Forest industry firing up for resumption

Warren Head

The talks are about to come off the forest industry as the country counts down to a lower level under the COVID-19 State of Emergency and the log trade from regional ports resumes. The export forestry sector was deemed to be a non-essential industry when the Government imposed the Level 4 lockdown on March 26.

The Forest Owners Association says its members and the supply chain are gearing up to meet the challenge of getting back to work on Tuesday April 28, working within the health and safety provisions of Alert Level-3.

Phil Taylor, the president of the New Zealand Forest Owners’ Association, told Shipping Gazette™ the industry “has been champing at the bit to get going”.

“There’s hope now that the supply chain can move quite quickly. A lot of hard work has been done in preparation for a return to harvesting and when it is moving the New Zealand supply chain is amazingly efficient.”

The process will begin with the careful return of forestry crews, and from there mainly through the trucking supply chain to multiple ports.

The following parts of the forest supply chain can start moving again:

• Forestry management, including aerial spraying, weed and pest management.
• Nursery operations, planting, and seed collection.
• Log harvesting and haulage. Log sales.
• Wood products processing. However, MPI advised that businesses wanting to operate in Level-3 will have to develop site-specific procedures and processes to work safely to prevent the spread of COVID-19.

Mr Taylor, says his organisation supported the Level-4 restrictions. But now is the time to get back to work. “Right from the outset we have been focussed on the safety of our workforce. “We’ve moved on from one month ago. Since then, there has been a collaborative process to develop protocols for operations right through the supply chain,” he has said in an FOA release. “They are at least as robust as those which have been used in the food packing and processing industry, and as far as I am aware completely successfully.”

The New Zealand timber processing industry has a whole month of virtually no production which it needs to catch up on.

Mr Taylor told Shipping Gazette™ “even prior to the New Zealand lockdown, the industry was impacted by China being in its own lockdown — for the forestry sector there has been a 60-day space that saw severe reduction (in export sales).

“For our log export trade, we felt the impact of COVID-19 back in February with the shutdown in China and our logs sat on the wharves on the Chinese coast when their sawmills stopped working. In March and April, the number of export log shipments will be half the number of last year.”

“Overall, most of our harvest and logistics labour force has been in lockdown for two months, not just one. We have a lot of catching up to do.”

The sector has had a rising tide of wood in recent year, with the March 2019 year producing another record harvest at 37 million m³ with owners of smaller forests harvesting 40% of the total harvest. In the June 2019 year, the export value of $6.93 billion from forestry included $3.85 billion of logs.

“Most of the timber processed in New Zealand is for export and that sector has taken a hit over the past month of lockdown,” said Mr Taylor.

MPI data included in NZ FOA’s latest trade profile shows the $3.85 billion log trade forecast to fall to

To page 7

Bulk cargo disruption for Napier

For most of the first half of the 2020 financial year, Napier Port has continued to benefit from strong export trades from Hawke’s Bay and the wider region.

“However, as we signalled at the end of March, several key trades including logs, wood pulp and timber, are being disrupted by the COVID-19 pandemic,” said chief executive Todd Dawson in a trade update.

“Due to the COVID-19 situation, we are expecting trade volumes in the second half of the current year to be lower, although the extent of the reduction remains uncertain.”

The forestry sector is preparing for a resumption of production from next week (See above story).

“As an essential service provider in Hawke’s Bay, we are focused on ensuring we play our role in minimising the impact of the pandemic on the region and the wider economy by ensuring the flow of essential cargo across our wharves.”

The diversity of the port’s cargo mix is evident in the trade volume data for the March half-year. Last week, Shipping Gazette™ reported, in a late-breaking item, that bulk cargos fell compared to the same half-year period a year ago with a decrease in log exports arising from COVID-19 pandemic disruptions and the adverse Chinese market conditions.

However, Napier Port also recorded growth in container traffic as empty containers were brought into Hawke’s Bay for the peak of the primary export season. Import containers rose by 6000 TEU, or 9.3%, to 69,000 TEU due to the earlier import repositioning of empty containers into the region.

“Containerised export volumes in the port saw increased containerisation of pulp and timber products, a later start for the apple export season, and lower canned food and other food and beverage exports.”

Total container volumes rose 7.5% to 135,000 TEU from 126,000 TEU in the same half-year period a year ago. Containerised exports matched the prior period.

Container vessel calls fell to 147 ships from 151 ships in the March quarter last year. Missed calls, due to COVID-19 related shipping service disruptions, accounted for the decline.

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Mr Dawson said, “Bulk cargo total volume of 1.6 million tonnes was 7.3% below the same half-year period a year ago.”

“Log export volumes were down 5.0% as the main export market of China was affected by COVID-19 disruptions and high imported tariffs. The log export decline, relative to the prior year, arose late in the first half-year period.”

“Charter vessel calls were 153 compared to 167 in the same half-year period a year ago. Bulk imports were lower than the same period a year ago due to lower fertiliser volumes, which was in line with expectations.”

To page 4

Ferries have crucial role during crisis

The Interislander ferries continue to play a crucial role in New Zealand’s response to COVID-19, moving hundreds of essential workers between the North and South Islands in the past fortnight, KiwiRail Group chief executive Greg Miller said.

Around 650 essential transport, medical and export industry workers have travelled on the Interislander since March 30. Many of the essential workers travelling are truck drivers moving freight between the two islands, along with doctors, nurses and other medical staff, some relocating to take up short-term work.

To page 2
Movement in ferry
terminal upgrades

Iain MacIntyre

An interactive online platform has been introduced to continue public consultation on the Picton Ferry Precinct Redevelopment project during lockdown, while Kaiwharawhara has been confirmed as the location for a new multi-user ferry terminal at CentrePort Wellington.

A collaboration between KiwiRail, the Marlborough District Council, the New Zealand Transport Agency (NZTA) and Port Marlborough, the Picton project was initiated last year following the national rail operator’s decision to significantly upgrade its ferry fleet from 2024.

Following an open day hosted by the project team in Picton during December, two further events had been planned for both Picton and Blenheim before consultation was due to conclude on April 19.

However, a statement on the project’s Website has advised that in light of COVID-19 containment measures, those further open days have now been “canceled and are unlikely to be rescheduled”.

“We are extending the engagement period so that you can use the avenues outlined below to have your say,” it stated.

“We will continue to monitor the situation before deciding on a new closing date but our aim is to ensure as many people as possible have time to properly respond.”

As well as including to mail brochures and feedback forms before the end of the month, and inviting E-mail and phone call enquiries, the project team is directing interested parties to its Social Point engagement platform as “the best way” to provide feedback.

“You can access it from a computer, smart phone or tablet. The online platform allows you to comment on any part of the project, to see what others are saying and engage with the project team with questions and ideas.”

KiwiRail’s plans to replace its ageing three-ferry fleet with two sisterships – which will be 40 metres longer than the Kaitaki at 229 metres and have capacity for an additional 45% passengers and freight – pose significant implications for the terminal and other facilities.

This is expected to include:
- Construction of a new, potentially three-storey-high, Interislander terminal building containing state-of-the-art facilities.
- Building of a new 280-metre wharf (existing wharf lengths being 160 metres and 186 metres).
- Construction of a seawall and new slip-ways.
- Significant other rail corridor, road, and land transport implications.

Kaiwharawhara call

Meanwhile, joint CentrePort shareholders – the Greater Wellington Regional Council and Horizons Regional Council – recently confirmed a new multi-user ferry terminal is to be built at Kaiwharawhara.

A project group representing the two regional councils and port alongside StraitNZ, KiwiRail, the Wellington City Council and the NZTA had also considered the viability of Kings Wharf, Aotea

Panama Canal monitoring impacts of pandemic

The Panama Canal Authority is closely monitoring the global impact that COVID-19 will have on its maritime activities in the coming months.

“Despite the challenges facing the industry today, our numbers demonstrate that world trade is still moving, and the Panama Canal is still playing its part to help ensure the continuity of global supply chains,” said Panama Canal Administrator Ricardo Vásquez Morales.

“We are committed to playing our part to help ensure the continuity of global supply chains, and our staff are working hard and taking all necessary precautions to ensure that the Panama Canal remains operational and continues to support the global economy,” said Vásquez Morales.

The Panama Canal Authority has also introduced a booking and information system for its ferries, which will allow passengers to reserve their travel plans in advance.

The first half of 2020 saw a decrease of 25.4 million Panama Canal tons (PC/UMS) in traffic, down 6.2% from the previous year. The total number of transits during the first half of 2020 was 256,438, down 28.3% from the previous year.

The Panama Canal has also increased the number of its on-site staff to ensure the safety of passengers and crew. The canal has also introduced new protocols for the handling of COVID-19, including regular testing for all employees.

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More debate needed on ferry terminal choice

Last year this column summarised the immensely-important and complex planning exercise under way in Wellington that will lead to a restructuring of the interisland ferry terminal network and the related rail links that feed into it.

The outcome of this planning exercise was thought at that time to probably be a multi-user ferry terminal (MIUT) for Cook Strait ferries by 2028, catering to both the Interislander and StranNZ Bluebridge. The probability being that it would be situated at Kāiwharawhara, basically the site now occupied by the Interislander but extended to the north to allow the building of another wharf and marshalling area for the Bluebridge vessels.

However, there was a significant impediment that I perceived in order to get this over the line, namely the number of organisations that had to agree on the chosen site.

The media release issued to the KiwiRail Group chief executive Lamason, announcing the decision.

GWRC’s Holding Company, Prue very same customers, but this discord against the wishes of its major choice.

were indeed in agreement on this terminal site read as if all parties being proposed for them.

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containers and logs which feed the terminals.

(plus rail freight in the case of road freight, vehicles and passengers which operate the ferry services for the minority shareholder; CentrePort on deals done with KiwiRail to feed those cargoes into the port from current container terminal land. It

log freight in the case of Interislander which operate the ferry services for

environmental management and majority shareholder in CentrePort; Horizons Regional Council as minority shareholder; CentrePort itself; Bluebridge and Interislander which operate the ferry services for road freight, vehicles and passengers (plus rail freight in the case of Interislander); and the NZ Transport Agency for the State Highway network and for linkages to the terminals.

To that add KiwiRail, which in addition to its Interislander subsidiary is the conduit for much of the container and logs which feed the port of Wellington.

My assumption was that all of these parties must be on board in order for the project to take flight, with Interislander being a particular happy with new terminal being proposed for them.

The media release issued to confirm Kāiwharawhara for the ferry terminal site read as if all parties were indeed in agreement on this choice.

I was therefore surprised to find that this isn’t the case. The decision has been made by Greater Wellington and Horizons Regional Councils against the wishes of its major customers, KiwiRail and Bluebridge.

It is odd to see a port and its major customers disagree over the development of facilities for those very same customers, but this discord became clear when media reported the comments of GWRC chair Daran Punter, Horizons chair Rachel Keedwell and the chair of the GWRC’s Holding Company, Prue Lamason, announcing the decision.

Also reported were the reservations of KiwiRail Group chief executive Greg Miller, that the site straddles the Wellington Faultline rupture zone.

Developing the terminal on a site which is seismically unsuitable “... appears to run counter to the Government Policy Statement on Land Transport requiring nationally-important land transport connections to be of the highest quality, safety and resilience.

"Progressing with the Kāiwharawhara site while those issues remain unresolved would also not be consistent with the general direction from councils around New Zealand to avoid seismic risk where possible,” he said.

Not a lot in it, at first glance, to suggest pushing hard for Kāiwharawhara if it would create friction with your major customers.

Note that these comparisons were between Kāiwharawhara and Kings Wharf – an earlier possibility at the southern end of the container terminal didn’t get to the final stage of comparison.

Comments by Mr Porter that Kāiwharawhara “best suits the ongoing operations of CentrePort” and that “all other location options significantly impact on CentrePort’s short- and long-term port business” are perhaps the key.

It appears that the two shareholders believe the port’s current business operation needs to be preserved, with log traffic moving through the area alongside Aotea and Waterloo Quays and the container terminal operating alongside. Cruise ships and car carriers are accommodated adjacent Aotea Quay as well as the cement operation.

The shareholders appear not to want this layout disturbed.

However, a fair question to ask is how these business streams rank against the value of the ferry businesses?

From the container perspective, CentrePort’s volumes grew 11% in FY19, to 93,846 TEUs. This puts the transport network benefits were costed at offering three times the benefit of the Kings Wharf option.

However, reviewing the full business case document issued by GWRC last year, there are plenty of arguments for and against any site. In the case of Kāiwharawhara, the document records it is located on the Wellington Fault, that the overhanging SH1 Thorndon Overbridge is particularly vulnerable and that there is liquefaction risk.

The areas of comparison between Kāiwharawhara and Kings Wharf on the bases of earthquake resilience, transport connectivity, passenger experience and economic impacts were shown as very similar overall and even the barge capex costs are close (Kāiwharawhara between $390-$730 million and Kings Wharf slightly cheaper at between $380-$500 million).

It is hard, therefore, to see the Kāiwharawhara option progressing if the two largest customers, who are expected to work in the new terminal, are unhappy with the choice.

My feeling is that despite the decisions of the GWRC and Horizons, we will hear a lot more about this debate before a definite pathway forward is chosen.

Dave MacIntyre can be contacted at d.macintyre@xtra.co.nz

By: Dave MacIntyre
Southern ports share dredge

Iain MacIntyre

Trailer-suction dredge Albatros has stranded annual maintenance dredging of PrimePort Timaru’s main channel around a “catch up” programme of South Port’s berth pockets and swinging basin.

Following what was understood to be about a week’s work at PrimePort, the Dutch Dredging-owned dredge arrived at Bluff on April 13 for a ten-day operation, advised South Port infrastructure manager Frank O’Boyle.

“The annual dredging at South Port is undertaken by South Port’s own plant,” Mr O’Boyle told the Shipping Gazette.

“However, on occasion more substantial dredging is required. This ‘catch-up’ dredging tends to occur every 12 to 15 years.

“At this is a maintenance campaign and not a capital campaign, no additional depth is achieved. It is merely getting water depths back to where they should be. The vessel draught at South Port remains at 9.7 metres.”

Mr O’Boyle said the 40,000 cubic metres of spoil generated was deposited at a disposal site offshore to the south of Tiwai Peninsula and east of the harbour entrance, about 3.5 kilometres east of Island Harbour.

“This site has been used for the disposal of dredging spoil since 1933 and since 1979 the site has been the sole dredge spoil disposal location.”

PrimePort Timaru marine manager Grant Bicknell confirmed the Albatros then returned to his port to complete maintenance dredging to ensure its channel is kept at a depth of 10.8 metres.

“It will be here for another two or three weeks, just depending on where we put it to work,” he told the Shipping Gazette.

“Some material is easy to dredge and some is a lot harder to dredge, just due to the nature of the vessel manoeuvring.

“Bicknell said infill was naturally deposited in PrimePort’s channel through regular coastal drift, with large storms individually having the potential to deposit between 15,000-80,000 cubic metres.

“We dredge about 160,000 cubic metres per year.”

Mr Bicknell said PrimePort deposited the dredged material at two spoil location grounds off nearby Washdyke Lagoon.

“Basically, that material gets dumped in that consented zone with the idea that it washes back up and follows its natural path up the coast.”

Netherlands-based Dutch Dredging is contracted to conduct dredging operations for PrimePort and four other New Zealand ports – the Port of Tauranga, Napier Port, Port Taranaki and Lyttelton Port Company.

PrimePort last engaged the dredge to remove about 80,000 cubic metres of storm infill in September last year. Mr Bicknell is expecting it to return to his port again in ten to 15 months “depending on time slots”.

Port Taranaki appoints GM

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During his time at Ballance, Mr Maxwell undertook a variety of roles covering delivery of strategic and operational outcomes. He has significant experience in a range of technical competencies, including oversight of engineering, maintenance, HSE, quality systems and projects.

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“The business will be hard hit by the lock-down given its exposure to non-essential services including forestry. However, customer operational pressures will ease as New Zealand heads into Alert Level 3, though not fully given the impending recession both domestically and offshore will have consequences for demand of both imports and exports.

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SCHEDULE DATE: 24 APRIL 2020

NZ, NEW CALEDONIA, AUSTRALIA, PNG, SOLOMON ISLANDS

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Remarks -

* Centralisation from other NZ centres is available on request.

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Email: customerservice@sofrana-ani.com

NZ, TONGA, SAMOA, AMERICAN SAMOA

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Northport receives major rail shipment

Iain MacIntyre

A 4308-piece consignment of heavy-weight rail has this month been delivered at Northport by the 13,110-GT general cargo vessel Thorco Liva, ahead of utilisation in a major Northland rail upgrade.

Having uplifted the 5407-tonne consignment in Fangecheng Port (Western China), the 131.66-metre vessel drew alongside the port on the morning of April 7 and completed its unloading on April 11, advised Northport commercial manager David Finchett.

“Operations were conducted in strict accordance with Ministry of Health guidelines and Northport facility rules for Alert Level 4 operations,” he told the Shipping Gazette. Mr Finchett confirmed this was the first such consignment received by his port, which is currently storing the rail pending KiwiRail’s return to the upgrade as lockdown restrictions rescind.

“With over ten hectares of space currently available inside the port, Northport is ideally suited for project cargoes such as this. “All went very smoothly, helped by specialist KiwiRail equipment that allowed our toplifters to lift eight rails at a time. The KiwiRail team are great to work with and we appreciated their flexibility in these unprecedented times.”

KiwiRail chief executive Greg Miller described Northport as having done an “outstanding job” to unload the rail via smaller teams under social distancing requirements, “which both Northport and KiwiRail take extremely seriously given the current distancing requirements, “which both Northport and KiwiRail take extremely seriously given the current pandemic.”

Almost $205 million has been allocated from the Provincial Growth Fund to upgrade the rail line between Auckland and Whangarei, including Provincial Growth Fund to upgrade the rail line between Auckland and Whangarei, including

Kiwirail is taking advantage of lower commuter numbers on the Auckland network, with a significant track maintenance programme underway on the Eastern line.

The change in commuter patterns due to COVID-19 has given KiwiRail the chance to lay more than four kilometres of new rail on the heavily used line, says chief operating officer Todd Moyle.

“We are able to use this time to carry out a great deal of work in a short timeframe. Normally this work would need to be completed during weekends across several months.

“We worked closely with Auckland Transport to arrange for this work to be done now so there will be a more reliable network for commuters once COVID-19 levels fall and businesses reopen. “From April 18 through to Monday April 27 our teams are working on the Eastern line to get the track in optimum condition, including replacing sections of worn rail between Glen Innes and Sylvia Park.”

“The Eastern line is important for both the city’s commuters and Ports of Auckland’s rail freight which heads out to the rest of the country along this route.

“We’ve been able to master safe working practices for the team on the ground, who are specialised at this kind of work which corrects ongoing wear and tear to the track.”

“Our teams continue to work from home to co-ordinate this massive project and finalise design details. Having the materials, like the new rail, is crucial for delivering this upgrade for the region.”

“A portion of the newly-arrived rail will also be used for other essential track replacement work in the North Island.

New Zealand to Fiji

Fiji to New Zealand

New Zealand to Honiara & Nauru***

Essential maintenance during lockdown

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New Zealand to Fiji

New Zealand to Honiara & Nauru***
**Forest industry firing up for resumption**

From page 1

$2.79 billion in the June 2020 year, before rising to $3.3 billion in 2021. Even this plunge of $1.06 billion will have been at risk in an extended lockdown. Mr Taylor says some processors have already started producing for essential industries, such as making pallets for fruit exporters. But there will be thousands of work sites around New Zealand which are anxious for new timber supplies and construction workers keen to get back on the job and earning incomes as soon as they can.

"The first step is for the various parts of the industry to work out their compliance with the protocols at company and individual level. We are seeing clarification from the Government as to what work setting up and preparing for full production are we able to do over the next week. For instance, there’s about $40 million worth of logs around the country which are becoming marginal for timber production. We need to transport these to processors or ports pretty much immediately."**

**PORT INVENTORIES**

Asked for an assessment of the log inventory position in New Zealand ports as the forestry sector returns to harvesting Mr Taylor said “there is a significant volume in ports of the order of 200-250,000 cubic metres, which is roughly the equivalent of the carrying capacity of eight to ten make-bulk ships. What will be now soon be needed is vacant space at port log-yards and available from where production resumes. Ships that were in the process of being loaded when New Zealand’s Level 4 shutdown was announced were able to continue to onshore logs, but remaining logs were not able to be loaded. Last week, the Government gave approval for loading to ships with log marshalling and stevedoring. There are 13 New Zealand ports involved in the log trade. Some of the ports have cleared log areas, notably Northport, Tauranga, Lyttelton and Port Chalmers. Port of Tauranga is understood to have exported all of the log inventory on the port at the time of lockdown. There are log ships on the schedule from the middle of next week and the port is checking with key customers on the timing of new deliveries. At Port Otago, CEO Kevin Winders advised, “Port Chalmers and Dunedin bulk port yard were emptied via customers shipping the product a couple of weeks ago. “We expect to see logging operations to start up in our region Tuesday, so logging trucks should be coming to port Wednesday onwards.” At Lyttelton Port Company, commercial manager Simon Munt advised, “LPC’s log yards were mostly cleared by an export vessel that left just prior to lockdown commencing. We expect the yards to begin to refill once Alert Level 3 comes into place next Tuesday, with export shipments resuming once the stockpile has built up again.”

**CHINA IS KEY**

China is by far the major importer of all forestry products from New Zealand, followed by Australia, Korea and Japan. There are around 20 Chinese ports, with the mainstream log trade focussed on the centralised Yangtze River basin ports. Just over a year ago when a backlog began at Chinese ports AgriHQ reported prices for A-grade logs, the benchmark grade, had fallen sharply to $105 per JASm3 (Japanese Agricultural Standard cubic metre), down from $125 JASm3 in December 2018.

In February, Susan Kilsby, agri-economist at ANZ commented that market prices for export logs stabilised in late 2019 after regaining about half the loss that occurred in the middle of the year. In-market pricing in China was about 10% lower than it was a year ago, but another fall in prices was anticipated as the COVID-19 lockdown began in China.

The FOA was concerned precautions in China against coronavirus had resulted in almost no off-loading of logs in China for processing. Chinese ports have recently resumed operations. Ms Kilsby notes in ANZ’s April Agri-Focus, “Now that work is resuming in China, demand for logs is picking up again. The improved demand combined with reduced supply will allow stocks to be worked through and is expected to be supportive of prices.”

Mr Taylor notes indications “inventories of logs are now reducing quite quickly at Chinese ports but there will be some concerns around supply and we can assume delays in clearances from their wharves and some isolated ports may have high inventories.”

The trade will require careful rebuilding after the recent severance in the supply chain, with Chinese customers jolted by New Zealand’s disconnection of 40% of China’s annual softwood supply.

The quality of New Zealand Radiata pine timber will assist the resumption and also helping the re-entry is China itself undergoing a huge post-COVID economic stimulus largely in infrastructure. “We’re reasonably optimistic,” said Mr Taylor. He notes that prices are up significantly “though how high and for how long is uncertain.”

Prices for some grades of logs have lifted slightly in the past month, primarily due to improvement in the China market, says Ms Kilsby. “There is some risk that New Zealand will lose market share in China to our competitors during the shutdown period, but supply from many other regions is constrained as well. Felling of timber in Europe has also largely ceased due to their own challenges with COVID-19.”

Record-warm temperature in Russia this winter has made it difficult to move logs, which is restricting exports, says Ms Kilsby. “The industry relies on ice roads in some regions, while in other regions permanent roads and bridges are collapsing due to the widespread melting of permafrost. The land border between Russia and China was closed due to the COVID-19 outbreak in early 2020, which restricted movement of people between the countries and ongoing closures are expected.”

**Vege harvest ‘exceptional’**

Wattie’s completed its 24/7 pea and bean harvesting and processing season last Friday under conditions not previously experienced in its 50 year history of operating in Hornby, Christchurch, due to the restrictions imposed by COVID-19 protocols.

Like every other business operating essential services, Wattie’s field and factory staff based in Christchurch had to adapt quickly to the strict protocols required. Graham Broom, Wattie’s site manager said, even producing lockdowns were such significant disruptions for the factory.

"During harvest we also had to adapt to new ways of communicating with farmers and working in the field to ensure social distancing and traceability of contact was adhered to. "We are immensely proud of the way in which our teams worked to find ways of working to meet the requirements of MPI in order to mitigate the identified COVID risks, without dropping production.”

Graham also said the challenges extended beyond the fields and processing operations to the reduced availability and movement of containers for delivering processed and finished product to customers.
Linfox reacts to increased grocery

Iain MacIntyre

Linfox Logistics is proactively managing its New Zealand, Australian and Asian operations — including redeploying its workforce as necessary — as it services increased demand for grocery products delivery during COVID-19 containment measures.

Close liaison with government agencies, Police and emergency services as well as industry associations has ensured supply chains continue to operate unhindered, explained Linfox Logistics Australia and New Zealand chief executive Mark Mazurek.

“It is critically important that Linfox’s warehousing, road and rail networks continue to function safely and efficiently and that we can work collaboratively to deploy our people into new roles,” he said.

“We’ve also opened several pop-up distribution centres to address customer challenges and ensure our operations and people function efficiently during these unprecedented times.”

Mr Mazurek said Linfox Logistics had created a range of new roles, from operations managers to pickers and drivers.

“It’s ‘all hands-on deck’ in our busiest operations and we are focusing on seconding talent and fleet from parts of the business that are experiencing downturns.

“We thank employees for their flexibility as we create ways to keep them in jobs.

“Linfox Logistics has also recruited and inducted new team members into our Australian business to ensure continuity of service while the demand is there.

“The Fox family group of companies have a long history of stepping up and inducted new team members through the Healthy Fox programme. Although having seen increased demand for grocery products delivery, Linfox Logistics has experienced sharp declines in fuel and industrial operations as well as a drop in BevChain keg deliveries due to the closure of hotels and hospitality venues.

The Fox Group has experienced significant reductions in activity in its distribution centres to address customer challenges and ensure our operations and people function efficiently during these unprecedented times.”

Mr Mazurek added that the business was “actively reminding” staff of the free counselling support services available for them and family members through the Healthy Fox programme.

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The Fox Group has experienced significant reductions in activity in its distribution centres to address customer challenges and ensure our operations and people function efficiently during these unprecedented times.”

More freight will be able to move and more businesses get back to work with the Government’s announced move to Alert Level 3 on April 28, said Road Transport Forum (RTF) chief executive Nick Leggett.

He was disappointed businesses have to wait another week to get going, “It isn’t just ‘two business days’, as many businesses in New Zealand operate seven days.

“There is also not much clarity on the Level 3 process for business planning, as the announcement only refers to a two-week period before review by Cabinet on May 11. What happens then? Business preparation is important, particularly around receipt of goods for businesses to be able to open and managing staff numbers.

“Like many businesses, particularly the small and medium sized businesses, road freight transport has suffered under the Alert Level 4 lockdown. Some of those businesses may not recover, and unfortunately, that will mean hardship for the business owners and the workers they will have to let go. The longer the lockdown, the more businesses that will fold and the more people that will be left unemployed.

“While there are still considerable restrictions under Level 3, and we urge all road freight transport operators to be mindful of those, this change means forestry, wood processors, construction, manufacturers, contactless retail and home removal companies can mostly get back to work, which will mean a lot of freight moving.

“Unfortunately, forestry, wood processing and manufacturing have all suffered from not being able to export their goods, with other countries, with there were not such restrictions, swooping in and taking their markets.

“Hopefully those industries can get back up and running quickly, and continue to prove the superior of New Zealand products in our export markets. We are going to need healthy exports across the board to help our economy recover.

“The lockdown experience has shown how absolutely essential road freight transport is. It has also shown how complex the logistics of moving freight around New Zealand and the world are.

“Disrupting just one link in the chain can have massive flow on effects and lots of negative unintended consequences. For this reason, we believe no matter what the emergency situation is, road freight transport should be allowed to get through.

“Operating in the Covid-19 world requires some significant changes to the way businesses operate, and for that reason, we have issued guidance, including protocols, for road freight transport businesses to operate under Level 3 and beyond.”

New CFO at Freightways

Freightways has appointed Stephan Deschamps as chief financial officer and Company Secretary, replacing Mark Royle.

He will be based in Auckland alongside the Freightways senior leadership team and brings significant financial and commercial experience to the CFO role having worked previously at both Fonterra and Air New Zealand (where he was acting-CFO for a period of time). Mark Royle will continue on a three-day per week basis during the transition.

Alert level change frees up freight

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New Zealand renewable energy company Infratec and sister-company NETcon have signed another multi-million dollar contract to deliver solar projects in Tonga.

The JV partners will deliver on-grid solar power plants and battery storage systems on the islands of ‘Eua and Vava’u – significantly increasing access to renewable energy on the islands and reducing reliance of current diesel generation.

The NZ$7.5 million contract comes on the heels of a NZ$15 million contract for the JV partners to deliver solar power/battery storage power plants and distribution systems on five outer islands (O’ua, Tungua, Kotu, Mo’unga’one and Niuafo’ou).

Both projects are part of the Government of Tonga’s Renewable Energy Project, which has the goal of 50% renewable energy by the end of this year and 70% renewable energy by 2030.

Infratec chief executive Greg Visser said the projects will be significant infrastructure developments for Tonga and the wider Pacific.

“On ‘Eua and Vava’u, we will be designing and delivering the infrastructure to more than double the solar power currently on the islands. For ‘Eua, this translates to 28% of their energy needs, and 7% for Vava’u.

“On a technical level, these systems include the battery needed to deliver solar day and night, and for the first time run the islands off-diesel for periods of time.”

The goal of the Tonga Renewable Energy Project (TREP) is to increase access to safe, clean, reliable and affordable energy.

It will reduce Tonga’s vulnerability to increasing oil prices, reduce its carbon emissions, improve its resilience to climate change, and provide secure, sustainable and clean electricity for homes and businesses.

‘Eua and Vava’u have a combined population of around 19,000 people, with much of their income generated from tourism, agriculture and construction industries.

The project will get under way immediately, for completion mid-2021 assuming no longer term Covid-19 restrictions.

Infratec will commence initial site works (site clearing and survey) using local partners, while their design engineers will work remotely in New Zealand.

The project is administered by Tonga Power Ltd and the Asian Development Bank and funded by the Green Climate Fund, Asian Development Bank, Australian Department of Foreign Affairs and Trade and Tongan Government.
### OVERSEAS MOVEMENTS

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**Note:**
- Movements are provided in good faith with all possible care and attention given to its accuracy.
- Readers are reminded that the schedules of shipping lines and/or agents are contained in advertisements elsewhere in this publication. An index to these is on page 2.
- Overseas and Trans-Tasman and Pacific Islands movements are also available from the New Zealand Shipping Gazette.
INTERNATIONAL PORT TO PORT

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EAST COAST NORTH AMERICA

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TO CARIBBEAN (Central America/ W. Indies) and SOUTH AMERICA

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VITAL READING FOR IMPORTERS, EXPORTERS AND MANUFACTURERS

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April 25, 2020
World Shipping News

TRADES

Worldwide Trades

These are hectic times with the coronavirus spreading around the world. With countries in lock-down and travelling still reduced to a minimum, the situation for liner shipping is increasingly challenging. The below is a view from the center of the sector.

• MSC expands its Suspension of Transit programme, which offers its customers to temporarily store containers not yet located at their destination in a number of hub ports. The new hubs that can be used are Freeport (Bahamas), Giao Tauro, Klaipeda and San Palmas.

• CMA CGM has decided to offer a similar scheme, dubbed Delay of Transit programme. The French carrier offers to store cargoes destined for North Europe in Piraeus and Algeciras.

• The European Commission urges its member states to help fast-track crew changes and offer accommodation and transportation services to seafarers. The countries should also designate specific ports in convenient locations that permit crew changes.

• In contrast, China has imposed a 14-day quarantine for crews on vessels from thirteen countries, including the United States, France, Japan and Germany.

• Retailers reportedly have been cancelling orders and interception ships in Asia and storing merchandise there because of lower consumer demand in US and Europe. They are concerned that this slack demand could continue as far as in autumn.

East-West Trades

The Ocean Alliance (CMA CGM, COSCO/CSCL/OOL and Evergreen) has expanded its trans-Pacific (Far East–North America West Coast) April-May blank sailings programme, by cancelling fourteen more departures (including an outside alliance operation of COSCOCL and Wan Hai), despite carrying out two earlier cancelled sailings after all. Two rotations will, effective May, be revised:

• PRX/AAS2 - Fuzhou, Guangzhou (Nansha), Shenzhen (Yantian), Xiamen, Los Angeles and back to Fuzhou.

• SEA (outside alliance) - Laem Chabang, Hai Phong, Shanghai, Ningbo, Long beach, Oakland, Lianyungang and back to Shanghai.

Following low demand due to the coronavirus, 2M (Maersk and MSC) will cancel, from the end of April, five Transatlantic sailings of the TAA/NEUATL4 service. This operation is one of a set of four Transatlantic services offered by this alliance.

The Alliance of Hapag-Lloyd, HMM, ONE and Yang Ming has revealed the full rotation of its Far East (FE2) service, which will temporary merge with FE4. The itinerary will be: Rotterdam, Southampton, Le Havre, Hamburg, Rotterdam, Singapore, Busan, Shanghai, Ningbo, Shenzhen (Yantian), Singapore and back to Rotterdam.

The new Middle East–Far East–US West Coast trans-Pacific (TSA) service of Evergreen will actually replace Evergreen-operated trans-Pacific (PSW) and the Far East-Middle East MEA4 services.

These are offered in the framework of the Ocean Alliance (CMA CGM, COSCO/CSCL/OOL and Evergreen).

North America Trades

Evergreen will add its inter-Caribbean CAJ service to the US Gulf by adding Port Everglades, New Orleans and Houston, Alphaliner found out. For this purpose, the fleet will be expanded from a single 1600 TEU ship to three units of 2000 TEU average. The rotation will become: Port Everglades, New Orleans, Houston, Colón, Kingston, Port-au-Prince and back to Port Everglades.

As of April 2020, the number of direct services on the US East Coast/Gulf Coast–South America route stands at just four, unchanged for five years now. As average ship size grew by around 300 TEU to 6500 TEU, the overall annualised one-way trade capacity grew by 7% to 752,000 TEU. Three carriers dominate the trade: MSC, Hamburg Sud (Maersk Line) and Hapag-Lloyd, along a small contribution from ONL.

Operator/Alliance

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<tr>
<td>5</td>
<td>MSC</td>
<td>Hamburg Sud, ONE</td>
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</table>

Operating alliances/individual lines in full:

- Hamburg Sud (5 ships), Hapag-Lloyd (2)
- MSC: stand-alone
- Hapag-Lloyd (6 ships), MSC, ONE (1)
- Hamburg Sud (4), MSC (3)

The US East Coast–South America trade capacity has been quite stable since 2012, roughly ranging between 700,000 and 800,000 TEU. Average ship size over that period went up from 4000 TEU to 6500 TEU.

Far East Trades

T.S. Lines will charter slots on the 6x 5000 TEU average North Asia Australia Express (NAX), according to Alphaliner. This service is a joint operation of Evergreen, Hapag-Lloyd and HMM, and soon ONE, who will replace outgoing APL (CMA CGM) as a vessel provider. The itinerary is: Busan, Qingdao, Ningbo, Shanghai, Shenzhen (Yantian), Sydney, Melbourne, Brisbane and back to Busan.

Intra-East Asia

KMTC has presented its revised and expanded network of China-Korea services, some of which are operated together with Namsung Shipping and CK Line.

- NBP - Busan, Sendai, Hachinohe, Tomakomai, Akita, Ulsan, Busan, Kwangyang Dalian, Tianjin and back to Busan.
- NCS - Busan, Sakaiminato, Sakata, Ishikari, Tomakomai, Sendai, Busan, Ulsan, Kwangyang, Lianyungang and back to Busan.
- NCJ - Busan, Kanazawa, Niigata, Muroran, Tomakomai, Sendai, Busan, Ulsan, Kwangyang, Shanghai, Dalian and back to Busan.
- NCCS - Busan, Niigata, Kanazawa, Toyama, Busan, Shanghai, Huangpu and back to Busan.
- NTS - Busan, Shintoma, Sendai, Tomakomai, Ishikari, Sakata, Kanazawa, Sakaiminato, Toyama, Busan, Shanghai and back to Busan.
- NTP - Busan, Onahama, Sendai, Hachinone, Tomakomai, Sakata, Busan, Ulsan, Kwangyang, Shanghai, Ningbo and back to Busan.
- JES1 - Busan, Imari, Hiroshima, Takamatsu, Muroshima, Imabari and back to Busan.
- JES2 - Busan, Tokuyama, Tokushima, Fukuyma, Iyo, Mishima, Matsuyama and back to Busan.
- JES3 - Busan, Hiroshima, Imamura, Maizuru, Sakaiminato, Imari and back to Busan.
- JW1K - Busan, Nagasaki, Kumatomo, Yatsusuno, Hokkaido, Shanghai, Shisho and back to Busan.

APL-Cheng Lie (CMA CGM) has announced its new Laem Chabang Express (LCX), connecting Singapore with the named Thai port. It is expected the new link will be offered through different/alternative vessels.

Maersk’s SeaLand Asia will add the Indonesian port of Pangjag (South Sumatra) to the route of its intra-Asia

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ADDRESS

New Zealand Shipping Gazette     13

April 25, 2020

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We can store and export an animal product & a dairy product in our own RMP Warehouse.
In the US-South America trade, the biggest US import gateway is New York, handling 16% or 184,000 TEU of all full boxes, ahead of Philadelphia and Houston. The combination of Los Angeles and Long Beach is the first US West Coast port featuring in the Top-5.

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The Lynalyners Share Index Following the positive start to the quarter, the Lynalyners Shares Index maintained its upward trend, with its figure now at 896 points, this latter is approaching the average score of 863.

In the strongest words, PIL has denied that it runs the Saudi Global Ports, which involves PSA (49%), and the Saudi Ports Authority (Mawani) have signed a Build, Operate and Transfer (BOT) agreements for Terminals 1 and 2 in Dammam. The staved will see SAR 3.7 billion (US$1 billion) being spent on modernisation and expansion of the port’s container facilities to 7.5 million TEU. As container business will now come into the hand of a single operator, it means that Hutchison Ports will have to vacate its premises.

The New Zealand Shipping Gazette April 25, 2020
Return to work here relies on markets reopening there

Warren Head

Now that the world has awakened to the reality that events in far-flung places can have awful consequences for humanity, it is likely to alsowitch at the first sight of every new threat. It might be a good thing but will mean a bumpy ride for markets.

From fairy-tales to films, bad (and gory) things are often portrayed as coming in threes; so, when on top of the COVID-19 pandemic, two new events emerged, markets tumbled violently. The first ‘black swan’ was a collapse in oil prices, the second a risk scenario around a hypothetical power vacuum in North Korea.

The Houston Chronicle reports: “The price on the futures contract for West Texas crude that is due to expire on Tuesday fell into negative territory – minus $37.63 a barrel. That’s right, sellers were actually paying buyers to take the stuff off their hands.”

“The reason for the pandemic bringing the economy to a standstill, there is so much unused oil sloshing around that American energy companies have run out of room to store it. And if there’s no place to put the oil, no one wants a crude contract that is about to come due.”

The June Brent crude oil futures contract fell below $16 a barrel in London trading (a fall of around 20%), its lowest level since 1999. It has since more than recovered those losses and at time of this column was $20.70 per barrel.

The negative of lower oil prices is a financial hit for US producers, including those in the US; the upside might be greater for shipping lines that are facing a reduction in freight volumes and lower jet fuel costs for any airlines still left aloof. But that’s yet to become evident. Restricted cargo capacity has recently hanged up air cargo prices.

While the IMO’s new sulphur regulation means that ships can now no longer sail on fuel with more than 0.5% sulphur unless they have scrubbers installed. With high demand for heavy and sweet crude grades, those best suited for processing into low-sulphur fuel for ships prices of very-low sulphur fuel oil (VLSFO) skyrocketed from January before settling back and shipping lines have had to absorb the costs.

If the drop in oil prices translates to lowered cost of shipping, it will help exporters getting products to market.

Forestry resumption

More substantial for the near-term are the resumption of harvesting by the New Zealand forestry sector, and the re-opening of livestock and wool sales, under the change to Level 3 from April 28.

In the ANZ Bank’s latest Agri-Focus, economist Susan Kilsby comments that lower oil prices “will be particularly welcomed by sectors such as forestry that export large quantities of relatively low-value goods.”

Felling of trees ceased under Level 4 when forestry was deemed non-essential. Everyone understands how the tight Level 4 lockdown has helped to prevent a surge in virus cases. But forestry was hardly insignificant as an export earner. Even this year, after a forecast 16% drop in forestry exports the value will be close to $6 billion.

Ms Kilsby says the lockdown did allow markets to work through their abundant existing supplies, “which may be supportive of prices in the longer term.”

As a fall-out of the pandemic there will be a lot of rhetoric about diversifying our markets – and that is what trade agreements help do, which is why new FTAs now in place and yet to come (with the EU and UK) are vital. However, China is a massive market now slowly re-opening.

Ms Kilsby notes, “Like New Zealand China’s economy is also locked by being the driving partner.

“When global demand for products slows, China’s exports fallop and its economy suffers. The unemployment rates in China has surged to 6.2% in February with an additional 8 million out of work.”

China’s GDP is estimated to have contracted by 9.6% year-on-year in the first quarter of 2020.

“A partial resumption of work is expected to help Q2 numbers with fall in GDP of between -0.4% and 2.1% y/y forecast. China’s own economic picture will depend on the rest of the world. New Zealand’s exports could decline as much as 20-50% y/y; Imports for March are forecast to be down 20-30%.

Craig James, chief economist at Commsec in Sydney notes China’s

Recovery role for trade

Trade can help New Zealand to rebound, rebuild and recover from the COVID-19 pandemic, said Trade and Export Growth Minister David Parker

“Trade alone can’t deliver the recovery but it is crucial to our economy, with one in four New Zealanders’ jobs dependent on trade.

Addressing Parliament’s Epidemic Response Committee last week, he referred to steps to support the health response to COVID-19 “that support exporters and that will help New Zealand rebuild and recover in the medium term”.

Including the commitment, alongside Singapore, G20 members Canada and Australia, and a number of other nations to keep trade open, especially in medical supplies and equipment, and other essential services, as some countries implement protectionist measures.

New Zealand and Singapore have also taken an initiative to drop tariffs on a range of essential goods and medical supplies and expedite trade in essential medicines and other products needed as part of the COVID-19 response.

Other steps include the rescue of Air NZ, with a loan facility worth $900 million, which includes measures to secure freight links with important markets, and funding of more than $300 million to support and maintain freight links, he said.

“Right now our focus is on keeping trade flowing and maintaining critical supply chains to ensure New Zealanders have access to the essential goods they need — including medicine and PPE — and keeping New Zealand goods flowing to our trading partners,” Mr Parker said.

“Global co-operation — not national protectionism — is the best way to address this global challenge.”

Earlier, Mr Parker and Singapore Trade and Industry Minister Chan Chun Sing launched a new trade mission.

“This new initiative builds on the joint statement issued by Singapore and New Zealand last month, which has now been joined by seven other countries.

“The Declaration setting out the initiative includes a list of COVID-19 related products for which New Zealand and Singapore undertake to remove tariffs, not to impose export restrictions and to remove non-tariff barriers. It also includes an undertaking to keep supply chains operating effectively for these products.

There is increased global demand, in particular, for medical and hygiene products and some countries are restricting their exports of them, Mr Parker said.

This is an “open plurilateral” initiative, so other countries can join at any point, the ministers said they encourage others to do so as soon as possible.

Key role for food processors

New Zealand’s processed food sector is well placed to support New Zealand’s economic and social recovery from the global COVID-19 crisis, according to the head of food science company FoodHQ.

FoodHQ CEO Dr Abby Thompson says under Level 4 there has been unprecedented examples of collaboration and innovation in the NZ food industry, in order to overcome the obstacles of lockdown at home and abroad.

“The level of activity and enthusiasm that companies, scientists and entrepreneurs have applied to the problem of processing and supplying food has been outstanding.”

She has been working with numerous companies which are continuing to process and export under lockdown and it appears to be driving consumer demand for different types of food products and innovations as well as heightening consumer awareness of a wider range of domestic grown and processed products.

“Of course, there is a walnut growers co-operative, for example, that has seen 500% online sales growth as kiwi is eaten local, rather than imported product. Several ready-to-eat meal and frozen food companies who have experienced considerable growth in the lockdown.

The change has required a rapid response at the food science end of

To page 16
**Lockdown reducing energy demand**

The national lockdown impacted electricity demand which decreased by 15% in the two weeks from March 26, 2020 versus the same period last year, said energy supplier Mercury in a quarterly report. The Auckland-based company says its ‘robust business continuity planning’ has enabled a smooth transition to operating under the COVID-19 lockdown.

Work at the Tuatapere Wind Farm and geothermal drilling is on hold pending the easing of restrictions. Mercury’s high Taupo storage position at the start of the period enabled increased hydro generation despite significantly below-average inflows.

Hydro generation of 836GWh was 776GWh higher than the prior comparable period, despite Waikato catchment inflows at 2%, with geothermal generation slightly lower at 656GWh in the quarter versus 660GWh in FY2019-Q3.

Due to low inflows over the quarter, Mercury’s mid-point FY2020 hydro forecast has been reduced by 109GWh to 3800GWh.

Spot prices decreased compared to FY2019-Q3 as high national storage at the start of the quarter was supplemented by 93% South Island inflows in February, maintaining national hydro storage well above average across the quarter and mitigating the effect of HVDC and thermal fuel supply outages.

Prices decreased from record highs in FY2019-Q3, going from $162/MWh at Ohakuri and $145/MWh at Benmore to $82/MWh and $52/MWh respectively.

Mercury’s portfolio of North Island generation was able to benefit from price separation between the North and South Islands (hazos) resulting in a LWP/GWAP ratio decreasing favourably to 1.00 from 1.04 in the prior comparable period.

Future prices decreased significantly in the quarter reflecting the impact of the COVID-19 lockdown with prices for FY2021 decreasing from $123/MWh to $96/MWh at Ohakuri and from $96/MWh to $79/MWh at Benmore.

FY2022 futures also decreased in the quarter by $2/MWh at Ohakuri (from $96/MWh to $94/MWh) and by $15/MWh (from $85/MWh to $70/MWh) at Benmore with a significant increase in basis spread likely driven by the pending Rio Tinto review of continued operations at the Tiwai aluminium smelter.

**Key role for food processors**

From page 15

the sector according to Dr Thompson.

A group set up by the NZ Institute of Food Science and Technology, the Foodie Volunteer Army, is providing a forum for food scientists and technologists in the lockdown environment.

Dr Thompson believes the crisis response demonstrates the ability of food processors to grow the sector.

Food and beverage as a major export industry accounted for 46% of total goods and services exported, $71 billion of revenue in 2019 and 83,800 on-farm jobs. A 2019 Coriolis report identified the potential for the processed food sector to support an additional 10,000 jobs, if more of New Zealand’s primary production was further developed and processed into added value products.

**ikeGPS in good space**

‘Shelter-at-home’ orders across the US are exempting companies deemed “Critical Businesses” that include NZX listed ikeGPS and its target customers involved in critical Infrastructure, including utilities and electricity, communications, and any business that produces products critical or incidental in these categories.

ikeGPS informed NZX it now expects record revenue of $9.8 million in the 12-month period (growth of 25% against PCP).

Record gross margin of ~71.1 million (growth of ~33% against pcP at ~72%.

EBITDA is expected to be a materially improved result (albeit negative for the full 12 months).

Claim forecasts and receivables at March 31, 2020 of approximately $60 million. No debt.

**Kiwifruit growers dislike appeal decision**

Kiwifruit growers are said to be aggrieved by the Court of Appeal decision that finds the Government was responsible for the 2009 PSA outbreak that devastated the industry but is not liable for the losses, against the action group that took the appeal.

The Kiwifruit Claim have confirmed they will appeal the decision in the Supreme Court.

“The Court of Appeal held that MPI was negligent in allowing a high-risk shipment of pollen anthers infected with PSA from China into New Zealand,” said John Cameron, chairman of Kiwifruit Claim. “But they found the Government does not owe a duty of care to ordinary New Zealanders and can’t be held liable for its actions, simply because it’s the Government.”

Mr Cameron added, “The decision by the Court of Appeal relied upon an interpretation of the Crown Proceedings Act that effectively means the Government can’t be held to account for any wrongdoing.

“We believe this interpretation is wrong. It is both logical and reasonable that the Government should be held to account for its actions, and those of its employees, where it is clear that significant harm and losses have resulted from their negligence.”

“This is no different to the law that allows to local councils and private business to account for their negligence,” said Mr Cameron.

“While our legal team need to analyse this latest decision, this is far from over. We will appeal this decision to the Supreme Court,” said Mr Cameron. “We would like to acknowledge the hard work from our legal team and the financial support provided by litigation funders, LPF Group, who have enabled this case to proceed this far.”
Strong revenue growth for a2 Milk offshore

Milk products exporter The a2 Milk Company has continued to experience strong revenue growth across all key regions, particularly in respect of infant nutrition products sold in China and Australia.

Chief executive Geoffrey Babidge confirmed that revenue for the three months to March 31, 2020 ($220m) was above expectations.

"This primarily reflected the impact of changes in consumer purchase behaviour arising from the COVID-19 situation and included an increase in pantry stocking of our products particularly via online and reseller channels. We are unable to estimate the timing and extent to which pantry stocking may unwind," he added. "Our China segment revenue, transacted in US dollars, was favourably impacted by a significant depreciation of the New Zealand dollar to the US dollar in the quarter."

Overhead costs are now tracking lower than previous expectations due to travel restrictions and some planned recruitment, particularly in China, being temporarily delayed.

He said the business has benefited from the support of all strategic partners who have assisted in managing the various supply chain challenges which have arisen during recent months.

"We support the actions of the various governments in the countries in which we operate in response to the COVID-19 pandemic. We will continue to closely monitor the situation and remain vigilant to the ongoing advice of authorities."

FY20 Outlook

Given the COVID-19 situation, the outlook for both revenue and earnings remains uncertain, said Mr Babidge.

"Furthermore, significant uncertainty remains around the potential impact on supply chains and consumer purchasing behaviour, and the resulting financial impact on our performance for the balance of the calendar year.

"Overall for FY20, we anticipate ongoing revenue growth across our key regions supported by increased levels of marketing investment in China and the USA as well as, to the extent practicable in the current circumstances, the ongoing development of our organisational capability to support the execution of our strategy.

"Notwithstanding this uncertainty, we anticipate revenue for FY20 in the range of $1750 million to $1775 million."

Full year EBITDA margin is now expected to be above that advised in February and in the range of 31% to 32%. This assumes this targeted marketing activity for FY20 of $200 million, weighted to 2H20, will be fully expended prior to year-end.

The $2410 EBITDA margin is therefore expected to be higher. This is primarily a result of: • Higher revenue, and hence gross margin, from higher margin nutritional products, in part due to consumer pantry stocking in 3Q20 compared to expectations; • Favourable impact arising from exchange rate movements; and • Lower than expected costs for travel, and other costs as a consequence of a delay in planned recruitment, due to COVID-19 restrictions.

"It is important to note that these factors will be sustained as these unprecedented circumstances begin to unwind," said Mr Babidge.

The A2 Milk directors continue to consider it appropriate that the Company target an EBITDA margin in the order of 30% in the medium-term. "This assumes the market performance and mix of our products remain broadly consistent with the competitive environment evolves as anticipated. We will keep the balance between growth and investment under constant review."

Cavalier plans restart of manufacturing

Cavalier Corporation says that it will be progressively opening its manufacturing operations in Auckland, Napier and Wangapuni following the lifting of the Level 4 restrictions on April 25.

March and April trading has been impacted as expected, particularly in New Zealand, by the COVID-19 regime and cost control measures and other actions have been taken to preserve the business during this time.

Since the Government mandated lockdown in New Zealand on March 26, retail sales in New Zealand have ceased. Website orders are still able to be taken with deliveries to restart on 18 April.

Trading activity has continued in Australia and sales volumes for the first three months of the year were above the prior year, though these have declined in April with the fall of retail conditions.

The company has applied for $2.8 million of the Government wage subsidy in New Zealand. Government support is also being considered in Australia. The board has also agreed to take 20% of their directors’ fees in shares in the company to assist with cash flows and to better align their interests with those of shareholders.

Cavalier has been engaged in constructive discussions with its banking partner and has received indicative support to increase its current bank facilities.

The company is investigating a range of opportunities to realise additional funds to support the business in light of the impact of COVID-19 as well as facilitate the transformation strategy as outlined in the November shareholders meeting.

Cavalier says it remains committed to the rollout of its natural fibre strategy, “leveraging the growing demand for greener, healthier, natural and more sustainable products. Cavalier believes this strategy will not only benefit the company, but will help New Zealand’s wool growers, and the broader New Zealand primary sector.”

Cavalier plans launch of livestream auction format

In a New Zealand first, farmers will be able to participate (including bidding) in livestock auctions streamed live and direct from these salesyards and a number of on-farm auctions.

Bill Sweeney, general manager Livestock, says, “Until now dairy and beef farmers have had limited ability to sell livestock online but the livestream auction format that we will launch shortly after Level 3 becomes operational will complement the traditional salesyard auction and On Farm sale format.”

From here, according to ASB Bank’s chief economist, Nick Tuffley, there are a number of possible paths for the New Zealand economy. This week, he outlined three scenarios.

"They range from a fairly sharp V rebound with little lasting economic damage, through the bank’s central view of a “U” shaped recovery, to fairly downbeat “L” in which the current dip is large and recovery is drawn out. Mr Tuffley describes the central and flanking upside and downside scenarios, as ‘a murky alphabet soup’ and he adds, ‘some people have thrown a ‘W’ into the pot as well. Food for thought – and I’ll return to this discussion next week. His advice on his ‘soup’ – “Use your imagination as to how the operating environment could now be different for your business.”

Strong quarter for Comvita

Honey exporter Comvita reported that the strong demand shared with the market in mid-March has continued throughout March and resulted in a strong quarter delivering double digit growth year on year.

Comvita said all major markets are reporting good sales output. “We were particularly pleased with the excellent growth in our European markets that have enabled us to continue to reduce debt,” said chief executive David Banfield.

He added that this year’s honey harvest has increased by over 60% year-on-year with over 95% of the extraction complete. “In addition, the quality of the crop (volume of the crop over UMF™ 10+) has also improved by over 150%.”

He commented “It’s encouraging to see good trading across all markets continue as consumers actively seek out Comvita products. In addition, we have delivered good working capital control which has enabled us to continue paying down debt supporting our decision to postpone the planned capital raise. He said that the honey harvest is over 95% complete, and “we are pleased with both the volume and the quality of honey."

“We will continue to regularly update the market on our trading performance during this period of unparalleled uncertainty.”

Geoff Babidge, CEO of The a2 Milk Company, notes market uncertainty but sees revenue growth in all regions.

Return to work here relies on markets reopening there.

From page 15

GDP contracted at a 6.8% annual rate in March, the sharpest contraction in economic activity since at least 1992 when official GDP records began.

Last week the IMF estimated that China’s annual economic growth rate for 2020 would average 1.2%. “Should this eventuate, it would be the slowest growth rate since the final year of the Cultural Revolution in 1976, reflecting the huge economic and social toll wrought by the virus,” said Mr James. “That said, it appears that some ‘green shoots’ are emerging on China’s supply side.”

Bloomberg economists estimate the China’s back-to-work rate had climbed to around 95% by April 10 with larger industrial enterprises – oil refineries, steel mills and construction companies – mostly resumed operations and 85% of small business reported being back at work.

We must assume that high quality New Zealand Radiata pine will be able to claim market share in the Chinese timber processing and construction industries that had been surrendered for some two months (across the Chinese and Korea lockdowns. And that the inventories of logs in China’s ports is diminishing. China, as reported in this issue, is the major market for our wood. Meanwhile, NZ Farmers Livestock advises that it will reopen their saladay for your business.”

April 25, 2020

The New Zealand Shipping Gazette 17
Kiwi dollar cross-rate with Australia under pressure

Oil prices have been a key factor on global markets during the week with US equity markets rolling in reaction and commodity currencies under pressure.

By midweek, the oil price and other markets had begun to recover as well in response to a huge financial stimulus package for American small businesses. Bond yields have been rising with the improvement in risk appetite but remained at very low levels.

Oil prices recovered in midweek but not before the June Brent crude oil futures contract fell below $16 a barrel in London trading (a fall of around 20%), its lowest level since 1999. It subsequently more than recovered those losses, said Mr Smyth, rising 7% to $20.70 per barrel.

Aided by the recovery in oil prices and talk of more fiscal stimulus the S&P500 rose 2.5% on April 22, reversing most of the previous night’s 3.1% fall. “Barred energy stocks outperformed, with the Energy sector in the S&P500 up over 3.5%. There have also been some positive earnings results, including from Chipotle Mexican Grill and Texas Instruments,” comments Nick Smyth at BNZ Markets.

“Currency moves have been restrained although, notably, the NZD/AUD cross has fallen again, to its restrained although, notably, the NZD/AUD cross rate with Australia under pressure.

Mr Smyth, from the rise in commodity prices, said European currencies were lower, but dollar pushed a little higher, to a 2½ week high.

The Australian dollar (AUD) has fallen again, to its 2½ week high. “The preliminary estimate of Australian retail sales rose 8.2% in March, the biggest monthly rise (in seasonally adjusted terms) on record. Spending was driven by unprecedented demand for staples such as toilet paper, rice, and pasta as consumers stockpiled ahead of lockdown. Retail spending looks set for big falls in the coming months though.

After pushing up against resistance around 0.60, the NZ dollar fell away in New York trading and it sat midweek around 0.5950. “The NZD/AUD has remained under downward pressure, falling 0.7% to 0.9415. The cross is trading at its lowest level since mid-November. The RBNZ’s relatively more aggressive QE programme than the RBA is one reason we think the cross still has more downside potential.”

The US Senate passed a $484 billion fiscal package mainly targeted at small businesses. “This won’t be the last of the US fiscal measures either, with Treasury Secretary Mnuchin telling Fox News “we need to spend what it takes to win the war”. Democratic Leader of the House (Nancy) Pelosi said she next wanted to focus on assistance for state and local governments although this appears to have found some resistance from Republicans concerned that it will serve to bail-out understated state pension schemes. Infrastructure spending is an area we need to come under discussion for government funding.

In Europe, EU leaders were holding a video conference this week to discuss the region’s plan to tackle COVID-19. “Bloomberg reported that the leaders would discuss a €2 trillion recovery plan, although details are sketchy and there are known disagreements between Southern and Northern European countries on the path forward.

US Government bond yields have risen albeit from what were extremely low levels. The 10-year US Treasury yield rose to 0.62%, still well contained within its April trading range.

“European government bond yields also rose except for Italy, which saw yields fall after reports (since confirmed) that the ECB was considering accepting high-yield bonds as eligible collateral in its operations. Italy’s credit rating is just above the high-yield threshold and it’s conceivable that it is downgraded below investment-grade this year.”

The ECB announced that it will accept all bonds (including corporates and banks) in its lending facilities that were ratings-eligible as at April 7, 2020 (until at least September 2021).

"The move formalises what it is already doing with sub-investment grade Greek government bonds, which it accepts as collateral for purchases in its QE programme. The announcement also opens the door for the ECB to buy high-yield corporate bonds at a future point, following the lead of the Fed."

"On COVID-19, several countries (including France, Spain, Italy and the UK) have reported a slight rise in new cases, although the trend still appears downward. Treasury Secretary Mnuchin said he thought most, if not all, of the US economy will be open again by the end of August."

In FX markets, the USD has pushed a little higher, up 0.2% on the day to a 2½ week high.

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American to start fair booking policy for cargo

American Airlines intend to implement a fair booking policy to address late changes or cancellations, effective May 1, 2020.

The move applies to all flights around the world and will be added to our booking platform and made it easier for customers to digitally review options and secure bookings.

“American Airlines said this month that was responsible for paying a fee starting at $US50 for late cancellation, late reduction in chargeable weight or failure to show.

American Airlines also launched its new end-to-end management system in late 2019, which introduced an online booking platform and made it easier for customers to digitally review options and secure bookings.

The technology implementation we started last year was an important step in our larger modernization effort,” said Mr Elieson. “The tools we now have allow us to be more nimble to both streamline and advance the way we do business. Such challenges in the passenger tickets and cargo bookings evolved over the years, this policy allows us to be more efficient with limited inventory and better meet the needs of our customers.”

American Airlines said this month it will resume its normal service between Auckland and Los Angeles at the end of October.

The airline said new seasonal services from Los Angeles to Christchurch and from Dallas-Fort Worth to Auckland would go ahead.

The services were originally slated for October but will now go ahead in the New Zealand summer.
NEW ZEALAND SCHEDULE

For all bookings & enquiries email: bookings@pdl123.co.nz or phone: 0800 PDL123 (0800 735 123)
Phone: 64 9 308 3939 / Fax: 64 9 358 4833

NEW ZEALAND TO/FROM NEW CALEDONIA

NEW ZEALAND TO/FROM FIJI

NEW ZEALAND TO/FROM NORTHERN ISLAND

NEW ZEALAND TO/FROM TAHITI

NEW ZEALAND TO/FROM TONGA - SAMOA

NEW ZEALAND TO/FROM WALLIS - FUTUNA - FUNAFUTI - TARAWA - MARSHALL ISLAND - KOROA - CHRISTMAS ISLAND

FCL Schedule from New Zealand to Guam/Saipan

NEW ZEALAND & FIJI TO / FROM VANUATU

VESSEL VOYAGE

KOTA RATNA V402

KOTA RATNA V403

KOTA RATNA V404

KOTA RATNA V404

KOTA RATNA V403

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April 25, 2020
The New Zealand Shipping Gazette 19
# NEW ZEALAND SERVICE (NZS)

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## NEW ZEALAND CHINA SERVICE (NCS)

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## AMERICA OCEANIA SERVICE (AOS)

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For a complete schedule and more details, please visit our website: [www.pilship.com](http://www.pilship.com)