

## POAL Customer Advisory - An update from Tony Gibson



Ports of Auckland

22 February 2012

With a further strike notice received from the Maritime Union last Thursday (the tenth strike since December), we are now preparing for a period of 14 days continuous disruption to Port operations, from 7.00am this Friday, 24 February, through to 7.00am on Friday 9 March.

Today I'm sending you the first of a regular set of emails on the current labour dispute, to update you on current developments and actions, progress underway to achieve a sustainable solution to the labour issues at the Port, and provisions in place to mitigate impact on the flow of goods through the supply chain.

With the possibility of extended action we are working closely with customers, stakeholders and the wider freight industry to assist in managing supply chain impacts. In addition to the meetings we're having each day, I'm conscious that regular, open communications with our wider group of customers and stakeholders is vital to that.

We want to achieve a lasting and sustainable solution to the current labour productivity issues and disruptive action in Auckland as quickly as possible through two separate and parallel processes: firstly through negotiations on a Collective Agreement which will deliver improved flexibility, and a long term solution to the current productivity issues which have diminished our customer focus and impaired the Port's performance for decades; and secondly, through consultation on a proposal to contract out labour at the Port.

A contracting-out labour model is in place at most of the top performing ports around the world, including Tauranga, our nearest competitor, and New Zealand's top-performing port.

Last Friday I addressed several business leaders, who presented me with a very clear message. We need to resolve this once and for all, and resolve it fast, by either means. Our customers are expecting a step-change at the Port which will lift productivity, and provide the certainty they need that the current disruptions will not occur again.

We've enjoyed considerable support from the business community over recent months, and fully understand the effects that many businesses in Auckland and nationwide are feeling on this issue. I assured them that we are well aware of, and agree with their concerns. Auckland has the right fundamentals (physical location, scale, technology, proximity to New Zealand's largest market) to be best-in-class port in the Asia Pacific region. Both the Board and management believe we have a clear mandate to lift our performance long-term, and that's our goal.

By way of update:

- **CA Negotiations:** At this stage we are still awaiting a formal response from MUNZ to our final offer presented in December. Our last mediation with MUNZ was held on Friday 10 February. The five-hour meeting was adjourned with an agreement the parties would meet again if either had something new to bring to the table. Last Wednesday I wrote to the Union asking them to return to mediation asap. Inexplicably, the Union's response was to issue notice of an extended strike. The ongoing industrial action seems a destructive, "all or nothing" approach from the Union which not only disrupts the supply chain, but also creates uncertainty for their members and their families. We estimate the two week strike action will cost them around \$1m in lost wages.

- **Contracting Out Proposal:** POA issued an RFP to prospective contractors on 10 January, and we are now in advanced discussions with contractors on the proposal. We've had three meetings with the union, but consultation has been relatively one-sided. We will be asking MUNZ to give us a formal response to the proposal by early next week. Meanwhile, the Port has been gathering views from prospective contractors and other staff through the consultation process. We'll be reviewing this feedback over the next two weeks with a view to deciding whether we take this approach further. Our consultation process on a contract-out model is not just with union members, or stevedores, but involves a complete organisational review.

• Legal action: Both parties have lodged claims in the Employment Relations Authority and Employment Court relating to the good faith provisions under the Employment Relations Act. The Port's concerns have been primarily around intimidatory behaviour and Union misinformation, while MUNZ's focus has been around the process we've been undertaking on Contracting Out. We are very confident in the process we've been working through on the Contracting Out proposal. Claims we have not provided confidential information to the Union are unwarranted. Much of the information they're seeking is not yet available. We are committed to providing the Union with the information it needs, when available, so it can consult meaningfully with its members.

• Tasman Star: On Friday, Maersk announced its decision to shift the west-bound call of its 'Tasman Star' service from Auckland to Tauranga from late February. This is partly in response to the changes it announced earlier to its Southern Star service. It means an overall revenue loss of \$2.5m pa on top of the \$25m anticipated adjustment from the loss of the Southern Star and Fonterra business. Import containers will be delivered, with some exports and transshipment volumes shifted to Tauranga. To me it further underscores the need for greater flexibility in our operating model, and to finding a long-term, sustainable solution that provides the certainty, security and increased productivity our customers are looking for.

• Strike Impacts: At this point we have plans in place to manage the first week of strike action (from 24 Feb – 2 Mar). This first week impacts on 11 ship-calls, six of which will be managed through our multi-cargo operations and Fergusson Terminal. Other customers are choosing to divert cargo through alternative ports. With so many strikes over the summer months we've been strengthening our on-port operational capacity, and are confident in our ability to maintain limited road R&D at both Fergusson and Bledisloe, and limited container exchange services on vessels.

• Non-Union Staff: I want to thank staff on Individual Employment Agreements (IEAs) and other non-Union staff who have helped us keep operations going in recent months. We now have a significant number of courageous staff who have been keeping Port operations going through a difficult period. I meet with this team on a regular basis and understand the challenges they're going through. I've been very concerned about several issues with intimidatory behaviour that have arisen since December, and have made my concerns clear in correspondence with the Union. We have zero tolerance for this sort of behaviour.

• MUNZ Campaign: The Union has mounted a publicity campaign in recent weeks, which includes many exaggerated and misinformed claims. The Port respects the Union's right to communicate with its members and the public, and has no issues at all with their communications so long as they are factual and accurate. In the backgrounder (attached and on our website [here](#)), we aim to set the record straight on each of their claims.

Thank you for your ongoing support for us through the current issues. Please don't hesitate to email me if you have any questions or concerns. I look forward to continuing to update you over the coming weeks.

Refer to Ports of Auckland [website Industrial Action Update page](#) for updated changes as they come to hand.

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