Australian state and territory alignment is maritime crew exemption from border restrictions for welcome moves to ease restrictions on Australia. To keep seafarers at sea, stated Shipping services — to enable crew changes. services — such as flights and airport safe ship operations,” the IMO said. being of ship crew and, most importantly, dangerous impacts this has for the well-being extended indefinitely due to the operation of maritime trade. . . . situation is unsustainable for the safety of global supply chains, but the current be repatriated. months at sea and they urgently need to been asked to implement to help facilitate seaport, civil aviation, and others have requested the International Maritime agency, the International Maritime has been issued by the United Nations IMO plan for trapped seafarers. 

IMO plan for trapped seafarers

A plan to save 150,000 trapped seafarers, put together by global maritime bodies, has been issued by the United Nations agency, the International Maritime Organization (IMO). This came in the form of a detailed 60-page set of protocols that governments and authorities in the maritime, health, customs, immigration, border control, seaport, civil aviation, and others have been asked to help facilitate safe crew changes. “Some crews have already spent many months at sea and they urgently need to be repatriated. Shipping is vital to the maintenance of global supply chains, but the current situation is unsustainable for the safety and wellbeing of ship crew and the safe operation of maritime trade,” “Service periods on board ships cannot be extended indeﬁnitely due to the dangerous impacts this has for the wellbeing of ship crew and, most importantly, safe ship operations,” the IMO said. Governments, in all their forms and at every level, are urged by the IMO to permit seafarers to travel and to also permit the operation of all necessary services — such as ﬂights and airport services — to enable crew changes. Australia has been culpable in helping to keep seafarers at sea, stated Shipping Australia. However, there has been some welcome moves to ease restrictions on seafarer movements, they added in an article this month. Australia’s national cabinet agreed in early April to a uniform and consistent exemption from border restrictions for maritime crew. However, Shipping Australia says Australian state and territory alignment is proceeding at differing speeds. Queensland, Tasmania, and South Australia now appear to be fully aligned with the National Cabinet decision. The Northern Territory is moving toward alignment. But there has been little to no progress in New South Wales, Victoria, and Western Australia. Shipping Australia deputy chief executive Melwyn Noronha said, “Supply chains must remain open so that everyday essential goods, foodstuffs and medical products can continue to ﬂow into countries worldwide. “For this to occur, it is vital that crew changes can take place and that seafarers, subject to sensible and reasonable health controls, be allowed to move between countries.”

Toll confirms data theft

Iain MacIntyre

A second recent attack on Toll Group’s IT systems has resulted in data theft, the firm conﬁrmed in a statement on its Website on Tuesday this week. The Australasian logistics ﬁrm announced on May 5 it had taken the precautionary step of temporarily shutting down certain IT systems after detecting “unusual activity on some of our servers” the previous day. Systems had been progressively reactivated as there security was conﬁrmed. Toll Group managing director Thomas Knuthen said the business had been the victim of an “unscrupulous act”. “We condemn in the strongest possible terms the actions of the perpetrators,” he said this week. “This is a serious and regrettable situation and we apologise unreservedly to those affected. I can assure our customers and employees that we’re doing all we can to get to the bottom of the situation and put in place the actions to rectify it.” Confirming the cyber attack involved ransomware known as “Nefilim”, Toll has steadfastly “refused from the outset to pay any ransom.” “At this stage, we have determined that the attacker has downloaded some data stored on [at least one] corporate server, and we are in the process of identifying the speciﬁc nature of that information.” “The attacker is known to publish stolen data to the ‘dark web’. This means that, to our knowledge, information is not readily accessible through conventional online platforms. Toll is not aware at this time of any information from the server in question having been published.”

Repatriation issues threaten log exports

Iain MacIntyre

Measures are being promptly developed by New Zealand regulators to counter a mounting shortage of technicians required to oversee international export log fumigation, due to COVID-19 repatriation restrictions. It is understood that many export logs bound for countries such as China, and which are stored below deck on vessels, require fumigation during transit. A technician usually travels onboard to oversee the process and ensure Ministry for Primary Industries (MPI) protocols are adhered to, before then disinfecting en route and returning to New Zealand. However, due to pandemic containment measures around the world, the technicians are unable to promptly repatriate. Instead they are having to remain onboard vessels longer, thereby thinning the readily available pool of technicians in New Zealand and jeopardising future log shipments. Given the extraordinary circumstances, MPI is understood to have recently granted approval for local fumigation contractor, Genera, to train ship’s crew deemed competent to carry out the onboard technician role. Numerous conditions to that approval include that Genera staff undergo initial leak testing prior to vessel departure, selected crew are specially-trained by Genera, contact is maintained during transit, records are kept and MPI audits the process. However, it is also understood that Maritime New Zealand (MNZ) has subsequently raised issues with the proposed counter measures, on the basis that it does not have jurisdiction over foreign ships operating in international waters. Hence, the agency has sought that respective Flag States grant approval for crew to carry out fumigation duties when operating outside of New Zealand’s waters, as MNZ northern region compliance manager Neil Rowarth explains. “We are continuing to work with MPI, as well as New Zealand fumigation companies, ship owners and log exporters to help them find a way forward to ensure these activities are carried out safely when ships leave New Zealand or while transiting through our waters,” he told the Shipping Gazette. “We support the work being led by MPI here in New Zealand alongside fumigation companies to help develop a plan to train and equip crew to safely carry out the fumigation duties

Logs loading at Port Marlborough.
Oil & Gas offers revenue upside

Careful changes to regulations could help New Zealand’s oil and gas industry earn increased royalties for the Government and aid the rebuild of our economy, according to the Petroleum Exploration and Production Association of New Zealand (PEPANZ).

“With the Government’s focus on rebuilding the economy in this year’s Budget, our industry can play a major role if we have the right settings,” said PEPANZ chief executive John Carnegie.

“Our industry earns the Government on average around $600 million in taxes and royalties per year. There is real potential to grow this and help ease the pressure on the Government’s finances.

“We’re proposing some regulatory changes that would achieve this by producing more of our own domestic energy.”

These could include:

• An enabling regime for carbon capture storage technology to be used in New Zealand.

• RMA reform that doesn’t expand the role of local councils in assessing the climate change implications of projects (this should remain the role of central Government).

• Flexibility for existing exploration and production permits.

• Workable rules for new decommissioning requirements.

“The energy our sector produces will be vital to powering the export industries that will lead our recovery, such as food production. We think it makes sense for this energy to be New Zealand made.”

Dong Won 701 to be scuttled

Iain MacIntyre

DW New Zealand has been granted Environmental Protection Authority (EPA)-consent to dispose of the 81-metre fishing vessel, Dong Won 701, at an authorised marine dumping area off Otago. A significant fire onboard the New Zealand-flagged trawler caused a 24-hour cessation of operations at PrimePort Timaru back in April 2018.

The fire is understood to have raged on for eight days. Having occupied a berth at the port since that time, the Dong Won 701 is to be dumped 25 nautical miles south-east of Otago Harbour at some time before the consent expires on December 31 next year.

It is understood the disposal will involve the detonation of explosives onboard.

Repatriation issues threaten log exports

From page 1 that would normally be carried out by a ship’s crew. If the vessel’s Flag State administration were to allow this to happen in these exceptional times, then MNZ would take a pragmatic approach so as to not unnecessarily delay or detain a vessel – provided that they could show Flag State agreement for crew to carry out these extra duties.

“There are several vessels currently loading logs that have this Flag State agreement in place.”

Mr Rowarth emphasised that, while the safety of seafarers is MNZ’s primary concern, the agency does not wish to unnecessarily impede trade.

“We are also mindful of the current exceptional circumstances that exist under the COVID-19 pandemic and of the need to maintain the shipping and international trade that’s vital to New Zealanders, while not compromising on safety.”

Iain MacIntyre

KNCooltainer South Island branch manager Shayne Pryde has officially retired after almost 39 years with the company.

Ms Pryde is understood to have spent almost her entire working life with the firm, which was originally known as Cooltainer, prior to changing name when acquired by Kuehne + Nagel.

Having joined the business in its original base of Dunedin, Ms Pryde’s role was said to have encompassed many functions, including boarding vessels in port to set and check refrigerated cargo temperatures.

She is also understood to have relocated with the firm to its new headquarters in Christchurch.

Ms Pryde progressed to South Island branch manager – a role she maintained until retiring on March 30.

Describing Ms Pryde as “a real legend” of the industry, KNCooltainer business manager Simon Wilson credited her with onboarding and maintaining some of the firm’s largest accounts.

“Shayn enjoyed her sales function in Customs fees rise frozen by Minister

From page 1 small businesses trying to protect their intellectual property rights.

By removing the $5000 security the Government is able to help the cash flow management for those small businesses, as well as their ability to protect their rights, she said.

The Government has also agreed not to penalise businesses which are struggling to pay their duty on time — such as importers, customs brokers and excise manufacturers — by agreeing to remit or refund compensatory interest and late payment penalties.

“COVID-19 is significantly impacting the cash flow of New Zealand businesses, and we are trying to do everything we can to support them to bounce back.”

Where firms can’t pay duties on time, the Government will support these businesses to remain viable — giving them the space to recover financially, and then pay the duty they owe without interest and payment penalties.

“There are over 10,000 businesses who regularly defer their payments to Customs to assist with their cash flow management, 934 of which are excise manufacturers, such as boutique breweries and wineries.

“If there are businesses struggling to pay duties to the Government due to COVID-19, they should reach out to Customs and use this interest-free deferral as soon as possible,” said Ms Salesa.

As at April 30, 2020, about 350 Customs clients had advised the agency that they could not make their duty payments on time, representing $85 million worth of revenue that Customs is working with businesses to see paid.

The financial assistance will apply to interest and penalties arising on or after March 25, 2020, and for up to two years.

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Coastal bulk deal shows investors see potential in domestic shipping

By Dave MacIntyre

The potential for growth in New Zealand’s coastal shipping industry may not yet be recognised in any tangible Government policy but, the move by the ASP Ships Group to buy half of Coastal Bulk Shipping Ltd (CBS) suggests that some investors do indeed see an opportunity there.

The announcement a couple of weeks ago that ASP (originally Associated Steamships Pty Ltd) has acquired a 50% shareholding in CBS came out of the blue.

CBS is a niche operator, owning and operating the MV Anatoki, an 820-deadweight tonne general and bulk cargo vessel that has successfully operated around the New Zealand coast since 2008.

That was the year the former Labour Government’s fledging Sea Change policy, designed to encourage domestic shipping, was torpedoed by the incoming National Government, never to reappear again (so far anyway).

For any operator to set up a new coastal service and survive that length of time in such an environment is a laudable achievement, having to search out opportunities from scratch.

It has done so by employing a small ship with a draft of only 4.2 metres that can safely navigate shallow harbours such as Whanganui, Westport and Greymouth, offering bulk shipments direct into provincial centres. Its market advantage is in being able to pick up and discharge bulk cargoes such as grains closer to their source or destination.

A real breakthrough was made last year when a long-term contract for moving barley between the Whanganui and Timaru ports was signed between Malteurop NZ and Coastal Bulk Shipping.

Malteurop NZ is New Zealand’s largest malt maker and significant employer in the Whanganui-Rangitikei district, and the contract to move a significant portion of Malteurop’s yearly barley harvest by sea was partly triggered by the repercussions of the Kaikoura earthquake. The company recognised the quake highlighted the need to spread its transport options to ensure long-term resilience.

Coastal Bulk Shipping provided valuable assistance following the earthquake and that stood the company in good stead in securing the contract.

In fact, ASP is already a domestic operator here. Its wholly owned subsidiary Silver Fern Shipping is based in Wellington and operates two tankers for Coastal Oil Logistics Ltd (COLL), distributing petroleum products from the NZ Refinery at Marsden Point around the New Zealand coast.

It does something similar in Australia, with three tankers on time charter to BP.

The company has spread its wings over the last couple of decades. Formerly having ANL as a major shareholder, its ownership changes and latterly a management buyout has seen APS leverage its original strengths of technical marine services and marketing and expand into other areas, such as bunker supplies and ship management, pre-purchase and vessel inspections, vessel new-build supervision and port agency services.

It even formed its own Mariner Travel Company to assist with crew changes. It is now building on that and is actively looking for other opportunities, as recognised there was a specialist niche created by the extensive volume of airline travel undertaken by vessel crews and operations staff, and moved to fill the gap.

ASP has targeted blue-chip clientele particularly in the tanker and dry bulk sectors such as Rio Tinto, BP, Z Energy, Shell and Toyo Fuji Shipping to give it a solid base and the move into New Zealand with the 2007 acquisition of Silver Fern Shipping and the ship management contract with COLL was part of that.

Therefore, the expansion into domestic shipping.

MV Anatoki loading sulphur at Mt Maunganui.

To page 4
Finance Minister delivers historic ‘Rainy Day’ Budget

Warren Head

The magnitude of the present and future costs of the massive government support measures to right New Zealand’s economy after the shockwaves of the coronavirus pandemic is evident in the 2020 Budget.

It delivers a $50 billion rescue fund, with $20 billion kept up the sleeve. The 2020 Budget has delivered an economic support package that was even more massive than expected, an extraordinary response to extraordinary times, says Westpac.

While that $50 billion does include some measures that had already been announced, such as increased funding for the wage subsidy scheme, it still amounts to an extra $40 billion of stimulus over the next five years,” said senior economist Michael Gordon. From the rosy position in late 2019 of looking out to large government surpluses for some years to come the pandemic has given the NZ economy the biggest jolt since the Great Depression of the 1930’s and now to come are seven years of deficit. Which will require ~$190 billion of borrowing through a quantitative easing programme of the sale of government bonds, from $42 billion previously.

“Budget 2020 is being delivered in the shadow of a 1 in 100-year threat to the wellbeing of our people, our communities and our economy,” Finance Minister Grant Robertson said in his Budget address. He said, “March 17 now seems an age ago, when I announced in this House a $12 billion COVID-19 recovery package. At the time this was one of the largest responses on the planet – some 4% of GDP.

Coming into this crisis New Zealand was fortunate to have a fundamentally strong economy and fiscal position. New Zealand’s fiscal position was strong. The Coalition Government was able to reduce net core Crown debt below 20% of GDP and achieved $12.8 billion of OBEGAL surpluses in its first two years in office.

Mr Robertson said this strong fiscal position, “built on the work of Bill English and Michael Cullen, now means we are much better placed than many other countries to use our balance sheet to cushion the blow of COVID-19 on our economy. The rainy day has arrived, but we are well prepared.

The national debt will soar to 54% of GDP by 2023-24 and will remain at a high level, unseen in decades; as far out as 2034 it will still be at above 42%.

Scary as these numbers are, they pale by comparison to the ravaged state of national debt overseas.

“Many other countries are not starting from the same position of strength that we are,” said Mr Robertson. “The UK started with net debt above 75%, the USA 90%, and Ireland 46%. Many countries are already well over 100% as they respond to the virus.

The IMF expects a decline in global economic activity not seen in peace time since the Great Depression of the 1930s, with annual global growth expected to fall to -3.0% in 2020. He did not try to sugar-coat the situation. “Treasury’s forecasts and alternative scenarios indicate there will be a sharp fall in economic activity and a substantial rise in unemployment. New Zealand’s real GDP in its first two years in office. $12.8 billion of OBEGAL surpluses in its first two years in office. $12.8 billion of OBEGAL surpluses in its first two years in office.

The $216 million package from the COVID-19 Response and Recovery Fund to revitalise the international shipping market has attracted.”

With coastal shipping, “it should also be noted that in the medium term, it should be considered the medium term, and to help build capability within export firms – $8 million.

Coastal bulk deal shows investors see potential in domestic shipping

From page 3

Coastal bulk is consistent with APS’s steady niche expansion in Australia, NZ and Asia particularly. It should also be noted that in recent years the NZ domestic shipping market has attracted investment from another major investor, namely Swire Shipping. Its NZ involvement expanded beyond its multipurpose trades and bulkers to include its buy-out of Pacifica. So, the proof is there that international investors see merit in investing in New Zealand coastal shipping. The question is, what can Government here do to further stimulate that investment and encourage new opportunities for the sector?

A concern for these investors is what they see as a discriminatory policy approach by Government, with its direct investment in rail and roading.

With coastal shipping, Government’s has no financial skin in the game so it appears to neglect this third mode of transport. Probably, the long-term hopes of both ASP and Swire is that the "green" credentials of coastal shipping will be recognised in some kind of policy settings, be it in the Emissions Trading Scheme or some other tool such as taxation settings. One would have thought that New Zealand’s clear targets for reduced transport emissions, in line with our signing of the Paris Agreement, would have hurried policymakers into finding methods by which the lipid service support for domestic shipping could be translated into something tangible.

It hasn’t happened so far. Perhaps it is time the policymakers took a closer look at domestic shipping’s green credentials, and asked themselves why it is that international investors see growth opportunities in domestic shipping, which they (so far) have failed to recognise.

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Finance Minister Grant Robertson delivered a jobs-centric Budget.

Boost for exporting via NZTE
Wellington’s recovery plan

Wellington’s economic recovery plan for the post-COVID-19 lockdown needs to be actionable as soon as the alert levels reduce, said the Wellington Chamber of Commerce chief executive, John Milford, “The city needs to ramp up its economic recovery planning to make sure the city up and running once this lockdown ends and people can get back to work.”

The Chamber encouraged councillors to carefully consider the impacts of any rates increases and put themselves in the shoes of businesses.

“Wellington businesses pay nearly half the total rate-take and already pay one of the highest proportion of rates in the country. Wellington businesses can’t afford more costs right now.”

“While no increase is always preferable, the trade-off that has been proposed means that there will be subsequent and significant increases to rates in future years. Whatever the outcome, councillors must recognise the reality of the economic recession we are heading into.”

Mr. Leggett said recent developments with Transmission Gully undermined confidence in New Zealand’s capability and capacity to undertake such large infrastructure projects. “Accessing overseas experts and labour is likely to be an ongoing challenge with COVID-19,” he told the Shipping Gazette.

If the project is a Private Public Partnership with commercial terms, Waka Kotahi NZ Transport Agency is currently discussing with the contractor (the Wellington Gateway Partnership) and the builder (CPB HEB JV) the likely delay to the completion date, said the spokesperson.

The full impacts of COVID-19 are still being assessed and the new programme of work required to complete the project is currently under consideration with the contractor and the builder.

“We understand that there is a high level of interest in this project and, when our discussions with the contractor and the builder have been completed, we will announce the new agreed completion date and provide further information. No further comment will be provided until these negotiations have been concluded.”

In an updated comment this week, Mr. Leggett said recent developments with Transmission Gully undermined confidence in New Zealand’s capability and capacity to undertake such large infrastructure projects. “Accessing overseas experts and labour is likely to be an ongoing challenge with COVID-19,” he told the Shipping Gazette.

“Essentially we’d like to see the big projects under way – Transmission Gully and the Auckland City Rail Link – have clear finish targets to give confidence that any new projects could be completed to deadline and within budget. There has to be good managers of the cost-benefit equation.”

Finance Minister delivers historic ‘Rainy Day’ Budget

From page 4

GDP growth rate is forecast to decline from 2.8% in the year ending June 2019 to -4.6% in the year ending June 2020, driven by a quarterly decline in GDP of over 20% in the June 2020 quarter. Annual average GDP growth is forecast to return to positive from the year ending September 2021 onwards.

“Unemployment is forecast to increase significantly, rising to 8.3% in the year ending June 2020, before peaking at 9.6% in September 2020 and then recovering thereafter.”

The centrepiece of Budget 2020, Rebuilding Together, is the establishment of a $50 billion COVID-19 Response and Recovery Fund, targeting stimulus investment at protecting existing jobs, creating new ones and providing support for workers to retrain and for business to survive.

There are allocations to ports and to rail (topping up funding to KiwiRail to almost $5 billion). There are specific budget allocations for the embattled tourism sector and also for exporting, which will be crucial to lifting NZ Inc out of the long-term debt spiral.

The Government has put aside $150 million for a fund to provide loans to R&D-intensive businesses, to complement the existing R&D Tax Incentive. The scheme is intended to encourage R&D-intensive businesses to retain as much of their existing R&D programme as they are able to. Most R&D performing firms will be able to access repayable loans up to the equivalent of 50% of a business’ annual R&D expenditure, up to a cap of $100,000.

The Government is investing $41.4 million across three years into initiatives in the construction, digital and agritech sectors.

“These three sectors are well placed to help make our economy more productive and sustainable, and offer opportunities to use innovation to create higher skilled jobs,” Economic Development Minister Phil Twyford said.

Support for these vital sectors includes:

• Investing $11.4 million to grow the agritech sector and improve environmental outcomes while boosting productivity in the primary sector. This includes funding the development of robotics in horticulture and helping commercialise innovative technologies.

• Providing $6.5 million toward heritage projects in the Māori economy in sectors such as forestry and food.
Dreamliner cargo flights from South

Air New Zealand’s plan to fly its 787-9 Dreamliner aircraft between Christchurch and Auckland three times a week to help transport cargo from the South Island to international markets has been welcomed by Canterbury Employers’ Chamber of Commerce chief executive Leeann Watson. The airline has grounded passenger flights overseas by its B-777 fleet until April 2021.

Cargo manager Rick Nelson said the services were being launched in response to significant demand from the South Island freight forwarding and export communities. The first flight left Christchurch on Thursday night as part of a support agreement with the Ministry of Transport. The flights are Tuesdays, Thursdays and Saturdays.

Passengers will also be able to book return flights on the Dreamliner between Christchurch and Auckland.

Mr Nelson said flights were timed so cargo goods were able to connect to the airline’s new Los Angeles, San Francisco, Hong Kong, Narita and Shanghai cargo flights, as well as on to trans-Tasman flights from Auckland.

“As the nation emerges from lockdown, it’s critical our exporters have a way to connect to markets both here and overseas,” he said.

“These Dreamliner services from Christchurch will allow exporters with high value, perishable and time sensitive goods access to a same day air cargo link into international services departing from Auckland.”

Air freight is absolutely critical for the Canterbury region,” said Ms Watson. “As we move through the alert levels, it is imperative that we are able to connect freight to more destinations.

“In January and February this year, air freight accounted for 30% or $494 million of exports from Canterbury. However, decreasing international air connections has put increased constraints on air freight from March onwards.

“For businesses this has meant delays and short-term impacts on their ability to get their product to the international market, resulting in cashflow issues at a time when financial impacts are already significant,” Ms Watson says that more air freight over the coming months is needed.

“While this will be welcome news for local exporters, more international air freight is needed, particularly as we move through alert levels and see increases in production.

“Nationally, there are currently about 90 commercial and charter flights running per week, however, prior to the COVID-19 impact, New Zealand would have had more than 600 flights per week, so there is a long way to go.”

May 16, 2020

AVIATION

Destinations shuttered

COVID-19 has placed the whole world on lockdown, with new research from the World Tourism Organization showing that 100% of global destinations continue to have restrictions on travel in place, and 72% have completely closed their borders to international tourism.

This blanket shutdown has removed export revenue from every country and reduced aviation capacity with flow-on effects for the dual use of wide-body aircraft for air cargo.

From the start of the crisis, the United Nations agency for tourism has been tracking responses to the pandemic. This latest research shows that while discussions on possible first measures for lifting restrictions are under way, 100% of destinations worldwide still have COVID-19 related travel restrictions for international tourists in place.

Out of all 217 destinations worldwide, 156 (72%) have placed a complete stop on international tourism according to the data collected as of April 27, 2020.

In 25% of destinations, restrictions have been in place for at least three months, while in 40% of destinations, restrictions were introduced at least two months ago.

The research also found that no destination has so far lifted or eased travel restrictions.

UNWTO has found that 83% of destinations in Europe have introduced complete closure of borders for international tourism. In the Americas, this proportion stands at 80%. In Asia and the Pacific it is 70%, in the Middle East it is 62% and in Africa it is 57%.

There are currently 156 destinations worldwide that have completely closed their borders for international tourism.
Abysmal April for new vehicle registrations

April 2020 registrations of new vehicles are down 96% (9601 units) compared to the same month last year, with 1039 new vehicles registered compared to April 2019 with 10,480 registrations.

“The month of April was closed for business other than for the supply of essential vehicles and three business days at the end of the month for contactless sales,” Motueka Industry Association chief executive David Crawford said.

That Distributors were able to sell as many as they did was testament to their determination to partially re-open for business while maintaining strict health and safety processes.

• To date the market is down almost 32% (15,670 units) on the same period in 2019.
• Registration of 707 passenger and SUVs for April 2020 were down 89.6% (6071 units) on 2019 volumes.
• Commercial vehicle were down 91.4% (6071 units) compared to April 2019.
• The top models for the month of April were the Kia Sorento (95 units), followed by the Toyota Hilux (59 units) and the Holden Colorado in third place (38 units).
• There were 17 BEV’s, 1 PHEV and 27 Hybrids sold in the month of April.

Market leaders

For the month of April, Kia was the overall market leader with 16% market share (169 units), followed by the Toyota Hilux (59 units) and the Holden Colorado in third place (38 units).

Mr Crawford says Government stimulus is required to kickstart the new vehicle sector.

“The Government can play a decisive role in lessening the economic pain we are feeling.”

The MIA has called on the Government to fast track appropriate policies.

The association wants the Government to accelerate the uptake of plug-in vehicles across the Government fleet.

“Prior to the pandemic, the MIA supported in principle the adoption of a federal electric vehicle strategy. However, given the degree of fiscal impact the pandemic is causing, we believe this policy needs immediate review.

“It is our view the Government should defer the introduction of a rebate scheme and instead provide incentives for plug-in vehicles, to be reviewed in 2023.

“Then there is the question of vehicle scrappage. We all know we have an old fleet with numerous polluting and unsafe cars roaming our roads. We believe it is time for the Government to provide financial incentives to remove the vehicles which are older than 20 years of age and/or where their exhaust emissions standards are the equivalent of Euro three or less.

“This would also be in line with the new road safety strategy and the Government’s climate change objectives.”

Mark Twain supposedly said: “History doesn’t repeat itself, but it often rhymes.” While there’s no evidence whether the respected writer did or did not say this, the logic behind the statement stands.

History tends to move in cycles — and often the cycles seem very similar.

It’s for this reason that the phrase “this time it’s different” is often met with scepticism from financial market professionals. The same scenarios play out time and time again in markets. It usually isn’t different. Is it different?

So, are we taking a big risk suggesting it’s different this time?

From one perspective, it’s very different. Global slowdowns are not usually triggered by international governments voluntarily shutting down their economies. Usually, it’s hard to state an exact reason for an economic slowdown.

The global economic cycle tends to move in a clear, traditional pattern, with a clear rhyme or reason. The boom-bust cycle is very well known but it’s often too hard to see why a boom has started. Or why a bust occurs.

More generally, it’s usually down to prices. Low prices create opportunity, which drives a boom which, in turn, pushes prices higher. And then high prices create the bust. On this occasion, however, it’s clear what has driven the shutdown. We’ve all agreed to it for the common good.

Quicker and deeper . . . The impact of this shutdown is potentially much quicker and deeper than previous economic contractions.

A study from investment manager Blackrock, published on April 7, 2020, suggests that the impact on global gross domestic product, or GDP, is likely to be much steeper in its first months when compared with the global financial crisis. This is because, during the global financial crisis, the initial shortfall took more time to build.

During the crisis of 2007-2008, the first signs of stress in financial markets were seen in early 2007. The peak selling didn’t occur until mid-2008. This 18-month period saw a slow, gradual slowdown in economic output.

This time, government moves to introduce social distancing measures have seen the global economy go from peak to trough in less than three months.

Even if the global economy takes some time before we see any improvement, this particular slowdown will be very different to previous economic contractions . . . but also similar. Like other global slowdowns, this economic contraction is likely to accelerate many changes that were already in place beforehand.

The Economist said in April the impact of COVID-19 is likely to have three major effects on the global economy.

1. Globalisation, which has already been pressured by rising nationalism over the past decade may see further retreat from its previous position as the dominant way of economic thinking.
2. Geopolitical events like Brexit, or the US-China trade wars, have shown that the “globalisation is good” mindset that existed for the past 30 years is no longer the default position.
3. Also, the initial impact of COVID-19 in China saw many businesses re-think the benefits of having only China as the key component of their supply chains. Instead, the new focus is having a diversity of geographic sourcing.

Our internal research has found an increasing focus on local markets as well. In our FX Barometer research project, we found that US businesses sought domestic markets as the export market they are most interested in expanding into (Western Union Business Solutions FX Barometer, April 2020).

Technology

The second major change has been the increased impact of technology on our lives.

Of course, we’ve all been coped with video conferencing calls and instant messaging services, as working from home has become the norm. The question remains: what will work look like after six months of working from home? The “new normal” can become ingrained and a return to the old ways of office life might seem unthinkable to many.

This follows similar changes after the major sell-off in 2001, when we saw an increasing focus on counter-terrorism and surveillance after September 11. After the global financial crisis, increased regulation on financial services firms become normalised.

Size matters

In any major economic slowdown, more vulnerable businesses can struggle while better-positioned businesses find themselves able to take advantage of opportunities. The sudden jolt of economic closure in this slowdown means that smaller businesses are particularly exposed.

With little to no time to prepare for a significant hit to cashflow, smaller businesses are increasingly forced to lay-off workers or rely on profit-witting credit. As we have seen in previous slowdowns, smaller businesses can find themselves at the mercy of larger companies — either competitively or from the perspective of suppliers.

As the Economist notes, a “consolidation of economic power into the hands of giant corporations” remains a major potential change as a result of the COVID-19 outbreak.

Same, but different. So, is this time different?

Yes and no. The sudden shutdown of global economic activity is unlike any other time since World War Two. Like WW2, this shutdown has been driven by government intervention. Unlike 2001’s technology bubble or the global financial crisis, it affects consumers, not big business, that bear the greatest impact.
New investment in KiwiRail

The Government’s $1.2 billion rail investment in Budget 2020 will help KiwiRail attract more customers and get more freight on rail, KiwiRail Group chief executive Greg Miller said.

Building on the Government’s $1 billion investment in Budget 2019, this second round of funding includes $400 million towards replacing the aging Interislander ferries and $421 million to continue the replacement programme for some of KiwiRail’s oldest locomotives.

The funding also includes $246 million, plus a $148 million top up of the National Land Transport Fund, towards ensuring New Zealand’s rail network, which includes more than 3000km of track, more than 1000 bridges and nearly 100 tunnels, is reliable and resilient.

“I welcome this substantial funding, which is another major boost for rail in New Zealand. For our customers this investment sends a clear signal that rail has a bigger role to play in New Zealand’s transport sector, and that it can make a valuable contribution towards lowering our transport emissions, reducing road congestion and saving in road maintenance costs — which benefits our nation as a whole.

“The range of track renewal and facility upgrades we are planning will also support our workforce of almost 5000, as well as numerous civil contractors and material supply businesses across the country.”

“I’m very grateful to the Government for this level of support and I know that KiwiRail’s customers will be pleased by this demonstration of our shareholder’s commitment to rail.”

Mr Miller says the $400 million contribution to replacing Interislander’s three aging ferries and necessary landside infrastructure highlights how important the ferry connection is to New Zealand.

“Our Cook Strait ferries are an extension of State Highway 1, moving 800,000 passengers and up to $14 billion worth of road and rail freight between the North and South Islands each year.

“They are a must have for NZ Inc. The two new rail-enabled ferries will be more advanced, have significantly lower emissions and last for the next 30 years.

“This is a once-in-a-generation investment and I am thankful for the Government’s support. It gives us the security to go out to international tender to build the ships, which we hope to see arriving on our shores in 2024 and 2025.”
**OVERSEAS MOVEMENTS**

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10 The New Zealand Shipping Gazette May 16, 2020
ASIA

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FROM CONTINENT

Departs: Vessel: First NZ Port:

FRELIS 03/05 PARSIFAL NZAKL 16/05 BEZEE 14/05 FIDELIO NZAKL 27/06 BEZEE 16/05 THALATTA NZAKL 24/06 FRELIS 30/05 MAERSK NZAKL 20/07 BEZEE 16/06 TUGELA NZAKL 28/07 FRELIS 01/07 OBERON NZAKL 13/08

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

Departs: Vessel: First NZ Port:

NZTRG 25/09 MAERSK GOMER PAAMIT 06/06 NZTRG 25/09 SPIRIT OF HAMBURG CLSVE 14/07 NZTRG 04/08 MAERSK INVERNESS PAAMIT 22/06 NZTRG 11/08 SPIRIT OF SHANGHAI PAAMIT 26/06 NZTRG 10/08 OLEVIA MAERSK PAAMIT 06/07 NZTRG 29/06 MAERSK INNOSHIMA PECUL 21/07 NZTRG 01/07 SPIRIT OF SYDNEY CLSVE 09/08

WEST COAST NORTH AMERICA

From: NZ Port: Vessel: NZ: For:

USCH 16/07 NZIRG 08/09 MAERSK OXFORD NZIRG 21/09 USIRG 36/08

First

Departs

USCH 16/07 NZIRG 08/09 MAERSK OXFORD NZIRG 21/09 USIRG 36/08

FROM UNITED KINGDOM

Departs: Vessel: First NZ Port:

GR109 04/05 PARISIAL NZAKL 16/05 GR100 04/05 FIDELIO NZAKL 27/06 GR109 19/05 THALATTA NZAKL 29/06 GR109 31/05 MAERSK INVERNESS NZAKL 13/07 GR109 17/08 TUGELA NZAKL 24/07 GR109 01/07 OBERON NZAKL 13/08

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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 companies challenging. The bottom is just a short summary of what has been happening in this sector this week:

- Effective May 15, until May 30, CMA CGM will introduce a new Emergency Space SURcharge (ESS) of $US100 for cargoes from North Europe to the Far East. The tight capacity on this route has resulted in cancellations of container ships during the coronavirus outbreak in China.

- Felixstowe in North Europe and La Spezia in the Mediterranean are the ports hit hardest by the Europe-East Coast South America Andes/ALX2 service back to Singapore. Pelepas, Ennore, Krishnapatnam, Visakhapatnam and a number of 4500 TEU ships deployed from three to four, according to Drewry. The highest number of cancellations is for THE Alliance (28), followed by 2M (25) and Ocean Alliance (16). The loss of trade lane, the cancellations are Transpacific (45), Transatlantic (9) and Europe-Far East (29).

- The International Maritime Organization (IMO) has issued a 12-step plan to its member states with a global framework to facilitate crew changes. According to the International Chamber of Shipping, within a fortnight, approximately 150,000 merchant seafarers will need to be changed over to ensure compliance with international maritime regulations.

- To cope with the financial effects of the coronavirus, Hapag-Lloyd is planning a “mid-thirty millions” cost-cutting drive, on top of previous plans to reduce costs by $US350-400 million before the end of 2021.

- With respect to containerised imports, there were (considerable) declines in all areas, with the exception of the middle East/Indian Sub Continent and Sub Saharan Africa. The decline was painful in Europe and North America, due to the collapse of Chinese exports at the start of the year.

- The recent intra-regional trade was most affected in the Far East (-13.3%). Intra-Asia America trade was also substantially lower, although with regard to actual volumes, the difference is negligible. The major intra- Europe and intra-Middle East/SNC trades still performed well, as did the smaller intra-Latin America and intra-Sub Saharan Africa trades.

Looking at the January-March 2020 trade development by trade lane, the effect of the coronavirus becomes painfully clear. In twenty-four of the forty-nine trade considered, volumes were even worse. Next quarter they are likely to be even poorer. In twenty-four of the forty-nine trade considered, volumes were even worse. Next quarter they are likely to be even poorer.

Australasia Mexico

The China-centred overall liftings of COSCO Shipping dropped by 4.2% to CNY34.9 billion (US$4.9 billion). Net profit, despite still being a quite respectable CNY674 million (US$95 million) dropped by 38% (in CNY).

With respect to containerised imports, there were (considerable) declines in all areas, with the exception of the middle East/Indian Sub Continent and Sub Saharan Africa. The decline was painful in Europe and North America, due to the collapse of Chinese exports at the start of the year.

### TRADES

#### North America Trades

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#### Latin America

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Individual developments were more evenly spread this week with sixty-one companies going up and forty-nine going down. The average change was a marginal 0.1% gain. The company improving the most was First Ship Lease, although as has happened in the past, small absolute changes with the shipowner translate into substantial differences. This week’s improvement of just SGD 0.024 was equivalent to a remarkable change of +38%. Terminal operator Tidewater Middle East Island also did well with its shares gaining 18%. At 17%, China Merchants Ports and Danasaw saw their shares drop the most.

**PORTS, TERMINALS & ARTERIES**

Europe

Hamburg’s HHLA-operated Container Terminal Burchardkai (CTB) has taken delivery of two new ships from the China built and South Pacific delivered on Wednesday. The terminal is the fourth largest in Europe with a throughput handling twenty-six-evironment. We can add three more of the same size, delivered in November 2019, with which we will be able to operate along Breithas 6.

**Americas**

DP World has received five new 11,000 GRT containerships for which three have already been named. The first four have been named Almaty, Astana, Almaty, and Astana, and the last one is named Almaty, Astana, Almaty, and Astana. The fifth ship will be named Almaty, Astana, Almaty, and Astana. The first four ships were delivered during April and May 2019.

**Carriers**

For 2019, Eurogate reported a 17.3% decline in overall throughput. Much of the decline is to be attributed to the network’s new vessel rotation, which has been in effect since early 2018. The new route structure has resulted in a significant reduction in the number of voyage departures, leading to lower overall throughput. For 2020, Eurogate expects a recovery of around 10% due to the introduction of new services and improved vessel utilization.

**Carriers**

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**Carriers**

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The complications of a COVID-19 world

A right-minded person would suggest there’s never a good time to be in liner shipping – but even by the volatile standards of that section of maritime endeavour, 2020 is turning out to be confusing and confounding. Why, is no mystery. Where we go from here is a much bigger question.

If we look at Port of Melbourne monthly trade data for the first three months of this year (April wasn’t available for a week or so) there are mixed signs.

In January the news wasn’t exactly encouraging. Total overseas container trade for the month was down 12.5% over January 2019, with imports of full containers 11.2% down, full exports down 12% and empty exports down 18.1%. Only imports of empties were up – possibly a good sign for expected demand – by 21.8%. As it was, at end-December 2019 total financial year overseas full container volume through Melbourne was already substantially down on the previous equivalent period, sitting at 156,879 TEU compared to 164,025 TEU the last six months of calendar 2018.

January 2020’s downturn had been that of a thaw out further: 146,272 TEU compared to 165,228 TEU. And remember, this was in the early days of China’s COVID shutdown.

In February 2020 matters had worsened considerably and all the PoM container traffic figures were red. Total overseas containers were down 10.7% on February 2019; full imports were down 9.5%, full exports down 4.9%, empty imports down 5.9% and empty exports down 20.7%. Indeed in the early red ink the picture began to change a little. Total overseas container movements were down by only 1.2%, with a 3.7% fall in full imports but a 1.1% increase in full exports. Empty imports were down 4.6% but empty exports up 2.2%.

As might be imagined the greatest challenges have been in the Asian trades, principally China, and shipping lines have been doing their best to maintain that supply – something that’s required considerable coordination.

The 2019 calendar year saw the North & East Asia-Australia trade pretty sick for the first 6-8 months, but then there was a rapid pick-up and carriers contacted in the last quarter were the optimistic southbound volumes would stay strong until Chinese New Year in early February. Some judicious capacity management – including the November window of two 100% complete string – had helped keep freight rates up.

Normally there are a number of blankings in schedules over Chinese New Year, which also signals the beginning of the import low season and thus various capacity adjustments. But this year the China standstill saw carriers extend their 2020 CYN voyage withdrawals week by week. In 2019 there was a combined NAYA-East China blanking of 12 sailings, but 2020 saw at least 20 – and possibly more, as lines/groups muted the waters, so to speak, by sliding some schedules by a week, here and there, thus disguising the exact situation.

If we took lines’ temperatures in early March most were confident that pent-up demand and delayed orders following China’s shutdown would see a bounce-back in volume, although they were reluctant to predict how long that would last. In that context they didn’t foresee any further blankings beyond Week 11.

But of course that was before Australia and NZ began their own shutdowns, slashing consumption opportunity and demand, and before the true COVID-19 impact was felt in Europe and America. Meanwhile, in the NAYA trade line were taking stronger measures. Last year the market-leading A3 consortium of ANL, COSCO SL and OOCL downsized its Central China loop (A3C) by replacing three of its 8000-8500 TEU ships with 5800s for around six months; this year it has also downsized the Southern China (A3S) loop, moving three 5800s to A3C and replacing them with 4250-4500s. At the same time it has also downsized its Taiwan (A3T) loop, changing two loops – by blanking some sailings in vain but maintaining port coverage by ‘sharing’; A3 also has the option of diverting ships on its A3N loop to fill market gaps as necessary.

This kind of flexibility is largely not available to other groups/corpora except in the most extreme circumstances – one executive commented to me, “we only have an off/on button”, although there are some possibilities of the CAT and NAX services covering each other (given several members in common).

Maersk, meanwhile, has once again put its YoYo service from China into winter deep-freeze, noting that it had already been the service with most voyage cancellations this year. The service – on which Maersk, which designates it Pandu, contributes one ship and ONE, which labels it CAE, takes slots – was suspended in 2019 from the end of March to early June, but then didn’t resume until mid-September.

This year YoYo CYN blankings seemed to continue week-by-week until Maersk announced that there would be two April sailings and then, once again, a formal suspension until the end of June – with resumption subject to improved market demand. “Maersk will continue to review the demand picture and will continue absolutely deployed capacity to match,” the company said.

Accordingly the two April sailings went ahead, one with a 2600 TEU MSC vessel and the second by a 2800 TEU Maersk vessel. This was somewhat incongruously (!) the 9500 TEU Maersk Sarat arrived in Melbourne – very lightly laden – having left Xiamen about April 25. While YoYo is suspended Maersk has added northbound and southbound calls to its NAYA Dragon service to East Coast Australia to service the South China market.

In the South East Asia-Australia trade the COVID-19 effect had been slower to show its face but demand is obviously falling away, with blankings announced for both loops of the Triple A service (COSCO SL, OOCL and PIL) and for the AAX2-Komodo/S2A/AU2 (ANL, Maersk, Hapag, ONE) service.

AAX1/Cobra/SEA/AU1 has been re-configured – having only last October as part of a “super group” shake up (Shipping Gazette® - Australia August 31, 2019) – by deploying a 3500 TEU Maersk vessel to service Singapore/Tokyo/Manila (and) the resulting ‘saving’ of one ship. This takes the combined fleet down to six and, intriguingly, it is Maersk which is downsizing from two to one: composition will now be 3 x ANL and one each from Maersk, Hapag-Lloyd and ONE.

The group says the change will improve schedule integrity but it is also noteworthy that although the original deployment was 7 x 8500- 9500 TEU ships one of ANL’s contribution is now only 6540 TEU.

Separately, a spate of cancellations in MSC’s Capegri and Newki Express services now appear to be over and indeed the carrier is up-sizing some of the vessels deployed from c.3500 TEU to 4250 TEU, presumably to meet peak NZ export demand.

In other trades I’ve yet to detect significant voyage cancellations, albeit the West Coast North America-ANZ VSA has blanked one, Maersk/ Hamburg South’s OC1/Trident has effectively blanked one thanks to the unfortunate incident with the murder of Spirit of Hamburg’s master in Cartagena, and the CMA/COM/ Martinet NAP service from Europe and East Coast North America – cancelled one westbound/southbound departure from Rotterdam and its equivalent eastbound/northbound sailing.

On the Europe-via-Suez route there’s been a reduction in blanking in sailings but this week MSC and CMA CGM announced a port-call shuffle: from the mid-June southbound sailing of MSC Roma AES/NEMO will call Malta southbound, rather than Genou and Damietta while from the UK it’s the EuroMediterranean and Fremantle will be adjusted; these changes are also said to be made to improve schedule reliability.

I’ve already come to detect the catchphrase “the new normal” but I’m just an observer: it may be a hundred times worse for those in liner shipping looking over even the nearest horizon.

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By Dale Crisp (Melbourne)

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• Dale Crisp can be contacted at dalcrisp@bigpond.com
Exporters push-back on restrictions

Opening and strengthening markets must remain top of mind issues as New Zealand confronts the COVID-19 crisis, major food exporters advised the Government this week.

Eleven trade organisations representing the largest part of New Zealand’s food export effort outlined their support for the Government’s continuing trade push in a letter to Prime Minister Jacinda Ardern and Ministers.

There was growing concern that some countries were resorting to ‘beggary thy neighbour’ policies such as imposing export restrictions on food as well as medical products, said Malcolm Bailey, chair of the NZ International Business Forum (NZIBF).

“These measures have been proven to be short-sighted and counterproductive, as they distort efficient markets and disincentivise investment in production and innovation.

“They also threaten food security and increase market volatility. As food producers and exporters, we are also very concerned to see major food producing countries increasing subsidies, price interventions and other measures that will inevitably exacerbate the effect of the crisis on others, and hamper recovery.’

Mr Bailey said international trade, underpinned by World Trade Organisation (WTO) rules, would have a vital role in the world-wide economic recovery from COVID-19 and providing food security, especially for the world’s most vulnerable people.

Mr Bailey praised the Government’s efforts in addressing the current global health crisis “which will have enhanced New Zealand’s credibility and reputation as a trustworthy member of the global community, and as a trusted provider of safe, nutritious and sustainable food”.

“We already have a high standing on global trade issues through our trade policies and our international leadership over many decades.

“We believe New Zealand is well-placed to show leadership in upholding the rules-based trading system committed are for recapitalising large businesses and for loan guarantees, with little focus on keeping workers connected to the workforce.”

“Consequently, unemployement is likely to rise sharply and could hinder the pace of the economic restart once it begins.”

Australia has had similar success to New Zealand in bringing the outbreak under control, with somewhat less restrictive measures.

Mr Stephens says, “Our forecasts are based on Australia’s restrictions remaining in place for six months, though in light of recent trends they could be eased sooner. Even so, the Australian economy still faces a deep downturn this year, exacerbated by a loss of momentum even before the crisis hit.

“Unemployment is set to rise sharply, although as in New Zealand, a temporary wage subsidy scheme for businesses will help to prevent an even worse outcome.”

I noted last week how even more important the business markets of Australia will become in the transition to some form of normalcy. Our report in this issue on the annual trade accounts of Australia’s commodities trade notes the record A$106.00 billion trade surplus in March. That compared to a surplus of A$83.86 billion in February, while the rolling annual surplus was at a record high $71.69 billion in the year to March, up from $66.53 billion in February.

Iron ore shipments comprise a significant part of the rebound, and are directed to Asia.

Australia’s annual exports to China were at record highs of A$149.86 billion in March with annual exports to the US at a record $15,371 billion.

Net exports are estimated by Commonwealth Bank Group economists to add 0.5 percentage points to economic growth in the March quarter.

Ryan Felsman, a senior economist in CommSec in Sydney, also suggests that policymakers, concerned about Australia’s trade “dependence” on China, and ability to deal with medical emergencies, should note that Australia is also currently exporting around $6.5 billion worth of medicinal and pharmaceutical supplies to the rest of the world on an annual basis.

“Consequently, Australian beef exports are expected to decline by 3.5% over the year to April (consensus: -11%), but imports fell by 14.2%, a bigger drop than expected.”

Mr Bailey urged governments to resist any distorting barriers and subsidies, as damaging to the global economy.

“The lesson from previous global recessions is that recovery of the world economy requires trade to expand again and that international cooperation on trade policy will be vital.”

“All New Zealand’s trade relationships are of value in this critical time and as major food producers and exporters we will do all we can to work with the Government to demonstrate New Zealand’s trade leadership,” said Mr Bailey.

Beef fillip for Kiwi farmers

New Zealand’s beef farmers will benefit from a significant reduction in Australian beef exports in 2020, with this fall helping to partially offset the impact of decreased global demand due to COVID-19 for the local industry, according to Rabobank animal proteins analyst Blake Holgate.

Speaking following the release of Rabobank’s Australian Beef Cattle Seasonal Outlook – The Battle of the Bulls versus Bears, Mr Holgate said Australian beef exports were expected to fall dramatically in 2020, and this would play into the hands of New Zealand beef producers.

“As a result of historically-low beef inventories and widespread rain buoysing local restocking motivation among producers, we anticipate the Australian 2020 beef slaughter will fall by 14% this year and a further 2% in 2021,” he said.

“Consequently, Australian beef exports are expected to plunge by 17% in 2020 and the change in their slaughter composition – moving from a high to low proportion of females – will further affect the distribution of Australian exports into overseas markets,” he said.

Mr Holgate said a decrease in Australian beef exports was particularly significant for the New Zealand industry given Australia was New Zealand’s major competitor for beef exports in our two largest beef export markets – the US and China.

“Australia’s lower cow kill will mean less competition for New Zealand exports of manufacturing beef in the US where New Zealand and Australia are the dominant suppliers of this product,” he said.

The lower kill will also support the New Zealand beef industry’s prospects in China, with reduced
Economists at one of the country’s major banks, Westpac, believe New Zealand is headed into a deep recession.

In their Quarterly Economic Overview, they warn the coming years will see “lingering unemployment, sluggish household and business spending, and depressed conditions in some of our key export sectors. A full recovery will take years.”

“Following the arrival of COVID-19 on our shores, the New Zealand Government acted aggressively to restrict economic and social activity,” said Westpac chief economist Dominick Stephens. This was the right decision to protect lives, and will hopefully limit the longer — term impact on the economy.”

“Nevertheless, the economic consequences will be severe. New Zealand is now in a deep recession. GDP is set to decline by 17% through the first half of this year. In comparison, during the Global Financial Crisis (GFC), economic activity fell by a total of 2.7%, with that drop spread over a period of 18 months.

“We estimate that 13% of economic activity is still on hold, with many businesses in sectors like retail and hospitality unable to trade, and health and safety requirements slowing activity in a number of other sectors, such as construction.”

As restrictions on economic activity continue to be relaxed over time, there will be a sharp lift in GDP as businesses reopen and catchup activity occurs, said Westpac.

“Even so, a full recovery will take time. We expect annual GDP will drop 6.3% over 2020 and recover by only 4.7% in 2021. That said, we expect the economy will recover much faster than it did after the GFC, because the impediment to growth this time is temporary. This time we expect that the economy will recover to its pre-recession size after two years, whereas after the GFC it took three.

They note that tourism and international education sectors have obviously been especially hard-hit due to the near closure of New Zealand’s borders.

EXPORTS DRAG

Furthermore, ‘New Zealand’s goods exports will also be affected, with economic growth plummeting sharply in all our major export markets.’

“This will be a particular drag on manufactured exports and will create a renewed round of cost cutting in forestry. Prices of New Zealand’s key food exports have already fallen, and may fall further yet, affecting farm incomes.

“Unusually in our export sectors combined with the downturn in the domestic economy will leave businesses more focused on survival than expansion.

“We have already seen a number of business closures, and unfortunately there are likely to be more over the next few months. Among those businesses that do survive, many will have to borrow to get through. That means that once the recovery begins, they will be focused on balance sheet repair rather than expansion.

“Consistent with that, we’ve already seen many businesses scaling back plans for investment spending.

“In addition, there is likely to be further job shedding as the Government’s wage subsidy program comes to an end. We expect the unemployment rate will rise to 9.5% in June – its highest level in 27 years.”

They note that tourism and international education sectors have obviously been especially hard-hit due to the near closure of New Zealand’s borders.

“Travel exports — including travel, education and passenger transport — fell by 15.4% to $4.029 billion in March. And car imports also fell, reflecting the weak consumer backdrop.”

“Australia’s “old” sources of growth benefitted from China’s reopening after the pandemic hit its economy hard in January and February.

“For example, we would expect to see premium beef products, such as prime steaks, sold through full-service restaurants face a drop in demand as a result of economic contraction. At the other end of the scale, manufacturing beef used for mince and burger patties is not expected to be impacted by the economic decline.”

At the same time, Mr Holgate said, a weaker New Zealand dollar, China’s reduced pork availability due to African swine fever and the US-China trade deal were all additional positive offsetting factors.

“Australia’s exports of iron ore, coal and natural gas would provide some comfort to policymakers that China may be through the worst of its coronavirus economic downturn.”

A fact sheet

“Australia’s largest export — totalled 17.6 million tonnes in the week to April 24, up from 16.2 million tonnes earlier in the month, according to Global Ports’ data.

“Steel rebar inventories have declined from peaks of 13.65 million tonnes in mid-March to 9.548 million tonnes, according to the Beijing Custeled E-Commerce company.”

Iron ore demand is driving Australian metals exports rebound. Pictured: Mining in the Pilbara

Where the virus shutdown did show up (as expected) was in the services sector with large declines in income earned from international tourists and students as Australia’s international borders were shut, said Mr James.

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Kiwi dollar loses prior upwards momentum

While containment measures are limiting the spread of COVID-19 and saving lives, one trade-off from introducing these measures is the economic cost, says the Reserve Bank.

In a paper released this week, the central bank estimates GDP was around 37% lower during the period of alert level 4 than it would have been without any restrictions. This means a lockdown for one quarter would reduce quarterly GDP by 17%.

“Over four and a half weeks that equates to $10 billion of lost production, reducing annual GDP by 3.2%. For comparison, a similar period of restrictions in New Zealand equates to a fall of around $5 billion in production relative to the same baseline, reducing annual GDP by 1.7%.”

The bank notes there is significant uncertainty and limitations surrounding these estimates. “We do not account for transitional impacts as we move from one alert level to another. We also do not factor in the decline in global economic activity that would have reduced New Zealand GDP without any containment measures...”

The bank’s economists estimate GDP will be 19% lower during alert level 3 compared with no restrictions. “However, the impact on firms is highly uncertain during this period...”

International tourism is an important driver of economic activity and contributed approximately 4.4% to GDP in the March 2019 year.

“The border closure also affects spending by New Zealanders travelling overseas. Domestic tourism expenditure on air passengers transport totalled $2.8 billion in the year to March 2019. Assuming a third of this is affected, we estimate GDP would decline by around 0.2%.”

“A reduced number of immigrants would result in long term consequences for the NZ economy, with a cumulative impact on GDP while border restrictions remained in place. For example, closing the border for three months would reduce GDP by 0.25% while closing it for a year would reduce GDP by 1%.”

Global economic conditions have deteriorated sharply as a result of the international spread of COVID-19, the Reserve Bank states in its latest Monetary Policy Statement.

“As a small open economy with open capital markets, global conditions are a major driver of economic conditions in New Zealand, through a range of trade, financial, and confidence channels...”

The outlook for global growth has worsened significantly as COVID-19 has spread around the world.

“The shock to global GDP is likely to be greater than during the global financial crisis, with the International Monetary Fund (IMF) forecasting global output to contract by around 3% in 2020...”

“Uncertainty around this forecast is high, and risks are to the downside...”

The outlook depends on a number of factors, such as the ongoing spread of the pandemic, the nature and duration of containment measures, and households and firms respond.”

The MPS notes that the IMF forecasts global growth to rebound to around 6% in 2021, reflecting a partial normalisation of economic activity from very low levels.

“However, this is conditional on the pandemic fading in the second half of 2020, allowing containment measures to be gradually removed...”

“The growth slowdown is broad based across New Zealand’s main trading partners. “Disruption to trading-partner economic activity is expected to be at its worst in the June quarter of 2020, except in China, where the impact was large in the March quarter.”

“China’s economy may act as an indication of how the economic outlook may unfold for the rest of New Zealand’s trading partners. Economic output in China contracted by 7% on an annual basis in the March quarter of 2020...”

“Over the past month China has begun to selectively relax lockdown measures, with timely measures of economic activity signalling a gradual return to normality. Most firms have re-opened, although many are operating at reduced capacity, as authorities are maintaining public health controls to reduce the risk of a renewed virus spread.”

“Output in the euro area, the United States, and Australia is expected to fall by between 6 and 8% in 2020 compared to 2019. The extent to which output is expected to decline depends partly on the stringency and duration of lockdown measures in each country.”
FCL Schedule from New Zealand to Guam/Saipan

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<td>05/08</td>
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</table>

* No Reefer shipment ** Moved coastwise ex Wellington to Tauranga on NZS service

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

May 16, 2020

The New Zealand Shipping Gazette 19
### NEW ZEALAND SERVICE (NZS)

#### Import

<table>
<thead>
<tr>
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### NEW ZEALAND CHINA SERVICE (NCS)

#### Import

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### AMERICA OCEANIA SERVICE (AOS)

#### Import

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*Direct Ports of Call*