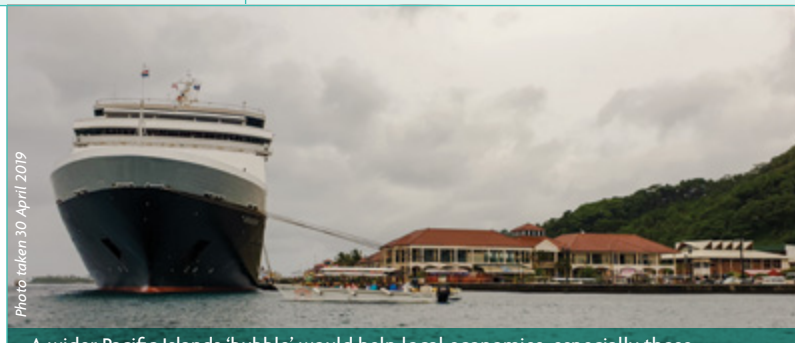


Photo taken 30 April 2019

A wider Pacific Islands 'bubble' would help local economies, especially those dependent on tourism, to recover post Covid-19

of the Seas (two). There were also four deaths on the *Artania* which docked at Fremantle. The total number of Covid-19 deaths related to cruise ships that docked in Australia was 30.

Global infections

The first major outbreak of Covid-19 on a cruise ship also occurred on a Carnival Corporation ship. Out of 3711 passengers and crew on the *Diamond Princess*, 700 became infected on a Southeast Asia cruise out of Yokohama in January 2020. An 80-year-old man from Hong Kong had joined the cruise with a cough, disembarked and later tested positive for Covid-19. The ensuing outbreak became the largest outside China.

The close confines of the ship and elderly age of the passengers were considered to have helped spread the virus. Unlike the *Ruby Princess*, strict quarantine was enforced with over 3000 tests carried out. Passengers were confined to their cabins for over two weeks which reduced the infection rate. Fourteen passengers died, with the plight of the passengers onboard and their repatriation featuring on news bulletins.

Globally, 77 passengers/crew have died of Covid-19 (as at 11 June 2020), with the 30 deaths involving Australian ports accounting for just under 40%. Deaths have occurred on 21 different cruise ships (7% of the global fleet of 314 oceangoing ships – Cruise Market Watch 2018).

Based on two months' share of 30 million passenger cruise voyages in 2019 (allowing for 0.5 crew per passenger), this calculates a death rate per voyage of 0.001%. By comparison, just over 418,000 have died of Covid-19 globally of a world population of 7.8 billion (a death rate of 0.005%).

An industry hit hard

Covid-19 and the associated national lockdowns have hit the cruise industry hard. Operations were suspended from mid-March with ships laid up, crew gradually repatriated, and tickets refunded.

Together, Carnival Corporation (accounting for 41% of revenue), Royal Caribbean (20%) and Norwegian Cruise Lines (13%) account for three-quarters of cruise revenue, but have suffered major equity losses.

All three are headquartered in Miami, but none are registered in the USA: Carnival is incorporated in Panama, Norwegian Cruise Lines in the Bahamas and Royal Caribbean in Liberia. They therefore pay very little corporate tax: based on annual filings, Zachary Crockett (in the online news site *The Hustle*) has estimated a figure of 0.8% corporate tax compared to 21% that they would likely



The NSW Government has launched a police criminal investigation and a Special Commission of Inquiry into the outbreak of Covid-19 aboard the *Ruby Princess*

pay if they were registered in the USA.

Although obviously good at making profits, when the US Congress announced its US\$2 trillion relief package at the end of

The CEO of Carnival received US\$11.1 million, 719 times the median salary, and Royal Caribbean's CEO US\$14.2 million (639 times) – see table below.

Cruise Line	CEO \$NZ m	Median Staff NZ\$	Ratio	Financial Year
Carnival Corporation	17.0	23,606	719	2019
Royal Caribbean	19.0	29,676	639	2018
Norwegian Cruise Lines	27.2	25,895	1052	2018

March 2020, the cruise lines were excluded because they were not organised under United States law. Share prices tumbled 85% combined to their heights in 2019: Carnival dropped from \$54 to \$8, Royal Caribbean from \$135 to \$19, and Norwegian from \$60 to \$7. By early June, some of these losses had been regained to 60% of their 2019 levels.

Pay parity

Crew were stranded on 50 ships as ports were closed and countries shut their borders. The US Coast Guard estimated 93,000 crew were on boats in US waters. The plight of crew became a media story, which in turn led to investigations about pay and conditions, and comparisons with the company CEOs.

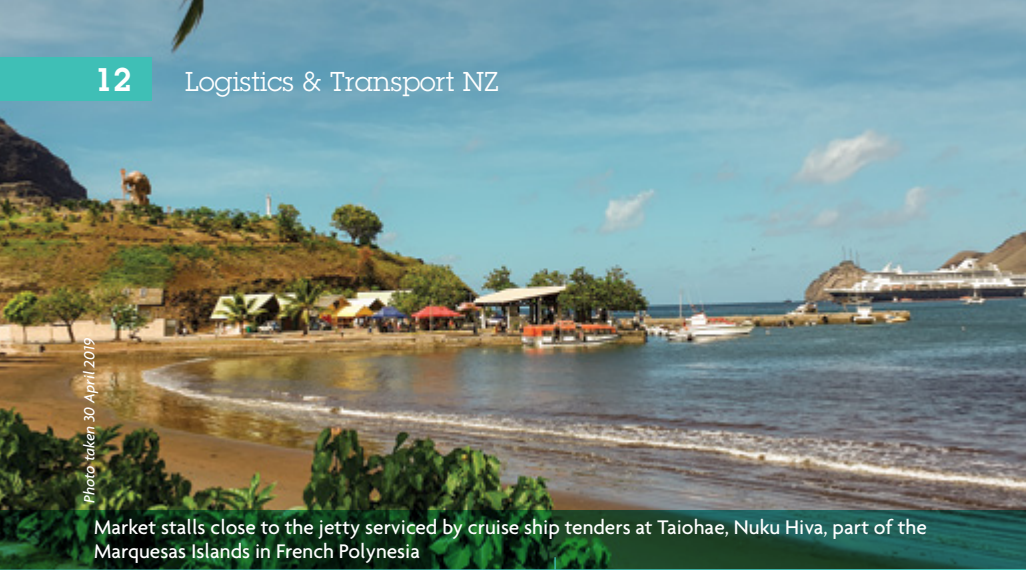
Following the global financial crisis, the Obama Administration required companies to disclose their pay ratio – the remuneration of the CEO/president to the median employee. For 2018, the CEO of Norwegian Cruise Lines, Frank Del Rio, received US\$17.8 million (NZ\$27.2 million), mainly in stock, which exceeded the median salary a thousand-fold. The median crew received \$US17,000 (NZ\$26,000) which included standard pay, overtime pay, gratuities, and shipboard pension. The crew wage was just over half that of the median US worker in 2018 (US\$33,000).

In providing 'context' to the pay ratio disclosure, Norwegian Cruise Lines pointed out that crew, who number 90% of the company workforce, receive free housing, meals and medical care which is not typically provided to shore-side employees. Crew also only work for six to ten months of the year and live outside the USA where the cost of living and prevailing wage rates may be significantly lower.

One component of crew pay is gratuities. New cruise passengers, particularly Australians and New Zealanders unfamiliar with US culture (where service charges are extra to the bill) may be surprised. Two people I talked to about their cruise from Auckland to San Francisco on the *Maasdam* were surprised to be asked to pay NZ\$30 per night each by credit card after boarding the ship. The gratuity is seemingly voluntary and can be increased, lowered or stopped by the passenger. When they understood what it was for, they were happy to pay because they knew many of the crew (mostly Filipino) were lowly paid. The gratuity charge did mount up to around NZ\$720 for the 24-day cruise. It was an amount they hadn't budgeted for.

They enjoyed their cruise, particularly the educational lectures on science and nature, Pacific history and culture given by ten different experts. They also enjoyed

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Market stalls close to the jetty serviced by cruise ship tenders at Taiohae, Nuku Hiva, part of the Marquesas Islands in French Polynesia

Cont. from page 11

the day tours on Tonga, Niue, Cook Islands and French Polynesia. They bought their first tours onboard, but noticed that prices were 50% higher than similar tours sold onshore. Cruise staff emphasised the ship would wait for passengers who bought 'official' tours, but might not for tours bought onshore. Apart from a few souvenirs, snacks and drink, they spent little else whilst onshore.

Average spends ranging from AU\$10 per passenger on small Pacific islands to AU\$100 at Port Vila, Vanuatu, have been reported, with Australian cruise passengers estimated to spend AU\$25 million in 2018/19.

Getting on and off via tender boats carrying around 70 passengers was awkward and time-consuming. The *Maasdam* took one-and-a-half hours with a 'loyalty system' prioritising passengers. Some 90% of passengers disembarked, but relatively few crew. In an earlier visit in November 2018, a 70-year-old American lady died after falling between the *Maasdam's* platform and the tender off Rarotonga.

The switch to low-sulphur fuel

One change that has sailed largely under the radar due to Covid-19 has been a shift to fuel with a lower sulphur content. For cost reasons, most ships use heavy fuel oil (HFO). Burning HFO emits nitrogen oxide and sulphur dioxide which are believed to

contribute to acid rain and increased heart and lung disease.

With the aim of reducing air pollution, the International Maritime Organization (IMO) required ships to switch from 3.5% to 0.5% sulphur fuel from 1 January 2020. However, the IMO permitted a 'loophole' whereby exhaust gas cleaning 'scrubber' systems could be installed that will allow the use of fuels with a higher sulphur content, so long as emissions do not exceed the 0.5% sulphur level equivalent.

There are two sorts of exhaust scrubber: open and closed. Open-loop systems flush the scrubbed water into the sea – for every ton of fuel, around 45 tons of scrubbed water is pumped into the sea. Scrubbing is also slightly less fuel efficient. Closed-loop systems, which are more expensive, store the scrubbed water in onboard tanks for later disposal. Most cruise ships have adopted the open-loop system.

The concern therefore is that air pollution has been swapped for water pollution which is particularly troubling for cruise ships operating in environmentally sensitive areas such as Fiordland and the Marlborough Sounds. Some ports and jurisdictions have banned open-loop systems – Singapore, Hong Kong and China have banned the practice to protect their marine environments, as have some Caribbean islands. In February 2020, CentrePort recommended that ships switch to a low-sulphur fuel or use a closed-loop scrubber system within the port of Wellington. For cruise ships that



Photo by Neil Douglas, 14 March 2019

Australians from the *Ovation of the Seas* queue on Lambton Quay to ride the Cable Car, one of Wellington's biggest tourist attractions – most buy their onshore tours onboard and have little cash to spend locally

have invested in open scrubbers, the move by ports to now ban their use is considered "very troubling" by Carnival.

The future of cruise

Cruise executives now have the time to contemplate their future investment and business strategies whilst Covid-19 'lockdowns' continue across the world. Certainly, some practices – starting with CEOs' pay – need an overhaul.

For Australia and New Zealand, lockdowns have eased substantially as we move into mid-June. A cross-Tasman bubble and a wider Pacific Islands bubble now look imminent which will help local economies, particularly those of smaller Pacific nations dependent on tourism, to recover.

Australia will continue to determine the future of the Oceania market. The \$158 million cruise terminal at Luggage Point in Brisbane remains scheduled to open in October 2020 with Carnival Australia paying a fixed annual fee for preferential berthing rights.

Some cruise itineraries are likely to shift towards Brisbane as it will take some time for the NSW Government to start planning for additional cruise terminal capacity for Sydney. It will also take time for Australians to rekindle their love affair for cruise tourism following the White Island tragedy and the *Ruby Princess* debacle.



Photo taken 30 April 2019

A cruise liner berthed at Papeete, Tahiti



Neil Douglas is a transport economist and fellow of CILT, with a PhD in economics from Leeds University

NEW ZEALAND'S PORTS



Port Nelson – gateway to the top of the South

Reported by Lynne Richardson

NELSON HAVEN has undergone remarkable change over the last 200 years. From its beginnings as a Maori trading hub based on the local snapper spawning grounds, to the full-scale international port that exists today, the Haven has always played an essential role in the local community.

Arthur Wakefield founded the European settlement of Nelson on 20 October 1841. He could see that the entrance to the Haven left something to be desired, but deep water inside the natural breakwater made up for what the entrance lacked.

The Haven looked very different in the 1800s to what we know today. The Boulder Bank is a growing land feature, and in the past, the far-reaching arm was below the high tide mark. Work began in 1903, removing and relocating small material from the Boulder Bank to form the Cut which provided a safer and more direct approach for ships calling into Port Nelson.

Harbour Board general manager WH Parr initiated a major reclamation scheme in the 1960s to satisfy the port's commercial needs. All in all, around 80 ha was won to transform Nelson from a struggling to bustling port. The reclamation is one of Nelson's most strategic industrial areas and a natural centre for the city's marine services and industries, with benefits reaching the wider Nelson community.

Principal commodities and trades

Port Nelson is the region's gateway to the world. Tasman and Marlborough districts produce a number of primary commodities which are exported to global markets.

Given its reasonably isolated location, the port serves an extremely important function – to support the region's prosperity.

Major export commodities from the top of the South Island include forestry products (logs, sawn and processed lumber), seafood, pip fruit and wine. Port Nelson is the largest seafood processing port in Australasia, supporting and catering to the needs of some of New Zealand's main seafood companies and associated fishing fleets, including the engineering sector that supports the industry.

Nelson/Tasman is also the second-largest apple-growing region in the country, with approximately 28% of the total apple crop being produced here and exported around the world. Approximately 70% of New Zealand's wine is produced in Marlborough, making Port Nelson a vital link in the wine industry's supply chain. This has been an area of significant investment for the port as it continues a strong strategic and commercial partnership with the industry.

The main import commodities to Port Nelson are fuel and cars, both second-hand and new. Honda's national distribution plant is located in Stoke, Nelson.

The natural cargo catchment for Port Nelson is the top of the South Island, stretching as far southeast as Seddon and across to the West Coast. Port Nelson's supply chain solution business, QuayConnect (www.quayconnect.co.nz) can provide all the cargo owners within this region with award-winning and sustainable logistics services that link through to Port Nelson. QuayConnect is a nationwide logistics business in

its own right, with multiple sites around the country, providing a broad scope of services, including international and cross-trade freight.

Maritime and shipping

Port Nelson has direct shipping services to international ports, and ships goods coastally to larger city centres for offload or transshipment. A key strategic driver for Port Nelson is to ensure the cargo flows that are moving across its wharves are maintained and increased where possible. To do this, it has leveraged its influence through the QuayConnect network to facilitate cargo movements in and out of Port Nelson.

The port is very tidal, with variances of up to 4 m on some days. Tasman Bay is naturally quite shallow compared to other deepwater ports in New Zealand, which does cause draught restrictions – the controlling depth is 7.6 m in the main inside harbour channel at chart datum, and 8.1 m in the outer channel. However, as modern shipping vessels become larger, they have tended to become beamier, therefore eliminating the port's concerns around draught somewhat.

Access through the Cut can be tricky to navigate, especially for longer vessels, which does mean there is a length restriction for ships of approximately 260–270 m. These types of vessels do tend to call at the larger New Zealand ports such as Auckland, Tauranga and Lyttelton, where a lot of cargo is aggregated and fed to/ from smaller regional ports such as Nelson.

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In the 1950s, apple cases were trucked from Mapua and Tasman, unloaded at Port Nelson, then shipped to Wellington by overnight steamer to either be sold or reshipped overseas

Cont. from page 13

The typical vessel size calling at Port Nelson ranges from 180 m to 270 m, which is ideal for the amount of cargo throughput the region has, with the majority of the cargo connecting at transshipment hubs, either on the New Zealand coast or further afield such as Southeast Asia.

Port Nelson has four working berths, two of which – Main Wharf and Brunt Quay (195 m) – are container berths. Fuel vessels also dock on Main Wharf, which is currently undergoing a rebuild on its northern aspect which will give a total workable length of 280 m. The break bulk berths of McGlashen Quay (340 m) and Kingsford Quay (195 m) host car carrier vessels, fertilizer vessels and, of course, log vessels.

Three tugs provide ships with safe passage into the harbour and alongside its wharves with a large bollard pull – the *WH Parr* (23.6 tonnes), the *Toia* (50 tonnes) and

the newest addition to the fleet, the *Huria Matenga II* (70 tonnes).

On the wharves

Port Nelson operates three mobile Liebherr harbour cranes, which provide optimum flexibility to work container vessels efficiently and within the allocated berthing windows. The terminal and container depot are controlled by the port's logistics team, operating a fleet of empty and full container handlers, as well as a straddle vehicle which shuttles containers to and from the on-port warehousing precinct, Quay-Pack. Here the team unloads and loads approximately 30,000 containers a year. The warehouses themselves store various commodities, including MDF and LVL wood products, dry goods and building materials.

Officially opened in February 2017, the Patterson Logistics Centre is the port's newest infrastructure project, which provides



Port Nelson CEO Hugh Morrison: "Innovative thinking in a world of constant change has given Port Nelson recognition across the country and internationally"

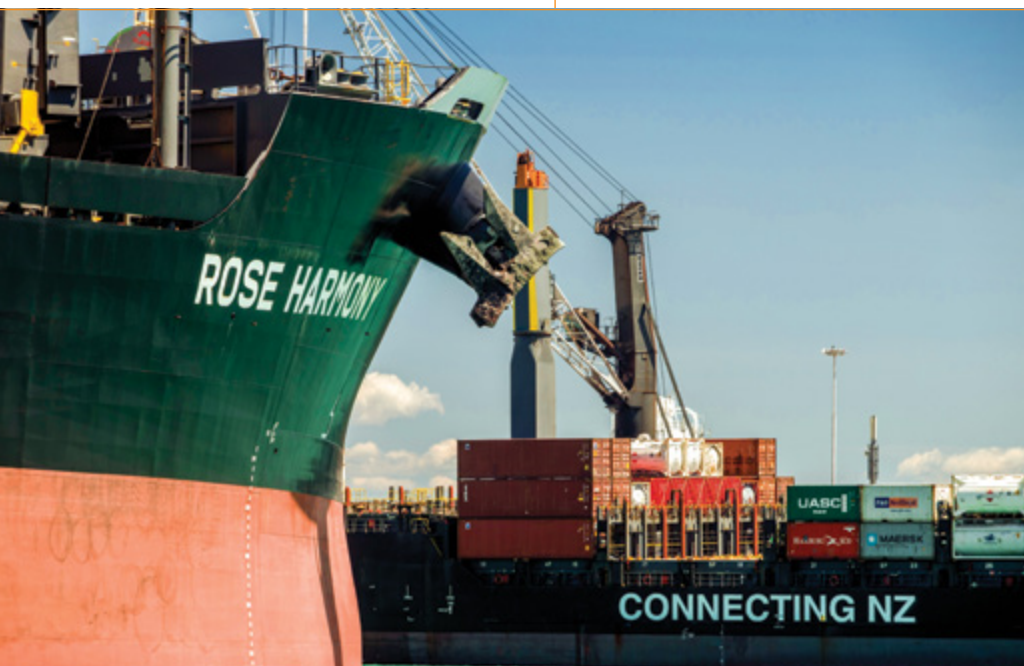
23,000 cu m of purpose-built warehousing specifically for the wine industry. Approximately 35,000 pallets of wine and bottles can be stored here at any given time, making it the largest on-port wine storage facility in New Zealand.

There is no rail connection to Port Nelson, which puts it in a unique position compared to other New Zealand ports, according to port CEO Hugh Morrison. "Rail has been used by other ports around the country to draw cargo away from regional catchments, with the strategic intent of inducing more and larger ships. The practice has led to severe competition between ports and has not always been done with the most logical and cost-effective intentions," he says. "Port Nelson relies on the road and coastal network serving it, which provides it with a reasonably resilient connection to the rest of the country and the world."

The coastal highway

Mr Morrison says Port Nelson is part of New Zealand's coastal shipping network and would like to see the mode being supported. "New Zealand's topography is unique. Having a singular rail system across two islands is not necessarily the most effective or resilient model. Rail is, and always will be, a very important piece of transport infrastructure. However, it must be thought of in conjunction with other modes, such as road transport and especially coastal shipping," he asserts.

"More investment in coastal shipping will give better connectivity and options to cargo owners. As mentioned, Port Nelson does not rely on rail, but it is very much reliant on coastal shipping. As container vessels keep getting larger on the New Zealand coast, there will come a time where these cannot call at regional ports such as Port Nelson. A frequent and dedicated coastal network, feeding one or two main



Port Nelson does not rely on rail, but is very much reliant on coastal shipping

ports in New Zealand, will become the norm one day.

“We believe the country should proactively start planning for this, instead of reacting to the inevitable which will no doubt come at a cost, likely to be worn by the regional cargo owners who supply a large portion of New Zealand’s primary sector exports. As a country, we are already at a disadvantage given our global location, thus it is imperative that the cost of getting goods to market is done as efficiently as possible.”

Forward thinking and adaptable

Mr Morrison says competition amongst New Zealand’s deepwater ports is intense, with most ports trying to offer similar services and aggregate as much cargo as they can, which has created a fragmented supply chain. “Our unique position has shielded us from these competitive activities somewhat, but the risk is very much constant from neighbouring ports across Cook Strait and other South Island ports.

“The logistics landscape has changed immensely in New Zealand over the last few years. Collaborative initiatives between ports, rail, trucking and logistics companies have all been established with the aim of capturing as much cargo as possible. The scale of this has resulted in a new competitive risk profile for Port Nelson, which includes all these businesses vying for the same prize. Our strategies are aligned to ensure that investment in supply chain solutions and digitalisation continues, as we position ourselves as a key stakeholder in the supply chain network, domestically and internationally.”

Mr Morrison says Port Nelson stands out because it is forward thinking and adaptable. “This is testament to the great people that have worked, and currently work, at Port Nelson. There is a fantastic culture of hard work, integrity and customer centricity. Innovative thinking in a world of constant change has given Port Nelson recognition across the country and internationally. Initiatives such as QuayConnect will maintain our reputation and hold us in good stead with our customers and industry peers.”

One such innovation being developed by



Log exports of 1.34 million tonnes contributed to an overall cargo volume of 3.9 million cargo tonnes passing across the port’s wharves in the financial year 2019 – well up on the previous record of 3.6 million cargo tonnes set in 2018

the team at Port Nelson is its cargo visibility and booking platform, Pelorus (www.pelorus.wine). “Pelorus is going to allow our customers to have access to data and the ability to book transport across all modes through a single platform that will be an end-to-end solution for them,” explains Mr Morrison.

“Again, it’s a unique solution for a port company to be investing in and implementing, and will add significant value to businesses and individuals relying on third parties or multiple providers to do the same thing.”

Future challenges

The main challenges faced by Port Nelson currently and in the future are very similar to those of many other ports around New Zealand and the world: increasing environmental expectations, resilience, and leveraging technology.

Port Nelson has committed to achieve net zero carbon emissions by 2050. A staged approach with interim targets has been established to achieve this goal.

From a resilience perspective, New Zealand is prone to natural disasters, and this

is a very real threat, highlighted by three large earthquakes in recent years. “Resilience is vital to our continued existence, but also hugely important to the top of the South Island’s prosperity,” says Mr Morrison. Technology developments provide an opportunity to improve productivity, safety, competitiveness and profitability. “The challenge is to remain at the leading edge, not bleeding edge, for such investments,” he adds.

The purpose for Port Nelson is to ‘facilitate regional prosperity’. “This purpose drives our vision for the future and includes port operations that benchmark at the top quartile against comparable international ports, a return on assets which delivers a market return to our community shareholders, and a negligible impact on the environment, consistent with net zero carbon emissions by 2050,” concludes Mr Morrison.

“Our aim is to be respected by and respecting of our tangata whenua and wider community, and that we support our customers through the provision of leading logistics advice and services. We’ll achieve these objectives through an engaged and highly capable team that put safety first.”

Port Nelson senior management

Hugh Morrison	– CEO
Matt McDonald	– general manager operations
Daryl Wehner	– chief financial officer
Shelley Spencer	– general manager people and safety
Jaron McLeod	– operations manager QuayConnect
Allanagh Rivers	– general manager infrastructure

Send us your feedback

CILT NZ wishes to encourage debate about the articles included in this magazine.

Do you have an opinion or would like to submit feedback?

A selection of commentary (along with the sender’s name) will be included in the next edition, subject to space.

Email Murray King ✉ murray.king@xtra.co.nz or Lynne Richardson ✉ lrichardson@astonpublishing.co.nz before

Friday 21 August 2020.



TRANSPORT POLICY

GPS 2021

By Murray King



The GPS puts the Government policy stamp on the spending by the National Land Transport Fund, most of which will be on roads, their safety, improvement and maintenance

NO, THIS is not an article on the navigation system, but the Government Policy Statement on Land Transport. This document is issued every three years, and takes a 10-year view of what direction the Government would like transport to take.

It sets the guidelines for Waka Kotahi NZ Transport Agency to develop the National Land Transport Programme (NLTP). This programme contains the projects and activities that the National Land Transport Fund (NLTF) will be spent on over the next three years. That fund gets the revenue from petrol tax, registrations, and road user charges. The GPS tells the Transport Agency what activities the money should be spent on, and the range of expenditure for each.

The draft GPS has been out since mid-March (available on the Ministry of Transport’s website) and submissions on it have now closed. The final GPS could be expected after the middle of the year. This article is obviously based on the draft. The final could well reflect changes brought about by the Covid-19 virus. If there is less revenue forecast for the fund, because of reduced transport activity, then the spend will also be lower.

NLTP Funding to 2031/2032

\$m	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
Target	4,500	4,550	4,650	4,700	4,800	4,850	4,900	5,000	5,050	5,100
Maximum	4,700	4,750	4,850	4,900	5,000	5,050	5,100	5,200	5,250	5,300
Minimum	4,300	4,350	4,450	4,500	4,600	4,650	4,700	4,800	4,850	4,900

From the draft GPS, pp 31, 38; and Ministry of Transport

This GPS covers the period from 1 July 2021 to 30 June 2031. It is centred on the proposed funding, which is organised into categories of expenditure called ‘activity classes’.

In the above table, the first six years are covered by this GPS; the first three years are firm estimates (subject to change with the final GPS) and the next three indicative. There will be a new GPS in three years’ time. From 2027/2028 on, the amounts are forecasts.

The total funding over the first three years is \$13.7 billion, although there is a range of expected outcomes. Over 10 years it is \$48.1 billion, an average of \$4.8 billion a year. In addition to these figures is the NZ Upgrade Programme, now getting underway, of mostly

urban road and rail initiatives, worth \$6.8 billion, spread over the years until 2029/30, and other Crown funding.

New this year

The NLTF has traditionally funded rail projects and operations for urban transport in Auckland and Wellington, in an ‘urban transport’ activity class. In the last GPS a new activity class ‘transitional rail’ was included to cover some rail projects more directly, as a transition towards more fully embedding rail projects. Nevertheless, these were all basically urban projects, such as improving capacity, both infrastructure and services, that link housing and employment growth areas, and also inter-regional trains.

This year there is provision for funding the rail network more generally, both freight and passenger. The type of project that was funded under transitional rail is now all in urban transport. The new activity class is called ‘rail network’, and has been allocated a range between \$100 million and \$120 million a year.

The recent Government Budget has added \$148 million to that in the second year, and \$236 million as well outside the NLTF in the first year. These sums are part of the overall change in rail funding toward the NLTF, a process enabled by changes to the Land Transport Management Act 2003, now before Parliament.

A key feature of these changes is the requirement that KiwiRail prepare a ‘rail network investment programme’ which will set out its expenditure plan for the



The GPS lists 10 areas where the Government wants the Transport Agency to achieve results – this includes reflecting the new emphasis on mode neutrality

network. The activity class is intended to enable a 'reliable and resilient' rail network.

Also new this year is a 'coastal shipping' activity class, with a small amount (\$10–15 million a year) for the first three years, largely aimed at research.

Rail and coastal shipping are included to 'embody mode neutrality in the transport system'. What was a 'theme' of mode neutrality in the last GPS is now integrated throughout the GPS. So too are the themes relating to technology and innovation, and integrating land use and transport planning.

The Road to Zero safety programme is given prominence in the GPS, with a new activity class combining two previous activity classes. It includes investment in safety infrastructure, road policing, automated enforcement, and road safety promotion, worth between \$820 million and \$910 million at the beginning of the period, and rising to \$1050–1170 million in the tenth year. Its share of the total expenditure rises from 14–18% in 2021/22 to 19–24% in 2030/31.

In the previous GPS, safety was also a priority. The others were access, environment, and value for money. In this GPS, the access priority is split between 'better travel options' for passengers, and 'improving freight connections'. The environment priority is now 'climate change' and decarbonisation of transport. What was the fourth priority, 'value for money', is now considered as an investment principle embedded in all investment decisions.

The traditional areas of expenditure

The GPS and the NTLF have traditionally focused on roading expenditure and public transport. These activities still dominate the GPS, taken as a whole. In 2021/22, they amount to 78–80% of the total spend (including walking and cycling). In 2030/31 they remain at about 75% share. As well, councils and the Transport Agency can access other activity classes for road purposes, such as the Road to Zero class.

Public transport

Public transport is now two activity classes, public transport services and infrastructure. These replace the public transport, rapid



The National Land Transport Fund has traditionally funded rail projects and operations for urban transport in Auckland and Wellington, but this year there is provision for funding the rail network more generally, both freight and passenger

transit, and transitional rail classes in the last GPS.

Public transport services (for operating trains and buses, and also for investments in new services) are estimated to spend \$600 million (high) or \$390 million (low) in 2021/22, rising to \$1,030 million and \$510 million by 2030/31 respectively. For the high estimate, this is 72% growth over the 10 years. Public transport infrastructure (maintaining existing infrastructure and investing in new) adds \$770 million (high) or \$500 million (low) in 2021/22. However, this grows more slowly, with the high 10-year estimate only 13% higher, and the low estimate nearly 25% lower. This category includes any new road and rail vehicles.

Roads

The interplay between road maintenance and improvements, and local roads and state highways, has been a feature of the GPS over the years. Some governments have emphasised road improvements and capacity expansion over maintenance, and state highways over local roads.

In this GPS, improvements get \$1,550 million (high) and \$1,120 million (low) at the start, over 80% of which is for state highways, but declining steeply to \$600 million (high) and \$360 million (low) in the tenth year, still dominated by state highways. The allocations are lower in 2021/22 than in the 2018/19 GPS, and also in 2027/28 (the last year of the previous GPS). 'Improvements' add capacity or improve the level of service.

State highway and local road maintenance figures are much closer together, with state highways just over 50% of the spend, both now and in 10 years. But this category grows strongly, more so than the Road to Zero programme, but less than public transport services. The tenth year allocation is 32% higher than the first, for both high and low estimates.

Interestingly, the allocations are also higher for comparable years than in the 2018/19 GPS. 'Maintenance' includes operating, maintenance, and renewal of existing infrastructure, and also funds emergency responses.

Local roads are part funded (up to 50%) by ratepayers, which has to be added to the GPS local road numbers.

Walking and cycling

This activity class is to improve the uptake of walking and cycling. It gets more money (\$145 million, high) in this GPS for 2021/22 compared to the last, but the same for 2027/28.

Investment management

This is a relatively small allocation to support planning, research and funding allocation management. It is \$70–80 million in the first year, rising to \$85–100 million in the tenth, slightly more than in the previous GPS.

Ministerial expectations

An important function of the GPS is to state the Government's expectations for the Transport Agency. It lists 10 areas where the Government wants the Transport Agency to achieve results. These include reflecting the new emphasis on mode neutrality. The Transport Agency is to be more proactive in accelerating mode shift, and to work with KiwiRail on implementing the Rail Plan and the new planning and funding arrangements. It expects that the Transport Agency will have a greater role in long-term integrated planning for the sector, between regions and across modes.

Conclusion

The GPS puts the Government policy stamp on the spending by the NTLF. This year it reflects, for example, the commitment to public transport, and to funding rail. But most of the spending is still on roads, their safety, improvement, and maintenance.



Murray King is a consultant in Wellington, specialising in transport planning, policy and operations

CILT NZ Life Member Sandy Gibson passes away

CILT NZ was saddened to hear of the passing of life member Sandy Gibson on 12 June, aged 75 years. A service to celebrate Sandy's life was held at the All Saints Chapel at Purewa in Auckland. A profile of Sandy will feature in the next edition of this magazine.

EMPLOYMENT LAW

Independent contractor or an employee?

By Kathryn McKinney

AN EMPLOYMENT Court ruling in May that a contract courier driver should properly be characterised as an employee (meaning he was entitled to a range of minimum wage, leave, personal grievance and other entitlements) has been described as having “huge implications across the entire industry”.

While the question of employee vs independent contractor status is fact specific (a fact confirmed by the court), there is little doubt that *Leota v Parcel Express Ltd* is an important reference point for industries utilising the ‘owner-driver’ model.

What happened?

Mike Leota was a courier driver for Parcel Express. He drove courier vans for Parcel Express for almost a year when his contract for services was terminated. He applied to the Employment Court for a declaration that he was an employee of Parcel Express. In opposition, Parcel Express argued that Mr Leota was an independent contractor.

When Mr Leota was engaged, Parcel Express told him that he would need to buy his own van, but that the van would need to have the company’s branding on it and meet its required specifications. He had to pay for the branding of the van and pay the company a bond of \$2000. Mr Leota was told that he would “be his own boss” and was given a contractor agreement to read and sign. The court noted that Mr Leota was not told to seek advice on the agreement or any other documents.

Mr Leota was required to wear the company uniform, work when and where the company needed and in the company’s best interest, comply with the company’s procedures and policies, and with the CEO’s directions, have his run boundary

When engaging independent contractors, it is essential that businesses carry out a thorough analysis of the real nature of the relationship

set by the company, and agree to holiday restrictions and relevant standards of work.

The law

The test to determine whether a worker is an employee or a contractor is well established, and it requires a focus on the real nature of the working relationship. In practice, this test assesses the intention of the parties, the level of control that the business has on the worker, the level of integration of the worker into the business, and looks at the economic reality of the relationship.

However, despite the comprehensive nature of the test, workers are still frequently misclassified as contractors, when in reality they should be considered employees.

Analysis

When analysing the relationship, the court made a well-worded distinction: “An employee is someone who works for the employer, within the employer’s business, to enable the employer’s interests to be met. An independent contractor is

an entrepreneur, providing their labour to others in pursuit of gains for their own entrepreneurial enterprise.”

The court then carried out an assessment of “all relevant matters” within the relationship and noted the following.

Control and integration

The court was clear that a degree of control which was necessary and/or beneficial to both parties’ business interests would not indicate an employment relationship. However, in this instance, Parcel Express exercised all control over the time and boundaries of Mr Leota’s runs every day, and his leave arrangements. Additionally, Mr Leota had to wear a Parcel Express uniform and his van was branded with Parcel Express signage. The court concluded that Mr Leota therefore did not have any real autonomy over his work.

Industry practice

The court took industry practice into consideration, but cautioned that this factor should be approached with care. This is

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Workers are still frequently misclassified as contractors, when in reality they should be considered employees

CILT NZ congratulates Morris McFall QSM

Morris and Hilary McFall at the McFall Museum – every classic car, vintage tractor and stationary engine has been restored by Morris to its former glory, right down to the paintwork

Photo by George Novak, courtesy of The Bay of Plenty Times

CILT BOP-WAIKATO Section member Morris McFall was recognised in the Queen's Birthday Honours in June, receiving the Queen's Service Medal for his services to the community and philanthropy.

Morris is both a fellow and life member of CILT and in 2014 was awarded CILT NZ's top award, the Sir Bob Owens Award for Outstanding Contribution to the Logistics, Supply Chain Sector and Community.

Morris began his career in dairy farming

and was awarded a Nuffield Scholarship in 1969. He founded the McFall group of companies in the early 1970s, comprising road transport, fuel distribution and civil engineering, finally retiring in 2016 after three decades as the board chair.

Morris has contributed funds, time and resources towards a range of charitable and philanthropic causes. He was a Waikato regional councillor from 1992 to 2001 and chaired the regional land transport com-

mittee during this time. He joined the Te Awamutu Rotary Club in 1978 where he was a founding member of the Pirongia Forest Park Lodge where he carried out all the site development and access roading. In 2005 Morris built a rehabilitation centre and gym for disabled people with emphasis on spinal injuries and congenital diseases.

CILT NZ congratulates Morris for receiving the QSM – a very deserving recipient.

Cont. from page 18

because “the mere fact that an industry considers that its workers are engaged as independent contractors cannot, of itself, be enough.” There still needs to be an assessment of all other factors in the relationship. In this case, the court found that Mr Leota had both not known the industry practice, nor that he was being engaged as an independent contractor.

In any event, the court cast doubt on whether there was in reality a definitive, consistent industry practice to treat courier drivers as independent contractors (or at least any consistency in approach to contract form and practice) and the relevance of any alleged industry practice. “The point is that if Parliament had intended those working within a whole industry to be categorised as independent contractors, it is likely it would have said so rather than imposing a fact-specific, case-by-case test which the court must work through, applying s.6 [of the Employment Relations Act 2000]. In this regard it is notable that Parliament has not chosen to make special provision for courier drivers, unlike sharemilkers and real estate agents (s.6(4)), volunteers (s.6(1)(c)), and certain persons engaged in film production (s.6(1)(d)).”

Economic reality

The court found that Mr Leota was not working for himself and that he had no real freedom to grow his business. In making this finding, the court considered that

because Mr Leota's van was branded with a Parcel Express logo and was occupied five days a week, there was little to no opportunity for Mr Leota to grow his business for his own personal benefit.

Other factors

English was Mr Leota's second language and he did not fully understand the terms of the agreement that he entered into with Parcel Express.

Based on all the above factors, the court “[did] not have any difficulty concluding” that Mr Leota was an employee, and not a contractor, of Parcel Express.

What does this mean for employers?

When engaging independent contractors, it is essential that businesses carry out a thorough analysis of the real nature of the relationship. It is not enough to only look at the label given to the relationship, written agreements, and industry practice as these are not determinative factors.

The assessment must take into account all factors of the relationship as the court did in the above case. It is clear that the way in which the relationship

works in practice will have greater weight than the documentation.

A thorough initial assessment is the best course of action for avoiding litigation over employment status determinations, which may result in expensive proceedings and the business being liable to compensate for a range of minimum employment entitlements that should have been offered to the employee in the first instance.

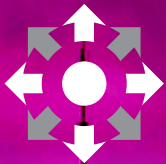
The decision does not mean that all owner-drivers are employees. As noted above, the analysis is very fact specific, and a key consideration here was that English was Mr Leota's second language and he did not have a grasp of the legal requirements relating to the ‘contractor’ label given to him.

However, it is clear that those operating an ‘owner-driver’ model, characterising their workers as contractors, should take note of this decision and apply the tests mentioned above to their situation.

If you have any questions or if we can assist with applying the learnings from this case to your situation, please get in touch. We have prepared a short video outlining the case and its ramifications, which can be viewed here: vimeo.com/425337907



Partner Kathryn McKinney heads Anthony Harper's national employment team that provides expertise on all aspects of employment, health and safety and immigration law; she can be contacted at kathryn.mckinney@ah.co.nz



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CALL FOR NOMINATIONS FOR THE 2020 AWARDS

CILT NZ presents a number of awards each year for academic and personal achievements, communications, and industry excellence. Anyone can be nominated – award winners do not necessarily have to be members of CILT (except where stated) and companies can nominate themselves, or other companies whose achievements they admire.

Nominations open 1 July 2020 for the period 1 July 2019 to 30 June 2020, and close on 15 August 2020 for the award for research for the master's thesis, and on 31 August 2020 for all other categories. Need some inspiration? Check out these winners from last year.

The 2020 CILT NZ Annual AGM and Awards will be held on the evening of Wednesday 14 October at the Royal New Zealand Yacht Squadron, Westhaven Marina, Auckland.

AGM starts at 5.30pm

Cocktail reception at 6pm

Seated for dinner at 6.45pm

Tickets available for individuals and for tables of 10

Book via the CILT website



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