

[date]

LABOUR STRATEGY

1.0 OBJECTIVES

1.1 Staff hours per Container and Crane Rate per Hour

Our current labour cost is approximately \$30m, being approximately \$55 per container, which is 33% of Total Costs (43% of Total Costs before Lease Charge). If our Staff Hours per Container Matched Port of Tauranga we would spend approximately \$6m less, being \$10 per container

1.1.1

1.1.2

1.1.3

Crane and Berth Rate

The current berth rates (a combination of the crane rate and the number of cranes allocated to a particular ship) are inadequate and at current levels customers are not being adequately serviced. We

1.1.4

1.1.5

The equivalent productivity figures are;

1.1.5.1	1.1.5.2 Staff Hours per Container	1.1.5.3 Crane Rate per Hour
1.1.5.4 Port of Tauranga Current	1.1.5.5 0.95	1.1.5.6 35
1.1.5.7 Ports of Auckland and Equivalent Target	1.1.5.8 0.95	1.1.5.9 33
1.1.5.10 Ports of Auckland Current	1.1.5.11 1.25	1.1.5.12 25

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1.1.6

1.1.7 Objective 1

To achieve a 0.95 staff hours per container by 01 January 2012

1.1.8

1.1.9

1.1.10

1.1.11 Labour Capacity and Utilisation

It is crucial to operations that there is sufficient flexibility to cover peaks in demand (by shift, by day, within the week, and by season), that there is sufficient quantity of labour allocated to a shift/ship exchange, and that each shift/ship exchange includes labour with the right mix of skills.

1.1.12

1.1.13 Labour Flexibility

The current workforce of full time and part time permanent Stevedores and Casuals is insufficiently flexible to meet the challenges of our business and for many years there have been serious services failures.

Sustainable Customer Service

Customers require a certainty of service delivery and this has been compromised over the years during the renegotiation of the Collective Agreement where there have been threats of and actual industrial action.

1.1.14

1.1.15 Adequate Shareholder Returns

The Company is currently not achieving its WACC and is not making the returns required by shareholders. Although not provided to the group the following graph illustrates the issue.

1. Key Dates

Collective Agreements

The MUNZ CA expires on 30 September, the Pilots CA expires on 29 October 2011 and the Marine Services CA expires on 20 July 2012.

MUNZ can initiate bargaining for the CA on 1 August and take legal strike action from 14 October (14days notice)

Contractors Set Up Time

There would need to be an 8-12 week time frame for contractors to commence operations.

2. Reaction

- a. MUNZ – Illegal and legal Strikes/Pressure on membership/ITF/Political pressure on Shareholder/Pressure on membership in other ports/Lobby customers with threats (Maersk)

- b. MUNZ – MUNZ looking for significant change to current CEA that will restrict future changes
- c. MSG/AMEA – Illegal and legal Strikes /ITF/ Pressure on membership in other ports

3. Key Stakeholders must support plan

- a. Central – Unknown last time
- b. Local Govt - Folded last time
- c. Customers – Supported last time
- d. Directors – Majority folded last time

4. Stakeholders may who support the plan

- a. Cargo Owners + (NDU,DVWU)/Trucking Coys/Kiwi Rail + (RMTU)

5. Legal

- a. Consultation with employees is required (3-6 weeks) before decision is made
- b. MUNZ would commence legal action challenging every part of process and the decision once made (Interim injunctions and substantial hearings) – to stop or delay change.
- c. CEA then IEA on same terms and conditions – Change only by agreement.

6. Other

- a. Threat of Actual Loss of Maersk volume will facilitate change
- b. Threat of Loss of Maersk volume won't facilitate change
- c. CEA Staff - Substantial number will not agree to extent of change required but some would
IEA staff – Will be on model closer to changes
- d. NZ Inc – We would need to clearly articulate impact of changes and benefits
- e. NZ Supply Chain – Stakeholders must understand the disruption after 4-7 days

2.0 STEP 2 – SET THE OBJECTIVES

1. Set the Objectives

- a. Productivity – Staff Hrs per Container (utilisation)/Crane/Berth Rates
- b. Flexibility – Labour Capacity to service customers – Adapt quickly to changes
- c. Sustainable Customer Service – No actual or threat of industrial action
- d. Returns – Shareholders requirements
- e. Timeframe – When must we achieve by.

3.0 STEP 3 – IDENTIFY THE ALTERNATIVES

- a. CEA changes enable objectives to be achieved – Not achievable as changes to great for MUNZ
- b. Fully Contracted Out – Redundancy Costs \$5m Stevedores and P24s excluding Shift Managers/Supervisors, Allocations, OPCs, S&M, Corporate (HR, IT, Finance, CA, Risk) another approx \$2m - 4m – What is the payback? What are the risks?
- c. Combo –
 - Some form of grand parenting of existing staff- CEA/IEA
 - Buyout some conditions/retain others
 - Redundancy for those that want to go
- d. Continue with progressive change – notice of changes to work practices/no change to CEA restrictions – 30 September 2011 gets harder
- e. Status Quo – focus on cultural change and improved leadership
- f. Brainstorm others

4.0 STEP 4 – EVALUATE THE OBJECTIVES

- a. Critically judge each alternative
- b. Identify the positive and negative outcomes of all alternatives
- c. Evaluate using problem definition and objectives.

5.0 STEP 5 – TAKE ACTION

- a. Choose the best alternative
- b. Develop SMART plans

6.0 STEP 6 – FOLLOW UP

7.0 INTRODUCTION - HEADING 1

If you pull up the styles and formatting side bar you will see the names of the styles I've used.

7.1 Heading 2

7.1.1 Heading 3

- List Bullet
- List Bullet

Indented style [for straight text]

7.2 L2

7.2.1 L3

7.2.1.1 L4

8.0 CONTENTS

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9.0 ATTACHMENTS

9.1 List attachments if any

9.2 List attachments if any

10.0 RECOMMENDATION

Eg: That the report be **noted**.

That the Board **approves**

[electronic signature to be inserted]

Name

Title