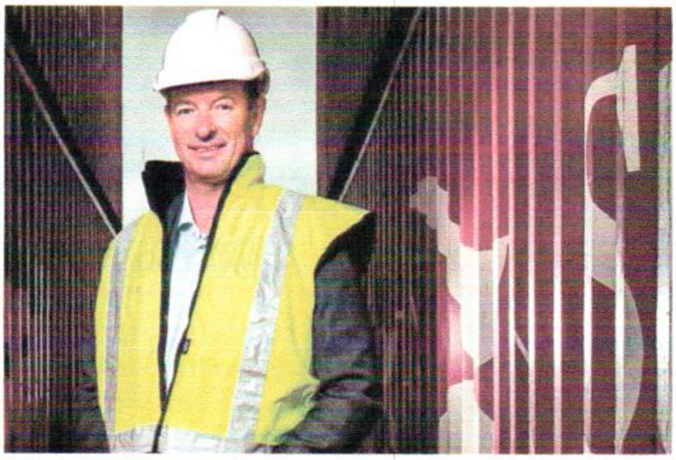

*Tony Gibson, CEO of Ports of Auckland wants to see "empty latent capacity" better used.*

# Increased competition for empty boxes

*Dave MacIntyre*

ONE SENSES that the logistics battleground in New Zealand is about to intensify still further as Ports of Auckland and Netlogix come together to create a new freight management entity.

If my reading of the situation is right, one principal area where the war will be fought is in the domain of empty boxes. Among the combatants yet again will be Ports of Auckland and Port of Tauranga, now with freight management generals to help direct the battle tactics.

As to why empty boxes should be an area of competition I will come to that later. First, let's recap the main points of the announcement and then analyse it in greater depth.

The new entity, Nexus Logistics, is a 50/50 joint venture between Ports of Auckland and Netlogix. For those who don't know who Netlogix is, its offer to freight owners is described as a full suite of freight transport services and a centralised freight desk providing access to a comprehensive network of carriers, with a single point of contact and accountability.

The company emphasises its technology base as a point of comparative advantage.

Its two main office-holders are well known in the transport industry. Chief executive is Chin Abeywickrama, formerly CEO of Fonterra subsidiary Dairy Transport Logistics, and president of the Chartered Institute of Logistics and Transport in New Zealand.

Chairman and non-executive director is Paul Harper, dean of the New Zealand Maritime School and director of the Port of Napier. Both men held senior management roles at Carter Holt Harvey.

That link is important because Carter Holt Harvey is one of Netlogix's cornerstone customers. The company has several other major clients who entrust it with their supply chain arrangements, but it is fair to say this new joint venture represents a major expansion into the wider freight market.

That is what Netlogix brings to the table. Ports of Auckland brings among other things its subsidiary CONLINXX which will become a fully-owned subsidiary of, and service provider to, Nexus Logistics.

Ports of Auckland also brings its new Longburn Intermodal Freight Hub in Palmerston North, its partnership with Napier Port and Icepak at Longburn, the new cold store with Polarcold at Wiri and is also going to create a crossdock facility at Wiri. Wiri will therefore become another intermodal freight hub.

With this mix of ingredients, what is the intended outcome?

Nexus is being positioned as a fourth-party logistics (4PL) provider — meaning it will take responsibility for the complete supply chain process for the customer as opposed to single functions.

The concept is a technology-driven container logistics and distribution services network, which will link transport companies nationwide, and be run by an Auckland-based team of about 15 people.

The key is to leverage what Ports of Auckland chief executive Tony Gibson referred to as the considerable "empty latent capacity" residing in the marketplace. By that, he is referring to the immense amount of empty running that occurs in this country.

Empties, commonly referred to in the industry as MTs, are a costly problem in New Zealand logistics because of our inherent imbalance. We ship in empties to feed the need for boxes at export pack points.

Also, the full import boxes that come into New Zealand do so principally through Auckland, the reason being that 50% of consumption takes place north of Taupo, so the majority of containers reach their final destination there.

But once emptied, the box often wends its way back to Auckland for shipping or railing south, to where the export cargoes await. All this time, it contains no freight at all.

Nexus, therefore, is intent on reducing this wasted space by finding cargo for the boxes. It may do so by locating a suitable pack point via the Netlogix network, and sending the empty direct to the customer who needs a box.

Probably more likely is it will locate cargoes that need cross-docking (moving from pallets into a box), organise the transport of the cargo to the cross-dock point such as Longburn or Wiri, and then organise the transfer to the port.

Ideally, from a Ports of Auckland perspective, that port will be Auckland. However, a key point is it need not be. The supply chain proposition being offered here is intended to be port-neutral. If the export customer wants the gateway to be Napier or Tauranga, so be it.

Also ideally, from a Nexus perspective, the customer will ask it to

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perform all the logistics tasks, joining up the dots between transport operators, cross-dock operators and other service providers. That way, Nexus would be entrusted with the whole job end-to-end — the true 4PL service in action.

But again, it need not be. The customer may wish for a preferred transport company to be included. If so, so be it.

Of necessity, matching available boxes with available cargoes will often be done on a tight timeframe. Nexus intends to communicate with transport companies over their available capacity every day.

The overall efficiency gain would take cost out of the supply chain. Gibson estimated that to move an empty box from Auckland to Tauranga or further south is upwards of $300.

By using the available empty containers more strategically, by positioning them direct to cross-dock facilities or pack points, and by organising to bring the goods into the cross-docking hubs to be packed into containers, Nexus aims to remove a fair chunk of that waste.

Interestingly, although the published proposition here appears to be based on Palmerston North and Wiri, the joint venture partners are thinking nationally. Netlogix has links with about 115 transport companies throughout New Zealand and intends using an optimal mix of road, rail and coastal transport capacities and services for Nexus.

So one can expect to see Nexus extend its arms well beyond the geographic scope mentioned above.

Finally, let me return to an initial point I raised, that this new supply chain move could herald a battle on a wider front.

My reasoning is that the Kotahi/ Maersk/Port of Tauranga deal corners a major slice of export volumes. To service those volumes, the deal requires control over the supply of empties.

Yet here we have another alliance also seeking to control the flow and management of empties.

Empties may be an added cost to our supply chain but, fundamentally, you need an empty box to put the export cargo into it. If there is competition to source that box, then the empty will become a sought-after commodity.

Interesting times lie ahead in the logistics battlefield.

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