

BEFORE THE OTAGO REGIONAL COUNCIL

IN THE MATTER of the Resource Management Act
1991

AND

IN THE MATTER of an application for resource
consents for Project Next
Generation

BY **PORT OTAGO LIMITED**
Applicant

**STATEMENT OF EVIDENCE OF STUART JENNINGS
ON BEHALF OF MAERSK LINE NEW ZEALAND**

Date 5 April 2011

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INTRODUCTION, QUALIFICATIONS & EXPERIENCE

1. My name is Stuart Jennings. I am the Country Operations Manager for Maersk Line in New Zealand. This role involves ensuring the smooth running of the vessel and container operations in New Zealand.

2. I have worked in the container shipping industry for 23 years, originally working for P&O Containers in London for seven years within various departments, including operations and trade management. I then moved to New Zealand with P&O Containers and then P&O Nedlloyd for nine years. During that time I worked in customer service, trade management, procurement and system implementation. Prior to leaving New Zealand, I was the Commercial Manager responsible for the vessel, container and intermodal operations for P&O Nedlloyd across New Zealand. I was then transferred to Holland where I spent a couple of years standardizing process across the P&O Nedlloyd offices in Europe. I then moved into an Area Customer Service role with Maersk in Rotterdam for two years before moving to Maersk head office in Copenhagen responsible for global customer service process measures and structures. In December 2009 I returned to New Zealand to take up my current position.

3. Maersk Line is the largest container operator in the world and has a market share of around 35% in New Zealand.

4. Currently Maersk calls at nine ports in New Zealand but the majority of cargo moves to/from the two main ports of Auckland and Port Chalmers. Auckland is dominated by import containers whereas Port Chalmers is predominately for export containers.

5. Due to the type and volume of cargo produced in the lower South Island, it is a very important market for Maersk to be able to serve with a reliable and cost effective service. With the large volume of high value refrigerated cargo it is extremely important that vessel schedule integrity is maintained.
6. I have read the Code of Conduct for Expert Witnesses contained in the Environment Court Consolidated Practice Note 2006 and I agree to comply with it. I have complied with in the preparation of this evidence.
7. The large vessels we have calling in Port Chalmers carry cargo to all parts of the world by connecting with mainline services in Singapore and Tanjung Pelepas. It is essential that the connections with these services are made otherwise there can be significant delays to cargo delivery. This is particularly critical for refrigerated cargo.
8. With the heavy cargo that loads in Port Chalmers, the departure draft is key to allow the vessel to be able to sail on time and make the required connections. If departure has to be delayed due to draft restrictions, either cargo has to be left behind or the departure delayed. To ensure the connections are made, this may mean increasing the speed of the vessel, which in turn increases the fuel use and therefore cost.
9. Since September 2009 the price of bunker fuel has risen from USD 491.50 to USD 741.50 per ton, this represents an increase of 51%.
10. The cost of a 12 hour delay is in excess of USD 50,000 if the vessel has to recover that lost time.
11. In addition to the cost of recovering the schedule, this may also affect customer satisfaction and have an adverse effect on the environment.

12. One of the key measures for Maersk Line in 2011 is the ability to deliver cargo on time, currently around 75% of our vessels globally arrive on time, whilst this is the best in the industry, the goal is to increase this into the 90% range. To do this we need the flexibility of the ports to be able to handle the vessels when they arrive and ensure their departure is not restricted in any way. Currently there are restrictions for our large vessels departing Port Chalmers during the peak season when the vessels are fully loaded, causing delays which cannot always be recovered.
13. Over the past 12 months, 12 of the vessels operating on the Maersk service between New Zealand and South East Asia have had their departure delayed after the completion of cargo operations.
14. The alternative to a delayed departure is to leave cargo behind and not fully utilise the vessels. This adds to the cost for the shipping line and has a significant negative impact on the exporter.
15. Container shipping is just one link in the total supply chain and as such must be able to offer a competitive price. The ability to do this is determined by the cost of the network which is often calculated by the cost per slot on a vessel. Being able to have the lowest possible slot cost is important for Maersk in being able to be competitive in the market and therefore allowing New Zealand goods to be competitive in global markets.
16. One of the strengths of Port Chalmers is its location and proximity to the market and our customers. However, it needs to be able to offer a service that allows the lowest possible cost to be achieved. One way to reduce the slot cost is to employ large vessels.

17. Currently the largest vessels Maersk operate in the New Zealand market can notionally carry around 4100 twenty foot containers (TEU). Due to the current port restrictions, these are about the largest vessels it is possible to operate in New Zealand due to size and draft.
18. With market growth in New Zealand, the trend towards more forty foot containers, the drive for cost reductions and using historic trends in terms of vessel size, it is inevitable that we will see larger vessels coming to New Zealand in the future. It is unlikely we will ever see the current large vessels which carry in excess of 12,000 TEU but vessels in the 5,000-6,000 TEU range would be the next logical step in terms of larger vessels. To accommodate these larger vessels ports would need to be cope with a departure draft of between 13.5-14.0m.
19. Until the key international ports in New Zealand (of which Port Chalmers is one) have the ability to handle these vessels it is not possible for Maersk to look at deploying them on the services that serve New Zealand. This means New Zealand exporters do not currently have access to the most cost-efficient supply chain possible.
20. In summary, Maersk New Zealand believes that Port Chalmers plays a critical role in the ability for New Zealand products to be competitive in the world market by providing a gateway for goods to be shipped to the rest of the world. It is imperative that New Zealand remains competitive in the world market and this means in part, the ability to provide the best service and lowest cost to New Zealand producers. The development planned by Port Otago to deepen the channel, will allow Maersk to explore the cost advantages of using larger vessels which is today not possible. With the volume of refrigerated cargo originating from the Otago-Southland hinterland, a local port able to handle bigger ships currently seems the best option to provide an efficient and cost effective solution for lower South Island businesses.

Stuart Jennings