



PECC Seminar

Managing the Blue Economy



Zespri - Shipping and Port Strategy

Zespri International Limited

- Single biggest marketer of kiwifruit globally
- Sole marketer of Zespri New Zealand Kiwifruit
- Export to 60 plus markets
- NZ Supply turnover of approx. NZD \$2.0 billion
- Non NZ Supply turnover approx. NZD250 million
- Based in the Bay of Plenty, New Zealand
- 2700 New Zealand growers



Global Shipping Environment

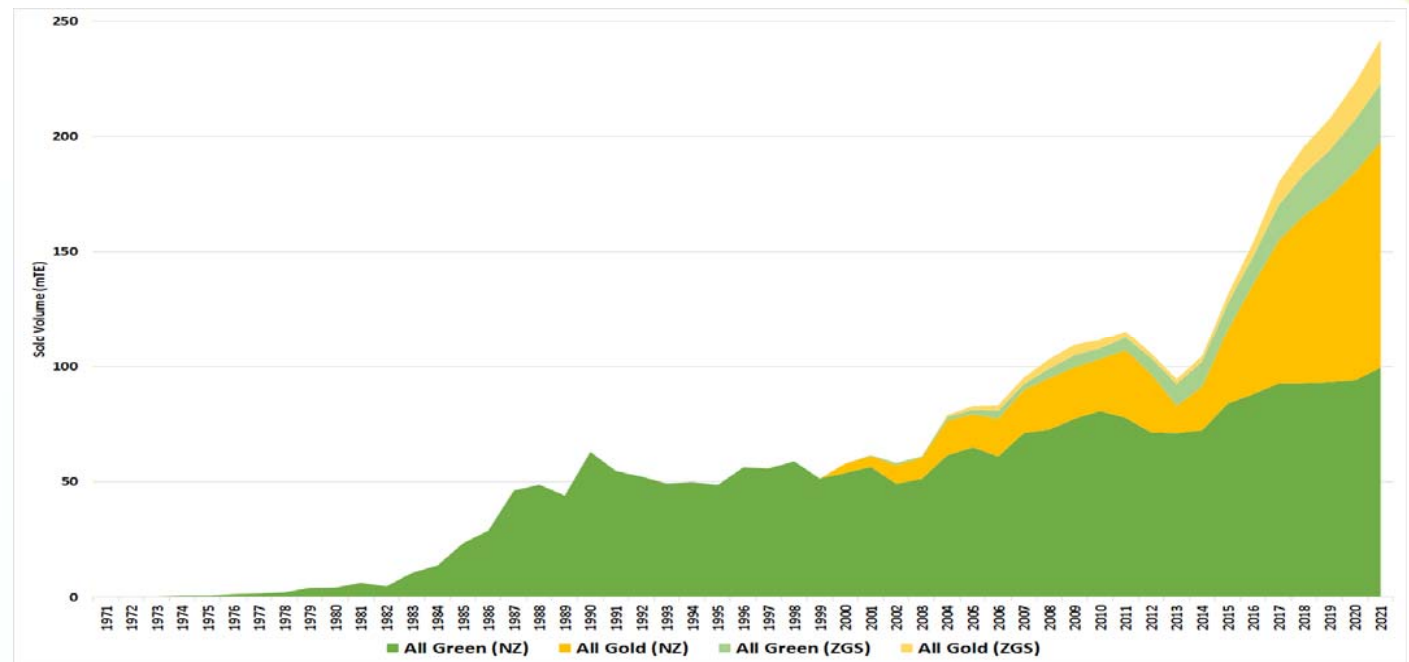
Reefer Perspective

- **Container sector** in the doldrums – overcapacity, low or no profitability
- Slow steaming
- Hub and spoke systems
- Introduction of mega container ships – cascade effect
- Formation of mega Alliances
- Mergers and takeovers
- Scrapping at record levels, younger and younger ships
- **Reefer sector** under pressure from Containers
- Lack of re-investment
- Ageing fleet

Zespri Shipping Challenges



- Firstly – Large Volume “perishable” product:
- 2015 shipped 436,000 tonnes
- 2016 shipped 512,845 tonnes
- Potential to reach 700,000 tonnes



Zespri Shipping Challenges

- Secondly:
 - Far away from our markets
 - Outside of main shipping trade lanes
 - How do we meet these challenges?



What is Zespri looking for in its shipping and ports strategy?

- Sustainable shipping services
- Competitive shipping market
- Choice of Carriers
- Certainty of supply
- Required port side infrastructure in place
- Long term partnerships with Carriers and Ports
- Win/Win outcomes



What mode - Taxi or the Bus?

- We use the mode where it makes sense to:
 - The taxi is Specialized Reefers to Europe, Japan, Korea and increasingly China – FDD. Under Zespri control
 - The bus is Liner Containers to NAM/SAM/North & SE Asia/Middle East/Indian Ocean...basically ROW. Not under Zespri control



Specialized Reefers



- Very important mode for Zespri – 67 charters in 2016
- Add value to our product through:
 - Fast transits = earlier and more sales
 - Quality outturns
 - Guaranteed dedicated capacity
 - Control over our supply chain
 - Ability to respond quickly to market demand
 - Fruit conditioning ability
 - Move large volumes efficiently



Transit Time

- Seasonal perishable product
- Liner Container transit time NZ to Europe is high, around 42 days plus
- Specialized Reefer transit to Europe is 27 days with high integrity level
 - = Extra sales by arriving earlier
 - = Better quality outturns, reduced fruit loss
 - = Control over our Supply Chain



Supply Chain Flexibility

- Need ability to respond quickly to market signals
- Full speed or slow steam
- Use on deck container capacity
 - Build extra capacity
 - Freight efficient
 - Reduces carbon footprint
- Specialized Reefers supply this





Knud Lauritzen - 8913 pallets

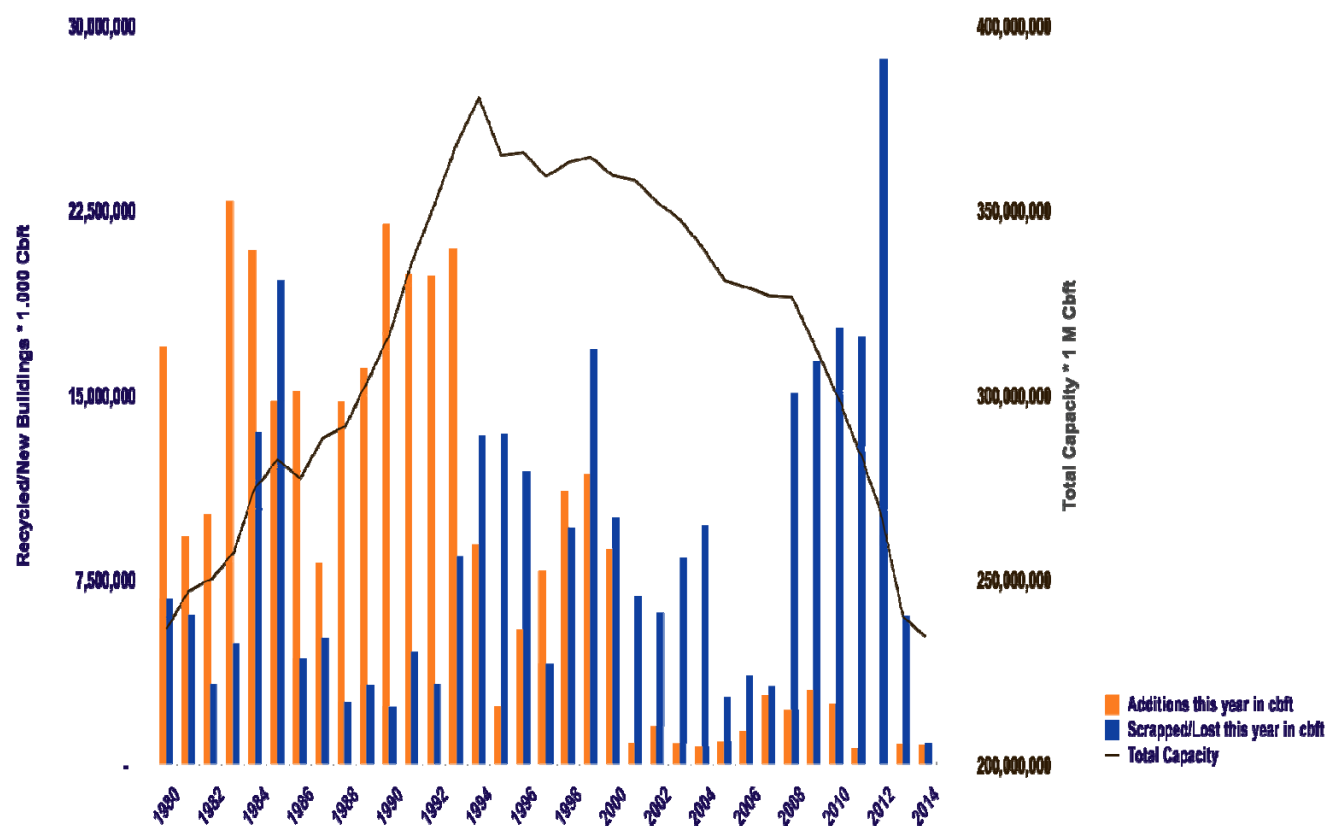
Specialized Reefer Challenges

Challenges:

- Need a critical mass to load
- Not suited to all markets

Concerns:

- Ageing fleet
- Limited players
- Reinvestment cost is high

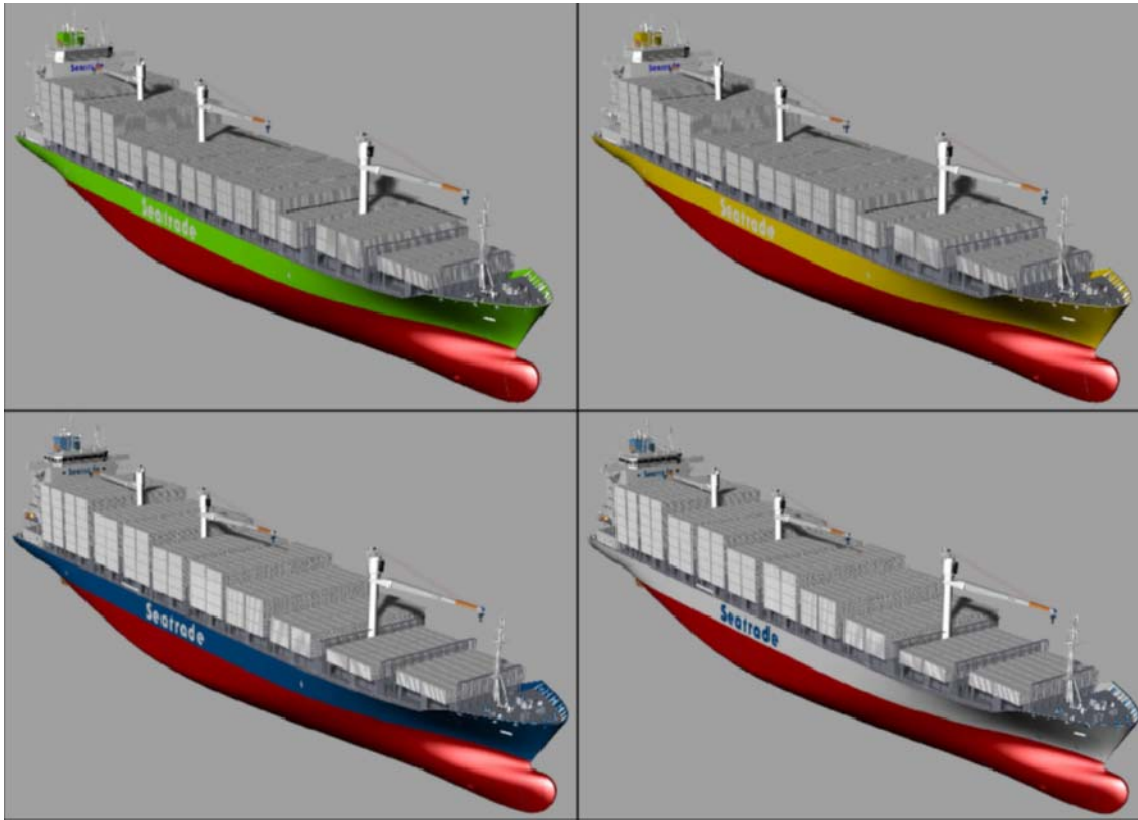


Reefers – Future?

- Where to for seasonal fruit shippers?
 - ✓ Looking to our long term partners
 - ✓ Working together with them on the future
 - ✓ Create sustainable services
 - ✓ Look for innovation and new technology
- Hybrid ships?
- Joint global services?
- Reefer container ships?



SEATRADE COLOUR CLASS SHIPS





Seatrader Orange Naming Ceremony

2200 TEU specialized reefer container vessels

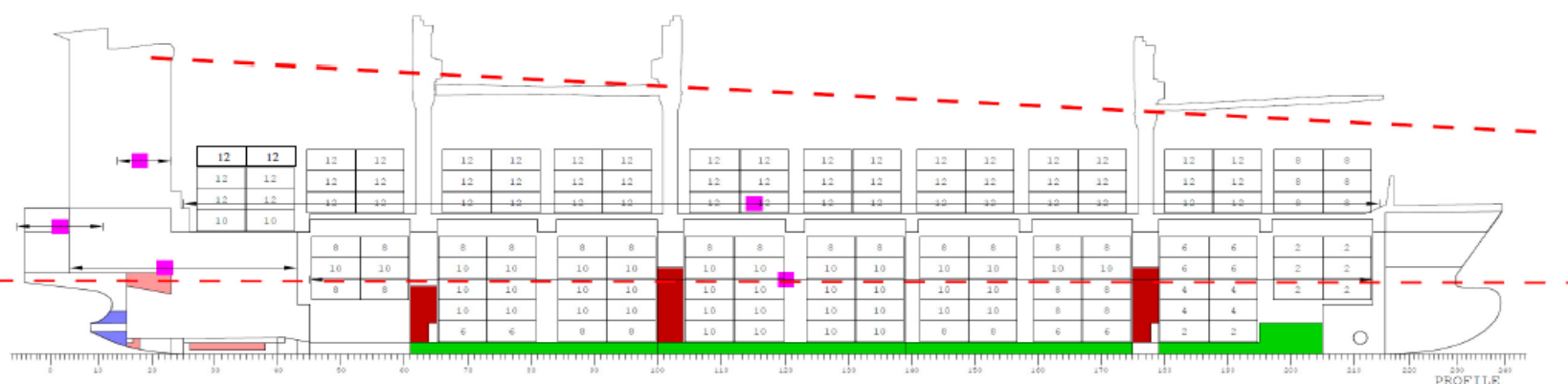
Reefer container capacity for first 4 vessels:

In hold (5 tiers):	310 HC FEU
On deck (3/4 tiers):	350 HC FEU
Total:	660 HC FEU

Reefer container capacity for following 2 vessels + 6 options:

In hold (5 tiers):	310 HC FEU
On deck (3/4 tiers):	400 HC FEU
Total:	710 HC FEU

Note: 26t; VCG45%



Seatrade:

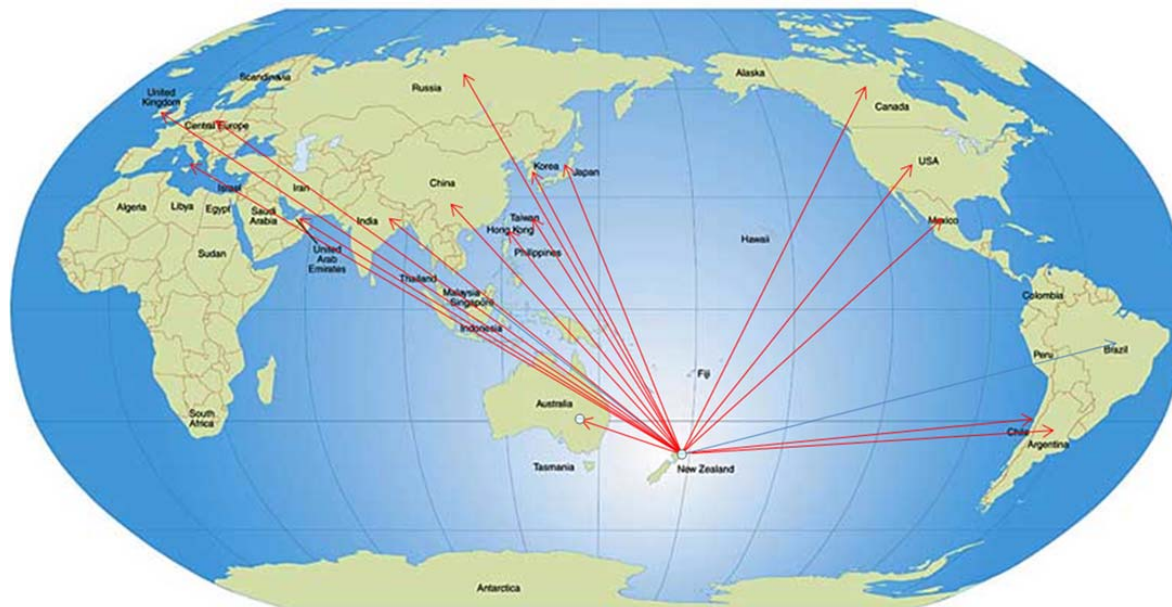
NZ – Europe Liner service

- Niche service
- Focussed on reefer
- FDD
- 30 day transit - Tauranga to Europe
- 10 day frequency
- Direct to fruit terminal
- ECNA call
- High customer service levels
- Services French Polynesia southbound



Liner Containers to ROW

- Important and growing part of our business -11,000 FEU in 2016
- Opens up multiple markets – 60+
- Easy to service smaller markets
- Driven by dry cargo



Our KPI's for Carriers

- Fast transit times – FDD wherever possible
- Schedule integrity!
- Committed capacity **and** equipment
- Excellent temperature control/outturns
- First class service in both load and discharge port
- Communication
- Competitive freight rates

= **Long term partnership**

Container services

- Excellent direct services ex POT to North Asia and NAM
 - Fast transits
 - Secure capacity
 - Minimal delays
 - = **Logical choice**
- Relay services to ROW
 - SE Asian ports
 - Good connections to multiple destinations
 - **Longer transits**
 - **More risk of delays**



Container Concerns

- Impact of mega Alliances -3M, Ocean, The Alliance etc on NZ shippers, ie NYK?
- Mergers and take overs – reduced choice of carriers
 - CMA CGM buys APL
 - Hapag Lloyd merges with UASC
 - China Shipping merges with COSCO
 - Three Japanese Lines to merge
 - Maersk buys Hamburg Sud
- Increased scrapping
- Slow steaming



Container Concerns cont.

- Risk of delays at transshipment ports
- Ships getting bigger faster than ports can increase infrastructure



Drewry on port congestion – certain regions at greater risk

Container Shipping Management

- Planning
- Contract capacity: rates, plugs per week by service
- Forecast:
 - Full year
 - Rolling six week
 - Firmed up weekly
- Work with Lines that do **reefer** well
- Good communications
- Have a **risk mitigation plan**



Carrier Partnership

Long Term Agreements

- Seatrade
 - FCC
 - Cool Carriers
 - Hamburg Sud
-
- Carriers gets certainty of cargo
 - Zespri gets certainty of capacity
 - Work together for mutual benefit, i.e. get the right ships, use them efficiently, dedicated container yards etc.

Port Partnership

Port of Tauranga/Zespri/TKL

- 10 year contract
- Allows long term approach to kiwifruit industry infrastructure requirements
- Ensure that wharf side infrastructure can cope with rising kiwifruit volumes
- New buffer Coolstore being constructed
- Sufficient reefer plugs in place
- Enhanced logistics on-wharf, i.e. dedicated truck exchange
- Issue resolution with Cruise ship encroachment into kiwifruit season



THE END



Presentation to PECC Seminar

December 5th, 2016

Mike Knowles

Chairman

New Zealand Shippers' Council





New Zealand Shippers' Council

- Incorporated in 1983 during waterfront reform
- Full membership stands at 19
- Affiliate membership stands at 21
- Collectively members move over 66% of NZ containerised exports and a significant amount of bulk exports, imports and domestic volume
- The Council's objectives are to;
 - be the pre-eminent group in supply chain thinking particularly relating to cargo handling and movement, commerce and legislation
 - advance and protect member interests
 - be a major driver in supply chain and logistics training policy





Full Members

 ZESPRI Group Limited	 OJI Fibre Solutions	 Fonterra
 Meat Industry Association	 Ballance Agrinutrients	 New Zealand Steel
 Norske Skog	 Pan Pac Forest Products	 WPI Ltd
 ENZA	 Rayonier	 Asaleo Care
 Scales Corporation	 Dominion Salt	 Westland Milk Products
 Pipifruit New Zealand	 Synlait Milk	 Open Country Dairy
 Mirika		



Three Classes of Membership

■ Members

- Cargo owners or their:
 - industry associations
 - wholly owned logistics operations
- Shipping in excess of 75,000 revenue tonnes or earn \$100 million revenue per annum from import or export activities
- Full members have full voting rights and set the direction of the Council

■ Associate Members

- Cargo owners who ship less than 75,000 revenue tonnes or earn less than \$100 million revenue per annum from import or export activities
- No voting rights but can attend and participate in Council meetings
- Benefits of associate membership:
 - Advocacy
 - Information and advice
 - Shared learnings
 - Access to external stakeholders
 - Participation in projects





Membership Continued

■ Affiliate Members

- Stakeholders with interests closely aligned to those of members including:
 - Logistics management, services and infrastructure providers
 - Government agencies
- Do not have any voting rights or set the direction of the Council
- Benefits of affiliate membership
 - Advocacy
 - Information and advice
 - Shared learnings
 - Access to external stakeholders
 - Participation in projects
 - Able to attend meetings by invitation





Focus on supply Chain issues

- Huge focus in recent years on VGM
- Misdeclared container weights had been an ongoing problem
- Misdeclared weights have an impact on the health and safety of crew and stevedores



VGM Background Cont.

- Misdeclared container weights have also been seen as a possible cause in ship catastrophes





NZSC AGM 2013 – Port of Napier

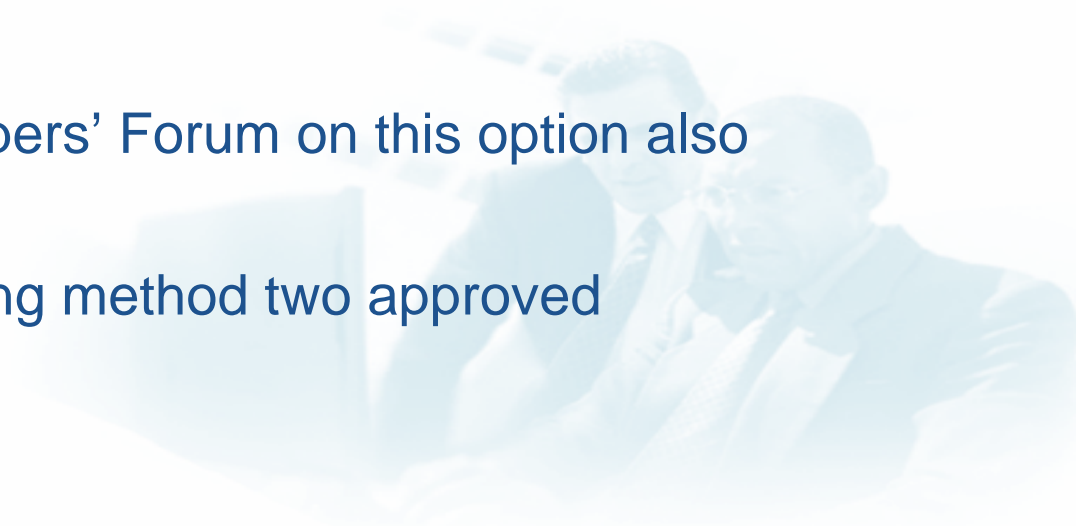
- MNZ gave update to NZSC on proposed SOLAS requirement for shipper to provide a verified weight
- Initial proposal from Netherlands and Denmark was that all containers would need to be physically weighed
- Much discussion about the impact this would have on NZ shippers!





Collective Effort

- NZSC undertook to support MNZ in getting a second option for shippers, based on calculation method approved
- Worked closely with MNZ since then
- NZSC worked closely with Global Shippers' Forum on this option also
- Collective effort was successful in getting method two approved





Benefit

- Benefit of having method two approved, while significant to NZSC members, also benefitted all NZ shippers
- What would be the extra cost to have your container weighed: \$100, \$200 ...on every container?
- Implementation in NZ went extremely smoothly



Focus on future issues for Shippers

- Climate change – introduction of low sulphur fuel for all ships in 2020
 - What will the impact of this be for NZ shippers?
 - Working closely with MOT on this.
- Industry consolidation, what will the impact of this be on NZ shippers?
 - What will the impact of Maersk buying Hamburg Sud be on NZ shippers?
 - Global impact of this small, local impact high
- Formation of mega Alliances
 - What will the impact of these be on NZ shippers?
- Supply Chain resilience
 - Natural disasters impact on ports/road/rail
 - Lyttelton Port
 - Centreport



