Maritime Union rejects report on Ports of Auckland privatisation

The ports company is a strategic asset in the country's largest city, union says.

Fiona Rotherham Wed, 12 Apr 2023

The Maritime Union has rejected the findings of a new report pushing privatisation at the Ports of Auckland, saying mixed ownership would not be good for Auckland.

The report, done on a pro bono basis by Wellington consultancy TDB Advisory, compares the financial performance of 11 100% council-owned and mixed ownership ports in New Zealand since 2015. It found Ports of Auckland was one of the worst performers since it was delisted in 2005.

The report, 'Ports: what role for mixed ownership?', said its findings were consistent with overseas literature that has found a degree of private ownership tends to improve a firm's performance on average and over time.

But the term 'mixed ownership' was not driven by what is good for Auckland, said Russell Mayn, union Auckland branch secretary.

The Ports of Auckland has a natural monopoly and is a strategic asset for the city, he said.

"The primary value of Ports of Auckland and other New Zealand ports is the role they play in facilitating trade, not in their returns to shareholders."

He said modern ports need to be socially and environmentally responsible and theories that the sole purpose of ports was a commercial return to shareholders should be alarming to port users, residents and workers.

He was concerned that the port owner, Auckland Council, may be driving the privatisation push, or at least individuals on the council to try and influence other councillors.

"You have a city that needs a whole lot of money spent on infrastructure so why would you not want what I consider to be the jewel of the crown bringing money and returns back into the city on a long-term basis?," Mayn said. "We will need every red cent we can get and I think the port is well on its way to returning $1 million a week and going forward a lot more than that so why wouldn't we want all of that as ratepayers?"

Ports of Auckland has had a turnaround in performance.

A majority of the 20 Auckland councillors are opposed to any sale of the port and Auckland Mayor Wayne Brown has said his mandate from Aucklanders is to retain the port land in public ownership in perpetuity though he's actively pushing for the port to be shifted from its current site.

He's called for better health and safety, improved financial performance, the transfer of container movements from trucks to rail, a plan to remove car imports from some of the wharves and over the medium-term for the car and container operations to be shut down altogether.

In mayoral debates prior to being elected last year, Brown refused to rule out selling any of the city's 100% holding if the council's budget situation required it.

Mayor Wayne Brown.

Financial performance

Mayn said the major cause of low dividends in the years analysed at the Ports of Auckland was the long-running failed automation project which was dumped in June last year.

An independent review of the failed automation project, which resulted in $65 million of wasted investment and lost productivity, said that there were “incomprehensible” contractual failings relating to technology. The project was widely blamed for supply chain congestion in the early days of the Covid-19 pandemic.

Mayn said the Maritime Union had rejected the automation project from the beginning.

“You don’t have to be a privatisation fan to see that was a bad idea.”

The failed automation project is the subject of a forthcoming study by the International Transport Works’ Union, which MUNZ is affiliated to.

TDB's analysis of the financial performance of the 11 New Zealand ports over the past eight years found that on average over the period the mixed-ownership ports achieved greater profitability and yielded higher dividends than the 100% locally government-owned ports. However, the 100% local government-owned ports on average had stronger solvency and liquidity.

Seven of the 11 ports analysed are 100% council-owned – Auckland, Taranaki, Wellington, Nelson, Marlborough, Lyttelton and Otago. The other four – Tauranga, Napier, Timaru and SouthPort in Bluff – have a mixed ownership structure.

Ports of Auckland showed a clear deterioration in profitability, dividend yield, solvency and liquidity following its delisting. Excluding the revaluation-affected 2005 results, POAL's average return on assets declined to 6.2% in the four years after delisting compared to 16.7% in the four years prior.

TDB advisory co-founder Phil Barry said the Ports of Auckland's returns over the past three years had been mediocre at best while the dividend yield had been 1% or less.

In its latest half-year result, the council delivered what it called a "well-rounded" result with underlying earnings, dividend payout and full-year guidance all increased.

The company made a net profit of $20.8 million for the six months ended December, slightly down on the $23.5m achieved in the same period last year but that figure was inflated by an $8.7m revaluation gain.

Total revenue was just under $160m, compared with $131m a year ago. POAL declared an interim dividend of $15m, compared to just $2.1m a year ago.

Maritime Union Auckland branch secretary Russell Mayn.

Turn around

Mayn said he understood the concern over the port's poor performance in the past eight years but under a new board and new chief executive, things were turning around.

"I think we've got to assess the port on where it is today, not where it was five years ago or even two years ago."

He pointed to one aspect – casualisation of stevedores – which he said was "chalk and cheese" with how it had been under previous management, while health and safety had taken huge steps.

'I would say that the Ports of Auckland is probably a leader in New Zealand in that area at the moment," he said.

Former CEO Tony Gibson stood down in 2021 following a scathing health and safety report earlier that year into a number of fatalities at the port. Key findings in the report found there were systemic problems at the port in relation to critical health and safety risk management and organisational culture.

Mayn said confusion around relocation of the ports and now talk of privatisation risked undermining the recent huge turnaround in performance.

https://www.nbr.co.nz/business/maritime-union-rejects-report-on-ports-of-auckland-privatisation/