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Economic Policy Centre

Pensions and Intergenerational Equity

PIE Commentary 2023-02 [1]

What is the purpose of the Ports of Auckland?

By Nigel Haworth

PIE highlights intergenerational equity issues around state ownership of New Zealand's key strategic assets. As the carrot of quick budgetary salves from selling shares in Auckland Ports dangles in front of the Auckland City Council it is important to remind New Zealanders of the value of public ownership. With parallels to other key privatisation disasters taxpayers and businesses will inevitably face high costs when the goal of the Ports of Auckland becomes profits for private shareholders.

We republish this commentary by **Nigel Haworth** Emeritus Professor of Human Resource Development with the Department of Management and International Business at The University of Auckland with thanks to the New Zealand Herald.[2]

What is the point of Ports of Auckland? Is it there to support Kiwi exporters and importers in our largest city? Or is its job to make as much profit as possible for its owners?

A new report by Wellington TDB Analysts emphasises profit-taking. Phil Barry from TDB Analysts told the Herald: "if you look at Ports of Auckland's returns over the last three years, they are mediocre at best... So, what's going on?"

What is "going on" is a previous management engaged in an expensive war with its workforce, lost, and then decided to replace them with machines that didn't work and cost the ratepayer millions of dollars. That was laid out concisely in the Port's own report, in which Mark Binns found the automation project was flawed from start to finish, with poor goal-setting, poor strategy, and poor execution.

After the automation debacle, the Port is starting to recover.

The management is cooperating with its workforce, rather than trying to find ways to sack them. Containers full of Kiwi exports and imports are flowing at near-record levels once more. The last thing the Port needs is another ideological experiment, whether it's the suggestion of selling off shares in the port to a private buyer, or Auckland's Mayor Wayne Brown's notion of contracting out the running of the Port to a private operator.

We are in the 2020s, not the unlamented 1980s. The notion underlying these moves, that the Port's value resides only in maximising profit, is wrong-headed, and the predictable

[1] PIE Commentaries are opinion pieces published as contributions to public debate, and do not necessarily reflect the view of the Pensions and Intergenerational Equity Hub.
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voices arguing for privatisation should worry Auckland businesses, which will pay the price of extra profit.

The Port is key infrastructure; it underpins our regional and national economy. Like railway or roads, the Port permits Auckland's businesses to prosper.

The job of transport infrastructure is not to make as much profit as possible by squeezing its customers, but to benefit trade and the nation. The myth that market disciplines are required to deliver that benefit died with the failure of neoliberalism.

Ports of Auckland is a natural monopoly. There is currently no other way to move hundreds of thousands of tonnes of goods directly and quickly into Auckland. Of course, it competes with other ports but, as the congestion caused by the automation debacle showed, there is not the capacity to replace Auckland Port with other ports and ship all those goods to and from Auckland overland.

When road and rail are compromised by events such as Cyclone Gabrielle, it's Auckland's only port.

So, to the issue of privatisation, or "mixed ownership", or "public private partnership", or "private operations management" or whatever euphemism is currently favoured.

If you bring private players into the running of the Port, they are going to want a substantial cut of the wealth that flows through the port. They are going to want large, and larger, dividends. Those dividends must come from somewhere. They also go somewhere, often offshore.

The source of those dividends will be from increased throughput, and, as always, increased productivity; workers will be expected to work harder, longer and, often, in more dangerous conditions. We don't need to look far for proof of that.

POAL has played by these rules, attacking workers' terms and conditions and then trying to replace them with machines. It led to operational breakdown, major financial loss, and an appalling health and safety record.

We know now that there is very little fat to be cut in Ports of Auckland's operations for a private investor looking for a big dividend.

Moreover, the Port's customers are Auckland's businesses and community. Don't think for a second that privatising the Port won't end in businesses, customers, all of us paying a hefty price to deliver the expected dividends. It's how the system works.

It's also the case that international commentary no longer slavishly follows the 1980s mantra of privatisation. International thinking has moved away from the panacea of privatisation to more nuanced perspectives.

Before we embark on another experiment in "fixing" Ports of Auckland by trying to privatise it, let's remember that its job is to provide an affordable and timely service for Kiwi businesses trading with the world, and new investors looking to extract dividends won't help.

Comments welcome to
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