

Proactive Release

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Some information has been withheld on the basis that it would not, if requested under the Official Information Act 1982 (OIA), be released. Where that is the case, the relevant section of the OIA has been noted and no public interest has been identified that would outweigh the reasons for withholding it.

Listed below are the most commonly used grounds from the OIA.

<u>Section</u>	<u>Description of ground</u>
6(a)	as release would be likely to prejudice the security or defence of New Zealand or the international relations of the New Zealand Government
6(b)	as release would be likely to prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by (i) the Government of any other country or any agency of such a Government; or (ii) any international organisation
6(c)	prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
9(2)(a)	to protect the privacy of natural persons
9(2)(b)(ii)	to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
9(2)(ba)(i)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public
9(2)(ba)(ii)	to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
9(2)(f)(ii)	to maintain the constitutional conventions for the time being which protect collective and individual ministerial responsibility
9(2)(f)(iv)	to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials
9(2)(g)(i)	to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to Ministers of the Crown or members of an organisation or officers and employees of any public service agency or organisation in the course of their duty
9(2)(h)	to maintain legal professional privilege
9(2)(i)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry out, without prejudice or disadvantage, commercial activities
9(2)(j)	to enable a Minister of the Crown or any public service agency or organisation holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

Commercial In Confidence

Office of the Minister of Transport

Cabinet Economic Policy Committee

Chatham Islands Replacement Shipping Service – Selecting a preferred supplier

Proposal

- 1 This paper seeks agreement to secure long-term, reliable shipping services to the Chatham Islands by way of:
 - An agreement to approve the joint venture of McCallum Bros Ltd (MBL) and Nova Marine Carriers SA (NMC) (together the MBL JV) as the preferred supplier of shipping services to the Chatham Islands.
 - An agreement to authorise the Associate Minister of Transport to approve the final contract and to authorise the Secretary of Transport to sign a contract with the MBL JV for shipping services to the Chatham Islands
 - An agreement to amend the drawdown conditions of the *Supporting a Chatham Islands Replacement Ship to Enable Critical Transportation Services – Tagged Operating Contingency*
 - An agreement to transfer \$2.163 million in the *Supporting Resilient Shipping to the Chatham Islands* appropriation from 2024/25 to 2025/26 to provide support for maintenance to the *Southern Tiare*.

Relation to government priorities

- 2 Ensuring resilient and accessible connectivity between the Chatham Islands and mainland New Zealand will support the building of a stronger, more productive economy and increase opportunities for those living on the Chatham Islands.

Executive Summary

- 3 The Chatham Islands are reliant on shipping services for the movement of fuel, livestock, machinery, and general freight to and from the mainland. The Islands are currently served by the 39-year-old vessel the *Southern Tiare*, whose unreliability has caused periodic significant hardship to the community and \$11.5 million in maintenance costs to the Crown.
- 4 In March 2025, the Ministry of Transport (MoT) released a Request for Proposals (RfP), seeking proposals for new shipping services to the Chatham Islands. Nine responses were received and evaluated by an expert panel against the published evaluation criteria. Three proposals were deemed to be viable, and included sufficient detail to be progressed to more detailed negotiations:

- Bass Strait Freight (BSF) – a Tasmanian shipping company proposed a Napier–Chatham Islands service using a newly-built 50-metre vessel
 - Chatham Islands Shipping Limited (CISL) – the incumbent operator, proposed a new 75-metre vessel similar in size and capability to the *Southern Tiare*
 - McCallum Bros Ltd (MBL) – a long-established Auckland-based maritime company proposed a joint venture with Switzerland-based Nova Marine Carriers SA to build and operate a 78-metre vessel.
- 5 MoT invited each shortlisted respondent to participate in a Best and Final Offer (BaFO) negotiation process, during which time BSF withdrew. The remaining two respondents refined their proposals in discussion with MoT officials. The CISL and the MBL JV proposals are broadly comparable in terms of potential costs.
- 6 I recommend that the MBL JV be selected as the preferred supplier of services to the Chatham Islands. While both remaining options are likely to be viable and capable of being delivered within the \$24.3 million tagged contingency funding available, the MBL JV proposal carries fewer risks, and is more advanced, providing more confidence that a new service can be in place before the *Southern Tiare* reaches its end of life.
- 7 Subject to Cabinet approval, I intend to announce the MBL JV as the preferred supplier in late September 2025. MoT officials will continue to finalise contract terms with the MBL JV. The final contract will be submitted for my approval prior to signing.

Background

A shipping service is critical to the Chatham Islands community

- 8 Located 800 km east of the South Island, the Chatham Islands are the country's most isolated region, home to around 650 people. The economy is driven by fishing, farming, and tourism. New Zealand has an Exclusive Economic Zone (EEZ) of 4 million square kilometres – the fourth largest in the world. This means that globally, New Zealand has one of the most extensive fishing areas. An EEZ usually extends 200 km off a country's coastline. Due to the location of the Chatham Islands, this extends the EEZ of New Zealand considerably and its access to high quality and high value fish stocks. This results in an annual contribution to the New Zealand economy of over \$200 million from the Chatham Islands' fishing industry.
- 9 Shipping is essential to the Chatham Islands, enabling the transport of fuel, livestock, machinery, and supplies. With no abattoir, livestock farming depends on shipping to reach mainland processors. Diesel, (which is vital for electricity generation), must be regularly shipped in, and groceries are often delivered this way due to lower costs than air freight. Without reliable shipping, many island industries would not be viable.

The existing ship is nearing the end of its working life

- 10 The Islands are currently served by the 39-year-old vessel *Southern Tiare*. This service is operated by Chatham Islands Shipping Limited (CISL), a subsidiary of the Chatham Islands Enterprise Trust (CIET). The *Southern Tiare* is a specialised multi-purpose vessel, capable of transporting livestock, fuel, and general freight. However, its design limits space and requires reconfiguration between cargo types, complicating operations and making it difficult to find a like-for-like replacement. Uneven import-

export volumes mean frequent services are uneconomical, and the vessel must seek work elsewhere to remain viable, resulting in long service gaps for the community.

- 11 The vessel is reaching the end of its service life. It recently underwent a *special survey*¹, at significant cost to the Crown, which will enable it to continue operating until March 2026. The vessel is currently operating well but can no longer be relied upon. It is expected to pass its next intermediate survey in October 2025, enabling it to continue to operate until March 2027. It may be able to operate for one further year until March 2028, but at that point it will need to be retired as it is not expected to pass another special survey, even with significant repairs.
- 12 The unreliability of the Southern Tiare has caused periodic significant hardship to the community. Outages in 2024 resulted in the Islands running out of petrol supplies and nearly running out of diesel fuel for power generation. During winter 2024, approximately 5,000 feral cattle were culled to prevent an animal welfare crisis on the Islands due to the inability to move stock because of the shipping outages.

Not all ships can enter the Chatham Islands Port and berth at the wharf

- 13 Waitangi Wharf underwent a \$52 million upgrade in 2018, including a 163-metre breakwater to protect moored vessels and improvements to port facilities and Fishermen's Wharf. The design is tailored to the *Southern Tiare*, limiting berthing to vessels of similar size and draught. The wharf lacks a crane, so containers must be offloaded by vessels with onboard cranes or via forklift. There is also no ramp for Roll-on Roll-off (RoRo) vessels, which require containers to be driven on board.
- 14 The *Southern Tiare* also provides periodic services to Pitt Island – an island located 23 kilometres South-East of Chatham Island, which is home to around 40 people. Servicing Pitt Island is difficult and dangerous as the *Southern Tiare* is unable to berth at Pitt Island and instead must transfer goods and livestock to a barge at sea. Rough sea conditions are common around Pitt Island, resulting in infrequent services.

Funding has been set aside for a replacement shipping service

- 15 The previous government set aside \$35.1 million in a tagged contingency in Budget 2022 to repair and replace the *Southern Tiare* with a new, purpose-built vessel. Funding was drawn down over the past three years to fund repairs with \$24.3 million remaining in the tagged contingency. s 9(2)(b)(ii)
- 16 In April 2024, direction was sought from joint Ministers of Finance, Transport and Internal Affairs (joint Ministers) on progressing the project. Costs for a new vessel had risen to over \$35 million which was unaffordable. In addition, Ministers were also concerned about the commercial sustainability of the new ship. On 13 March 2024 CIET responded to a letter from the Minister of Internal Affairs confirming that it did not have the financial capacity to contribute to any cost overruns.
- 17 Joint Ministers therefore decided not to proceed with the Crown purchasing a new vessel to replace the *Southern Tiare* and instead instructed officials to work with the Chatham Islands community to canvas the market for a replacement shipping service.

¹ An inspection of a vessel's structure, systems and equipment to ensure it meets safety standards. Required every 5 years.

Analysis

Procuring a Replacement Shipping Service for the Chatham Islands

- 18 In May 2024, MoT convened a cross agency working group, with representatives from the Council, CIET, DIA, the Ministry for Primary Industries (MPI), and the Regional Public Service Commission (RPSC) to explore options. It was quickly determined that due to the unique specifications of the *Southern Tiare*, suitable second-hand vessels were very rare and of similar age to the existing vessel.
- 19 The working group decided to run a Request for Information (RfI) to assess the shipping sector's ability to meet the Chatham Islands' needs. Released by MoT on 12 September 2024, the RfI sought information on market capability and constraints. It closed on 25 October 2024 with 11 formal responses, which proposed several shipping models varying in vessel type, size, schedule frequency, and freight capacity.
- 20 Following the positive response to the RfI, the previous Associate Minister of Transport authorised MoT to release a formal Request for Proposals (RfP) for long-term freight shipping services to the Chatham Islands.
- 21 The RfP set clear requirements about the needs of the community, the technical constraints of the wharves at Waitangi and Pitt Island, and the maximum funding envelope, but provided flexibility for the private sector to offer a range of innovative solutions to meet those requirements. The RfP process launched on 27 March 2025 and ran for seven weeks. Respondents were asked to provide detailed information about their proposed shipping service, including costs, the intended funding model, infrastructure requirements, and other technical requirements
- 22 The RfP was well received by the sector with nine proposals submitted.² Proposals were evaluated by a panel chaired by MoT, with officials from MoT, the Department of Internal Affairs (DIA) (owners of the Waitangi Wharf) and two consultants with commercial and maritime consulting expertise. The panel was supported by subject matter experts (SMEs) from Maritime New Zealand (MNZ), the Ministry for Primary Industries (MPI), and the Ministry for Business Innovation and Employment (MBIE). Responses were evaluated against the criteria in the RfP, focused on four key areas:
 - 22.1 **Technical Merit**, including ability to move all freight types, comply with New Zealand maritime regulations and provide a frequent, reliable service;
 - 22.2 **Commercial Merit**, including the commercial model and evidence to show they can maintain affordable shipping rates for the community;
 - 22.3 **Capability to Deliver**, a track record in providing shipping services, booking and payment systems, and demonstrating understanding of community needs;
 - 22.4 **Broader Outcomes**, ability to show the impact of the proposed model on the wider Chatham Islands economy.
- 23 The level of detail in responses was mixed. Several proposals were ruled out, either through not meeting the preconditions for evaluation, or not demonstrating their

² s 9(2)(b)(ii)

solution was viable and affordable. However, three proposals were deemed to be viable and included sufficient detail to be progressed to more detailed negotiations:

- 23.1 **Bass Strait Freight (BSF)** – a Tasmanian shipping company proposing a 50-metre vessel modeled on its existing fleet
 - 23.2 **Chatham Islands Shipping Limited (CISL)** – the incumbent operator, proposed a new 75-metre vessel similar in size and capability to the *Southern Tiare*
 - 23.3 **McCallum Bros Ltd (MBL)** – a long-established Auckland-based maritime company proposed partnering with Switzerland-based Nova Marine Carriers SA to build a 78-metre vessel equipped with dual cranes.
- 24 MoT commissioned John Tucker (Beca) to undertake an independent review of the evaluation and shortlisting process. His final report confirmed that “the evaluation is considered a fair evaluation of the responses and there is discernible (score) gap between the shortlisted responses and the remainder.”

Public consultation

- 25 Between 16 June and 9 July 2025, the Ministry consulted the Chatham Islands community, using an online survey and written submissions. Respondents were asked to set out priorities for a shipping service and comment on the shortlisted proposals. Feedback from the 48 responses was mixed; affordability and reliability were the most valued attributes. BSF was marginally preferred, but many respondents identified conflicts of interest, so the survey results need to be interpreted with caution. A summary of the responses to the public consultation is attached as **Annex 1**

Negotiations with the shortlisted suppliers

- 26 MoT invited the shortlisted respondents to Best and Final Offer (BaFO) negotiations. In July 2025, the respondents attended pre-negotiation meetings with MoT officials, for MoT to offer feedback on their proposals and review the respondents’ answers to clarification questions. At this stage, BSF withdrew from the process, citing unresolved issues related to securing land in Napier and concerns over infrastructure costs. Officials had already identified several critical issues with BSF’s proposal which could not have been resolved without delaying the procurement process.
- 27 The two remaining respondents met MoT officials in early August 2025, to negotiate and refine their proposals. A summary of the key terms of the revised proposals from each respondent are set out at **Annex 2**.

Selecting a preferred supplier

- 28 MoT considers that both proposals are viable and offer a credible pathway to ensure a new ship is delivered before March 2028, when the *Southern Tiare* will no longer be able to operate. The two proposals are broadly similar in terms of ship design and the business model (utilising the ship elsewhere to generate additional revenue when not serving the Chatham Islands). However, the proposals have different risk profiles:

- 28.1 s 9(2)(b)(ii), s 9(2)(g)(ii)

s 9(2)(b)(ii), s 9(2)(g)(ii)

28.2 CISL is a subsidiary of CIET, which is a non-profit organisation. s 9(2)(g)(ii)

Some members of the community have also noted that CISL is heavily exposed to conflicts of interest and ‘island politics’.

28.3 s 9(2)(b)(ii), s 9(2)(g)(ii)

29 While the CISL proposal may be viable in principle, it would require substantial further development before a contract could be signed. In contrast, negotiations with the MBL JV are sufficiently advanced that a contract can be finalised within weeks if Cabinet approves the MBL JV as the preferred supplier. A contract with a ship builder could be then quickly finalised, enabling the ship to be delivered by late 2027.

30 I am seeking agreement to proceed with an arrangement where the Crown would pay \$24.3 million to the MBL JV for a guarantee of at least 14 services per year³ over the next 20 years. Users of these services would still be expected to pay for their use, at rates similar to the existing rates, with all revenue going to the MBL JV. The vessel would be procured and owned by the MBL JV. s 9(2)(b)(ii)

. In return for taking on this risk, the MBL JV would have the ability to use the ship for other purposes, provided the minimum contractual level of service to the Chatham Islands is still delivered.

Implementation

31 Once Cabinet has confirmed its decision, officials will work with the MBL JV to finalise the contract. Key contract terms have already been agreed in principle, although some aspects will require further discussion. Officials are developing a performance framework with financial abatements designed to incentivise good performance, including establishing KPIs and reporting requirements in key areas such as reliability, punctuality, animal welfare, regulatory compliance and customer complaints. This framework will ensure that the MBL JV is incentivised to increase the frequency of its services to the Chatham Islands in response to increased demand.

32 While CISL (and by extension, CIET as its sole shareholder) have participated in the procurement process, both entities have indicated that they will work with MoT to

³ s 9(2)(b)(ii)

support the transition to a new provider if Cabinet does not recommend CISL as the preferred supplier. MoT will work with the MBL JV, the Council and CIET to prepare a transition plan to ensure services continue uninterrupted until the new service begins. It is anticipated that the *Southern Tiare* would continue to operate during this period, but the MBL JV has indicated that, through its relationship with NMC, it may be able to procure a relief vessel to provide a transitional solution, if necessary.

- 33 The design of the MBL JV's vessel does not require significant port infrastructure upgrades to be able to berth at Waitangi. Ongoing minor improvements to the port are expected to be able to be accommodated within DIA's existing appropriation: *Chatham Islands Wharves - Operational Costs*.
- 34 Prior to the new service starting, MoT intends to sign a Memorandum of Understanding (MOU) with the MBL JV and the Chatham Islands Council. The MOU will not be a legally binding contract, but will set out the basis on which MoT, the Council, and the MBL JV will work together to ensure the success of the new service
- 35 Since Budget 2022, the Crown has supported maintenance and repairs of the *Southern Tiare*. Continued Crown support will be required to maintain the vessel during the transition to the new service. The first scheduled maintenance period is expected to begin in October 2025, s 9(2)(b)(ii). The *Supporting Resilient Shipping to the Chatham Islands* appropriation has \$0.5 million of funding in 2025/26. In Budget 2025, Cabinet agreed to transfer the unspent funding of this appropriation in 2024/25 to 2025/26. I propose transferring the unspent funding of \$2.163 million to 2025/26 to provide funding of up to \$2.663 million for the upcoming maintenance costs in 2025/26. Although audited financial statements have not been completed, the Ministry of Transport advise they have a high degree of confidence in the underspend for 2024/25.

Risks

- 36 s 9(2)(g)(ii)
- 37 s 9(2)(g)(ii), s 9(2)(b)(ii)

⁴ s 9(2)(b)(ii)

- 38 s 9(2)(b)(ii)
- 39 Demand for shipping to and from the Chatham Islands is unpredictable and there is a risk that the level of service will be too high or too low to meet future demand. The contract with the MBL JV will ensure a minimum of 14 services per year when the service begins, regardless of demand, to ensure a lifeline service for the community. This will provide a total capacity of around 70,000 stock units per year⁵, higher than the annual stock volumes currently produced, with the performance framework providing incentives to increase service levels subject to the MBL JV's financial performance and livestock demand. s 9(2)(b)(ii)
- 40 Lack of reliable shipping services has been an economic handbrake for the Chatham Islands. Farming production has been limited by the shipping capacity of the Southern Tiare. An improved, more reliable service can provide certainty and confidence to enable farmers (and other businesses) to invest and will also ensure the community has better access to goods and services, in a timely way, improving the living standards of the population.

Financial Implications

- 41 Under the proposed option, the remaining \$24.3 million of funding previously allocated in Budget 22 would be paid to MBL in instalments based on key milestones, with the final payment made upon successful completion of first sailing of the new vessel. In exchange for these payments, MBL is obligated to provide 20 years of service to the Chatham Islands with a minimum of 280 return voyages completed over the life of the contract. This amounts to a maximum per-voyage subsidy of \$86,000. At the completion of the contract, MBL will have the option of extending the contract at no further cost to the Crown or offering the ship back to the Crown for a nominal fee.
- 42 The value for money from the proposed contract needs to be considered against alternative options. In 2024, MoT investigated options for chartering temporary relief vessels to remove livestock from the Chatham Islands while the Southern Tiare was out of service. Very few vessels in the world are capable of carrying livestock, fuel and general cargo while safely berthing at the wharf in Waitangi. s 9(2)(b)(ii)
- , suggesting that long-term charter arrangements would not be a cost-effective solution even if a suitable vessel could be found.
- 43 The RFI and RFP processes have highlighted that no private sector operators are willing to take on the risk and uncertainty associated with operating regular services to the Chatham Islands without Government support. While directly procuring a new ship may be technically viable, the Crown would then need to take on the risks associated with the ship build, and the ongoing operating risks and costs.

⁵ The *Southern Tiare* currently moves approximately 50,000 to 60,000 stock units per year.

- 44 I am confident that the option presented by the MBL JV is the most cost-effective option available. The proposed model enables us to leverage private sector shipping expertise to ensure a reliable long-term service without needing additional funding.
- 45 The appropriate accounting treatment of the arrangement is contingent on the details of the final contract with the MBL JV and is subject to further work. Analysis of the appropriate accounting treatment will consider the nature of the Crown's interest (if any) in the vessel during the service period and the relationship between the services operated by the MBL JV across the 20-year period and the upfront payments requested. It is likely that this arrangement will have an OBEGALx impact of \$24.3 million across the forecast period (managed against the tagged contingency). However, alternative treatments may require a capital appropriation and permission to lend under the Public Finance Act 1989 or may spread the operating impact over a longer time period.

Impact Analysis

- 46 A regulatory impact analysis is not required as this paper does not propose any regulatory changes. The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal.

Population Implications

- 47 Approximately 650 people live on the Chatham Islands, the majority identifying as Māori, comprising descendants of Moriori, Ngāti Tama, and Ngāti Mutunga.

Human Rights

- 48 There are no inconsistencies in this advice with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993. Improved shipping connections will provide improved conditions for those living and working on the Chatham Islands.

Use of external Resources

- 49 Expert commercial and maritime consulting support has been used to assess RfP proposals and negotiate technical specification requirements with the shortlisted suppliers.

Consultation

- 50 The Ministry for Primary Industries, Ministry for Business Innovation and Employment, Department of Internal Affairs, and the Treasury have been consulted.

Communications

- 51 I propose to make an announcement about the preferred supplier in late September 2025, subject to the contract being finalised or sufficiently advanced to have confidence that all key terms have been agreed to. My officials will develop a communications plan for notifying the unsuccessful candidate and the community.

Proactive Release

- 52 I intend to release the Cabinet paper proactively but delay the release beyond 30 business days while commercial issues related to the contract terms are finalised.

Recommendations

The Associate Minister of Transport recommends that the Committee:

1 **note** that as part of Budget 2022 financial recommendations agreed by the Minister of Transport and the Minister of Finance on 14 April 2022, Cabinet and the Ministers of Finance and Transport:

- 1.1 **agreed** to support the Chatham Islands to replace its current vessel, the Southern Tiare as it reaches the end of its life, including funding to support short-term maintenance of the Southern Tiare until a replacement vessel is delivered
- 1.2 **agreed** to establish a tagged operating contingency of up to the following amounts to provide for recommendation 3.3:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26
Supporting a Chatham Islands Replacement Ship to Enable Critical Transportation Services – Tagged Operating Contingency	-	11.020	24.080	-	-

1.3 **agreed** that the contingency may be drawn down by the Minister of Transport, the Minister of Internal Affairs, and the Minister of Finance (establishing any new appropriations as necessary), upon their joint satisfaction with further work to confirm the ownership model, business operating model and governance arrangements for the future shipping solution

1.4 **noted** that the contingency may be drawn down into Vote Transport or Vote Internal Affairs as required

2 **note** that following cumulative drawdowns of \$11.520 million to fund critical maintenance activities on the Southern Tiare, the remaining balance and indicative phasing of the operating tagged contingency is as per the table below

	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30
	24.300	-		--	-

3 **note** that the MBL JV is requesting grant funding of \$24.3 million, payable in instalments based on key milestones of the ship build, with the final payment made upon successful completion of first sailing of the new vessel

4 **agree** that the MBL JV should be approved as the preferred supplier of shipping services to the Chatham Islands

5 **authorise** the Associate Minister of Transport to approve the final contract and to authorise the Secretary of Transport to sign a contract with the MBL JV for shipping services to the Chatham Islands

6 **agree** to amend the drawdown conditions attached to the tagged contingency listed in recommendation 1.2 above:

Original conditions	Amended conditions
agree that the contingency may be drawn down by the Minister of Transport, the Minister of Internal Affairs, and the Minister of Finance (establishing any new appropriations as necessary), upon their joint satisfaction with further work to confirm the ownership model, business operating model and governance arrangements for the future shipping solution	authorise the Minister of Transport, Associate Minister of Transport and the Minister of Finance to provide funding from the tagged contingency for the supply of shipping services to the Chatham Islands (including establishing new appropriations and approving operating to capital swaps as required)

- 7 **note** that future drawdowns of funding will be into Vote Transport
- 8 **note** that the appropriate accounting treatment and appropriation implications of the arrangement (including if the arrangement will be considered lending under the Public Finance Act) will be confirmed based on the terms of the final contract.
- 9 **note** that the Ministry of Transport expects the fiscal impact of the above arrangement will be able to be managed against the tagged contingency described in recommendation 1 above, but that the timing of the fiscal impact will vary from the indicative phasing provided above (and may extend beyond the forecast period).
- 10 **note** that, in Budget 2025, Cabinet authorised joint Ministers to agree to transfer unspent funding in the Supporting Resilient Shipping to the Chatham Islands appropriation from 2024/25 to 2025/26, following completion of the 2024/25 audited financial statements of the Ministry of Transport [CAB-25-MIN-0126.70];
- 11 **note** that although audited financial statements for 2024/25 have not been completed, scheduled maintenance of the Southern Tiare in October 2025 requires the early confirmation of the full amount of the available expense transfer;
- 12 **agree** an expense transfer of \$2.163 million from 2024/25 to 2025/26;
- 13 **approve** the following changes to appropriations to provide for the decision in recommendations 12 above, with no impact on the operating balance and/or net core Crown debt across the forecast period:

	2025/26	2026/27	2027/28	2028/29	2029/30 & outyears
Vote Transport					
Minister of Transport					
Non-Departmental Other Expense	2.163	-	-	-	-
Supporting Resilient Shipping to the Chatham Islands					

- 14 **agree** that the proposed change to appropriations for 2025/26 above be included in the 2025/26 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

- 15 **note** that the Associate Minister of Transport will announce the MBL JV as preferred supplier, noting that final contract terms may still be confirmed after this
- 16 **note** that services with the new vessel are planned to start in the second half of 2027, and the Ministry of Transport will work with the MBL JV, the Chatham Islands Council and Chatham Islands Enterprise Trust to develop a transition plan for the new service.
- 17 **note** that the Ministry of Transport will be responsible for the implementation and ongoing monitoring of the contract and shipping services

Hon James Meager

Associate Minister of Transport

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Chatham Islands Replacement Shipping Service Project

Community Consultation Summary Report

Version: 1.0

Status: Complete

PROACTIVELY RELEASED BY
THE MINISTRY OF TRANSPORT / TE MANATU WAKA

Summary of Submissions Received

Submissions received

Consultation on proposals shortlisted following a Request for Proposals for Long Term Freight Shipping Services to the Chatham Islands ran from 16 June to 9 July 2025. We received a total of 41 submissions via online survey, six via written survey and one written submission via the email inbox.

Survey responses were from:

- 41 individuals who currently live in the Chatham Islands with two of these being Pitt Islanders
- 3 individuals who own businesses on the island
- 2 non-government organisation or advocacy groups (one from an individual via survey, one written submission)

The survey had three sections. The first asked respondents to indicate on a scale of 1 (not important) – 5 (very important) how important the following aspects of any new shipping service would be to them:

- Frequency of service (a shipping service that serves the islands as often as possible)
- Capacity of the vessel (a shipping service that can transport a large volume of goods at one time)
- Reliability of the service (a shipping service that arrives and departs on time, without unscheduled cancellations)
- Affordability (a shipping service that is affordable to use)
- Chatham Islanders having an ownership interest in the new service.

Section two asked respondents to indicate which ports in New Zealand they would prefer a new service to call at including:

- Timaru
- Napier
- Both Timaru and Napier
- Other (respondents to specify).

Section three asked survey respondents to comment on summaries of the proposals of the three shortlisted candidates: Bass Strait Freight (BSF); Chatham Islands Shipping Limited (CISL); and McCallum Brothers Ltd (MBL). Respondents were asked to describe what they liked and disliked about each proposal, and how the proposal would affect how they lived and worked on the island.

Limitations

Due to the small population size of the Chatham Islands only a small number of responses were received. As a result, we are unable to draw any statistically significant conclusions from the data presented below.

It should be noted that proposals for each respondent will continue to be refined following the closing date of this consultation and some of the concerns raised by submitters have or will be addressed through that process.

Conflicts of interest

Many individual submitters to the survey have either an actual or perceived conflict of interest.

s 9(2)(g)(ii)

s 9(2)(g)(ii)

Given the large number of actual or perceived conflicts, (and the likelihood of other conflicts which have not been verified) we have not attempted to adjust for this when interpreting the survey results. However, the results should be interpreted with caution.

Overall themes

Submissions across all sections of the survey were mixed, with responses particularly divided on the three shortlisted proposals. The new service being affordable and reliable appears to be the only strong consensus among respondents. Farmers and business owners particularly valued these aspects as these provided certainty for business planning.

Most submitters did not see Island ownership of a shipping service as important. Submitters who specifically commented were concerned that island owned services create conflicts of interest, divide the community and can result in personal vendettas.

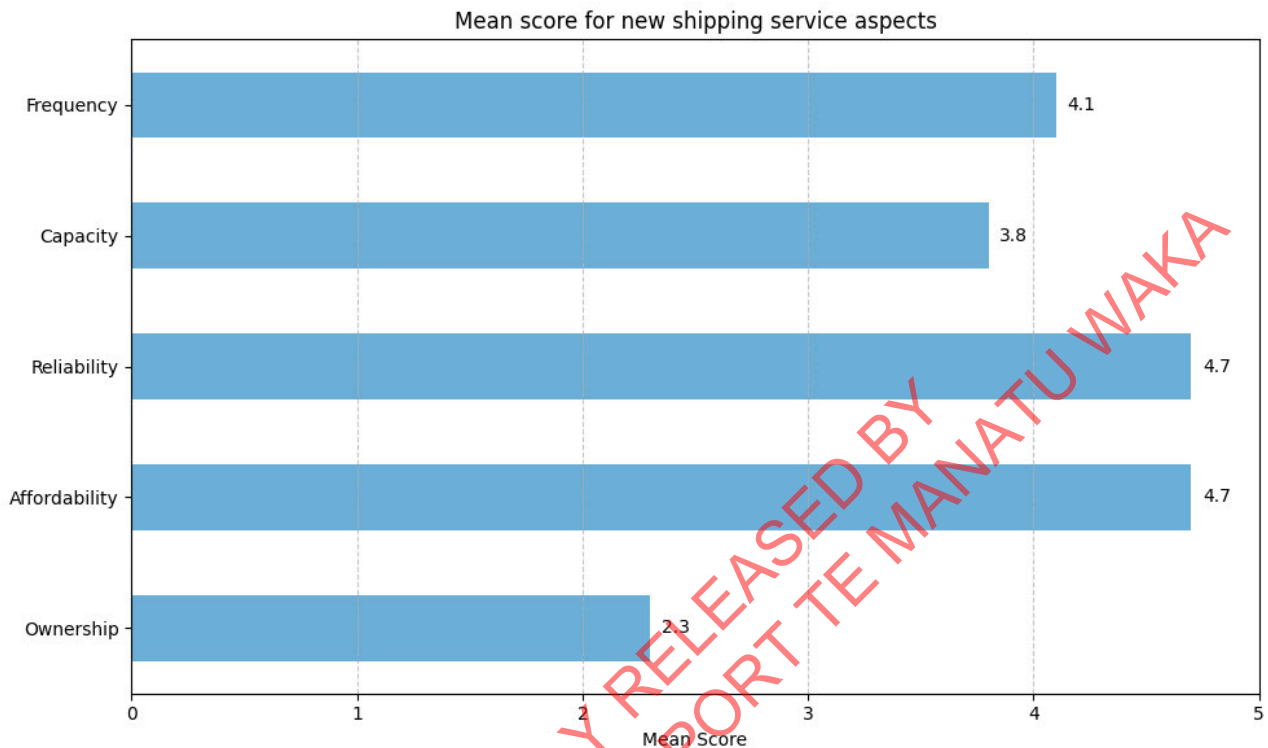
A common theme from the comments section of the survey was that any new service needs to have the capability to grow as the island economy grows. There was no clear consensus among submitters about which proposal could best deliver this.

Based on overall average ratings, BSF emerged as the most preferred proposal with many submitters praising the company for its experience in similar market and operating conditions in Australia. Submissions on the CISL and MBL proposals were mixed with CISL being slightly favoured over MBL.

Section 1 – How important is each aspect of a new shipping service

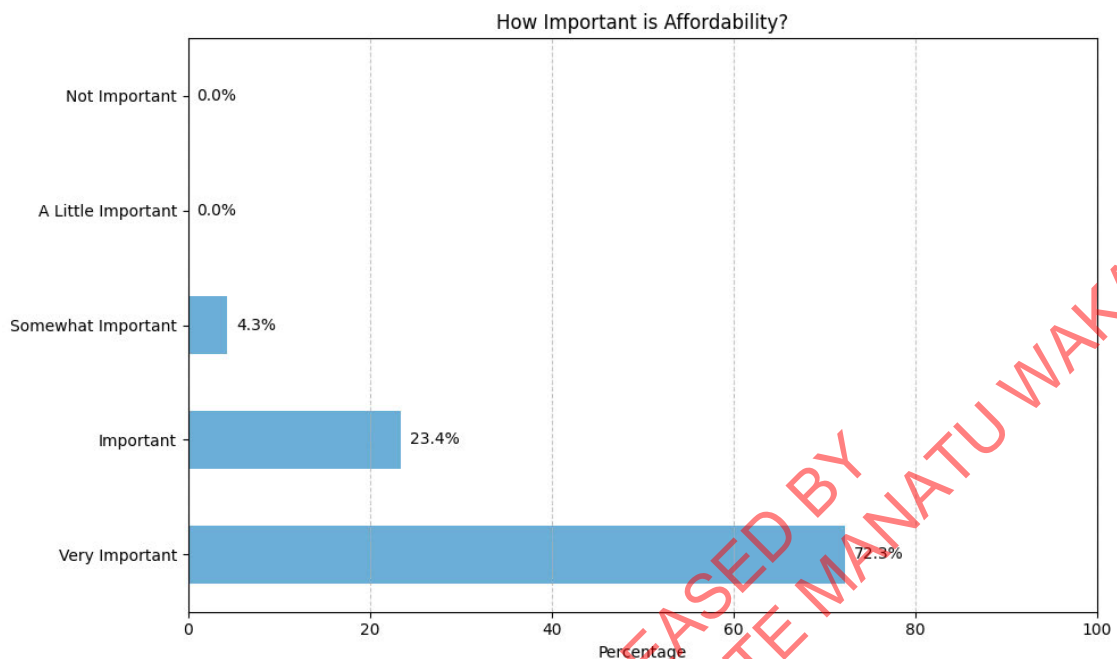
Results for section one showed that respondents found reliability and affordability to be the most important factor for any new shipping service, followed closely by frequency of service. The capacity of the new service and Chatham Islanders having an ownership stake in the new service were the least important factors for respondents. Figure one below shows the average importance score for each criterion:

Figure 1: Mean score for new shipping service aspects

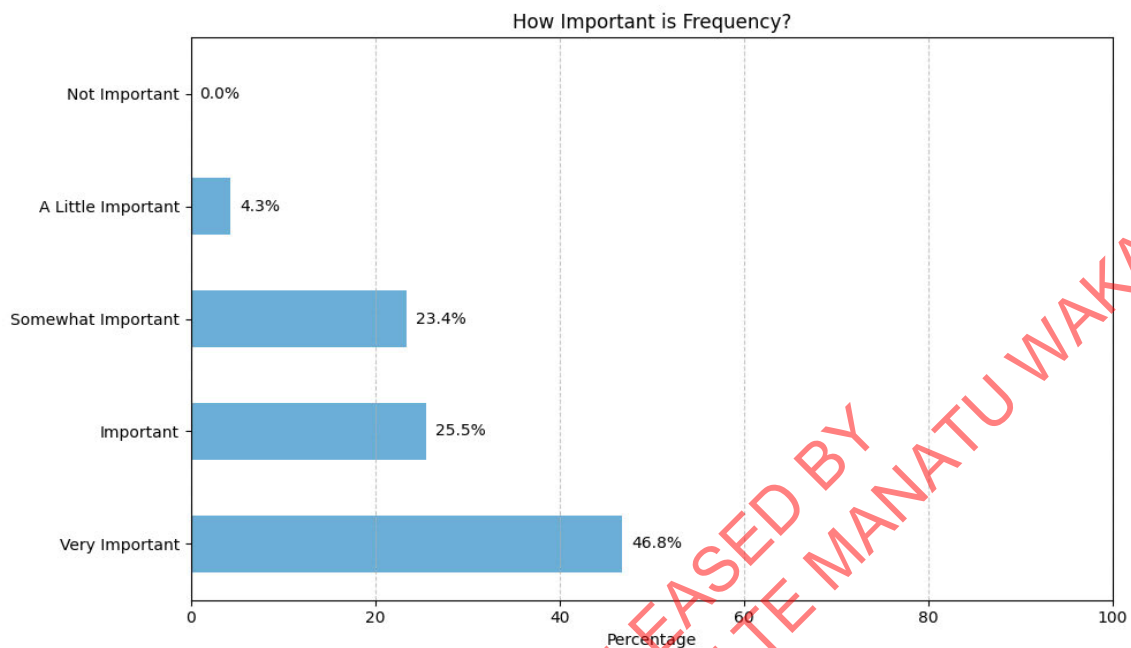
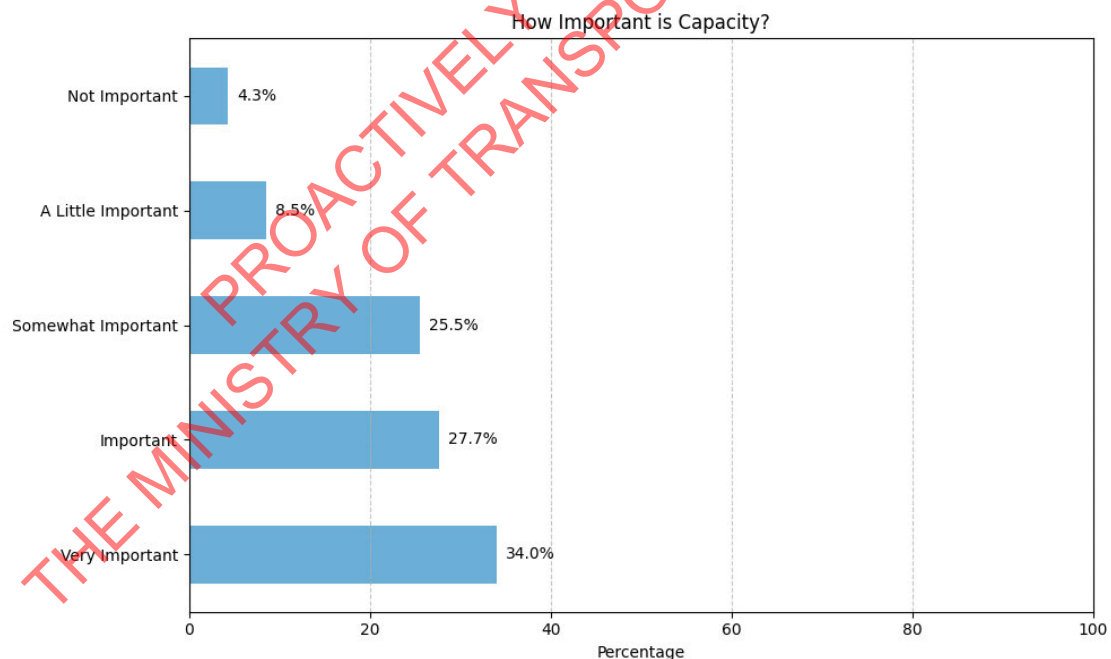


Results show that respondents placed greater importance on the practical aspects of a new service, cost, frequency and reliability over governance and ownership structures.

Affordability and reliability had the highest concentration of ratings at 5 (very important) with 72.3 and 76.6 percent of respondents scoring these a 5 respectively. Figures 2 and 3 show the distribution of responses were skewed towards importance (ratings of 3 or higher)

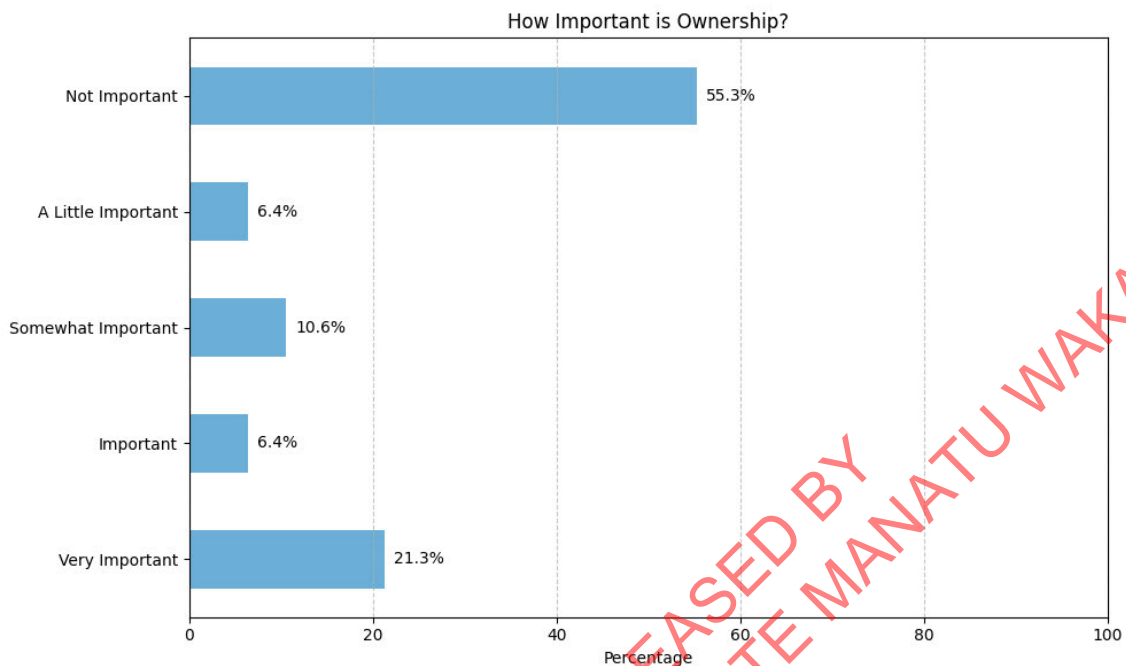
Figure 2 – Distribution of ratings for Affordability**Figure 3 – Distribution of ratings for reliability**

Frequency and capacity produced a more even spread of ratings, with respondents still valuing these aspects highly, but with less consensus on importance. Only 46.8 percent of respondents thought frequency of service was very important (rating of 5) and only 34 percent of respondents thought capacity of a new vessel was very important. Figures 4 and 5 show the distribution of importance ratings for frequency and capacity

Figure 4 – Distribution of ratings for frequency**Figure 5 – Distribution of ratings for capacity**

Most respondents did not think that ownership of a new service by Chatham Islanders was an important factor to consider with 55 percent rating the aspect as not important. Distribution of rating for ownership are presented in Figure 6 below.

Figure 6 – Distribution of ratings for ownership



Section 2 – Which port do you prefer?

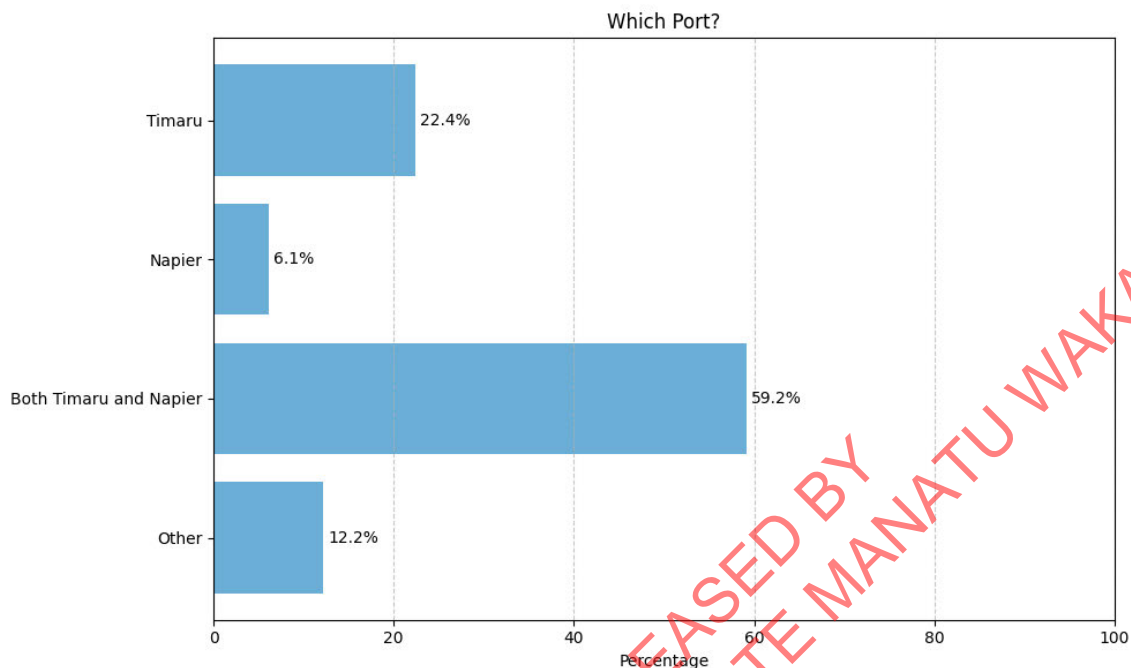
The next section of the survey asked respondents to indicate which ports on the mainland would be most important for a new service to call in at. Either Timaru, Napier, both Timaru and Napier¹ and/or another port not specified. Respondents were able to select multiple options and provide written comments in their submissions.

Both 'Timaru and Napier' was the most selected option indicating that respondents preferred maintaining the status quo and regularly calling in at both ports. Timaru was strongly favoured amongst respondents highlighting the higher freight volumes and service quality of existing staff at Timaru. Napier alone was selected by the fewest respondents.

The ports of Lyttleton, Wellington, and Whangarei were suggested as viable alternatives while some respondents commented that any port would be suitable as long as the service runs efficiently and reliably.

Responses to section 2 are presented below in Figure 7

¹ Timaru and Napier were selected as port options as these are the mainland ports the current service uses.

Figure 7 – Port preference survey results

Section 3 – The shortlisted proposals

The final section of the survey asked respondents to rate and comment on summarised versions (without commercially sensitive information) of the three proposals. Respondents were asked to rate each proposal on a scale from 1 (least preferred) to 5 (most preferred). They were then invited to provide written comments on three aspects: what they liked about each proposal, what they didn't like, and how the proposal (if implemented) would affect their daily life and work on the island.

Bass Strait Freight

A total of 45 out of 47 survey respondents gave feedback on the BSF proposal with:

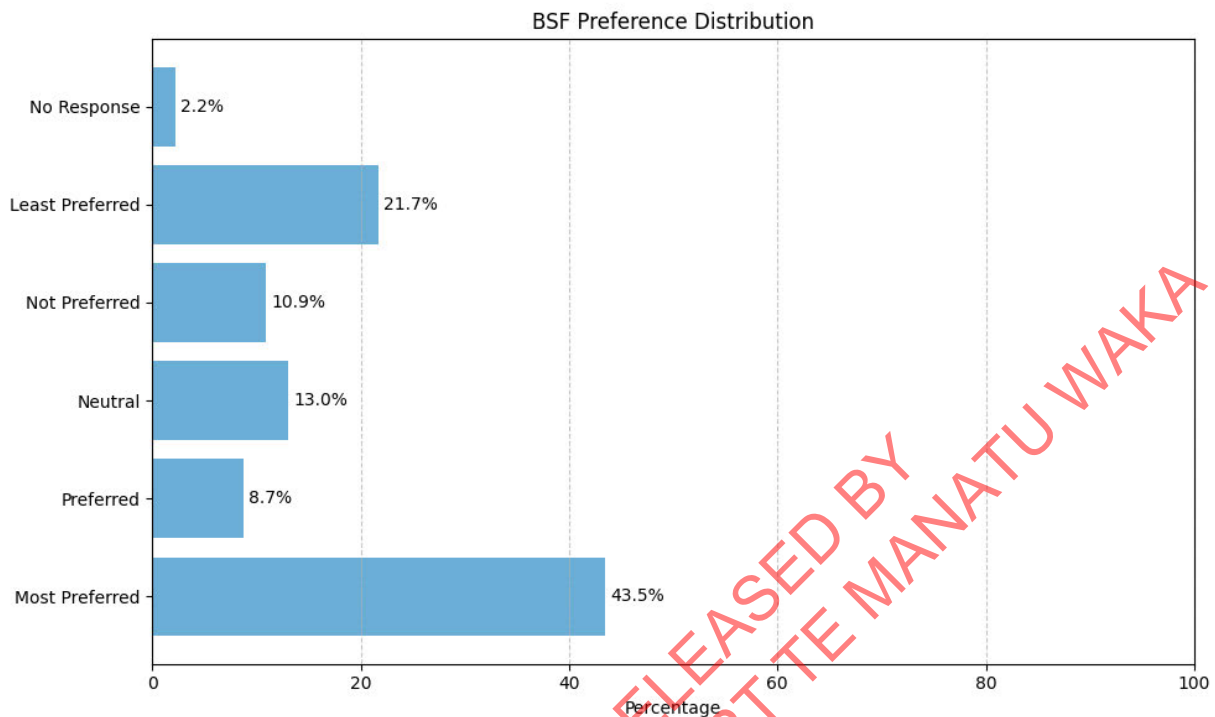
- 52% of respondents rating the proposal as “most preferred” or “preferred”
- 32.6% rating the proposal as “not preferred” or “least preferred”
- 13% rated the proposal neutrally
- 2.2% not providing a rating.

Distribution of ratings of the BSF proposal are presented in Figure 9.

Individual submitters who supported the proposal highlighted BSF's proven business model, small and efficient vessel design, and experience delivering shipping services in a similar market in Australia.

Individual submitters who did not support this proposal felt that the proposed vessel would be too small for the sea conditions and freight task and were concerned about potential freight rate increases from a privately owned company.

Organisations that submitted on the proposal gave mixed ratings, with those supporting the proposal mirroring the comments of individual submitters. The Maritime Union of New Zealand heavily criticised the proposal's negative view of unions, raising concerns that BSF's proposal will result in circumventing New Zealand employment law.

Figure 9 Preference ratings distribution – Bass Strait Freight

Chatham Islands Shipping

A total of 46 out of 47 survey respondents rated the Chatham Islands Shipping proposal with:

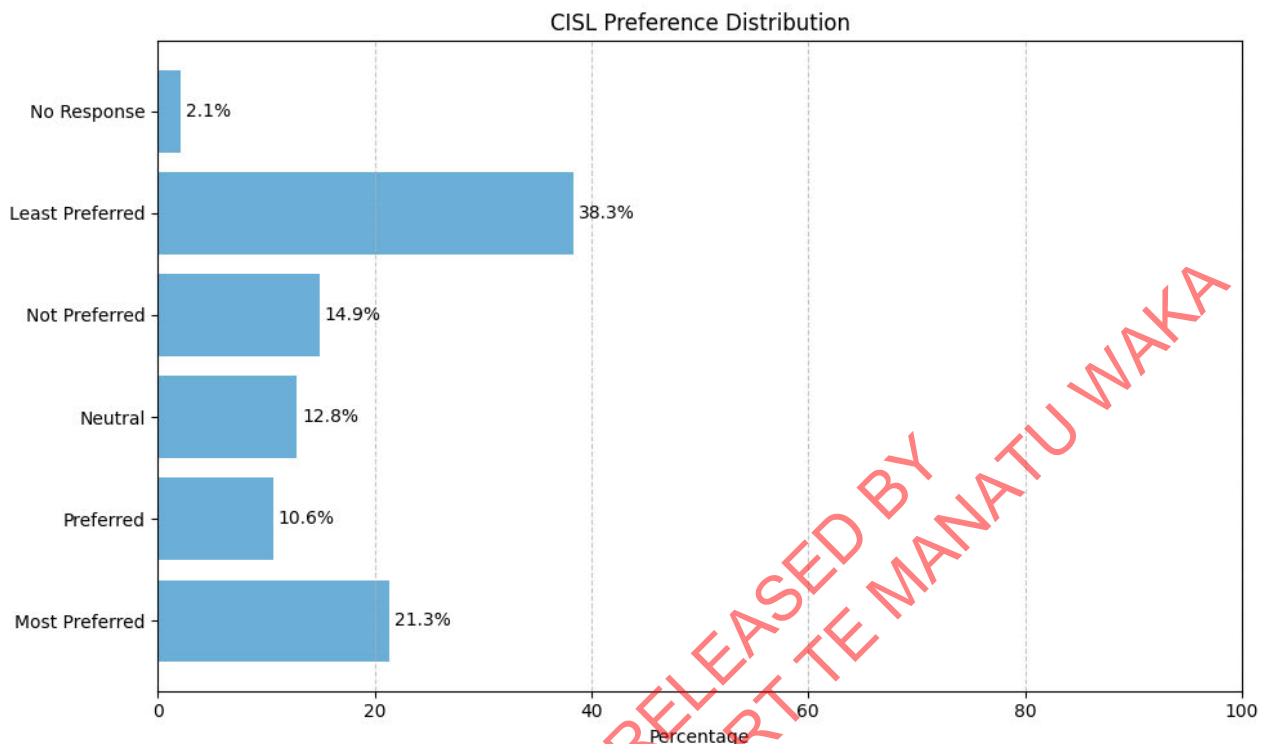
- 31.9 percent of respondents rating the proposal as “most preferred” or “preferred”
- 53.2 percent rating the proposal as “not preferred” or “least preferred”
- 12.8 percent rating the proposal as neutral and
- 2.1 percent did not provide a response.

Distributions of ratings of the CISL proposal are presented in figure 10.

Individual submitters who supported the proposal praised the option for being Chatham Island owned and operated, the vessel’s capability to handle growth in the Island economy and CISLs experience as the incumbent operator.

Individual submitters who did support the proposal felt that the proposed vessel was too large for the freight task and Waitangi wharf. Many submitters used this section to raise greivences about the current service and expressed concern that the same practices that lead to the current shipping situation would continue if CISL remained the operator.

Organisations were negative in their comments on the CISL proposal, commenting that the proposal lacked thinking about operational rediness and relied on being able to complete other shipping work along the New Zealand coast, reducing the focus on the Chathams. Organisations also used this section to express concerns about the current service, including the conflicts of interest present in their current operating model and not employing a New Zealand crew.

Figure 10 Preference Ratings distribution CISL

McCallum Brothers

A total of 45 out of 47. survey respondents rated the MBL proposal with:

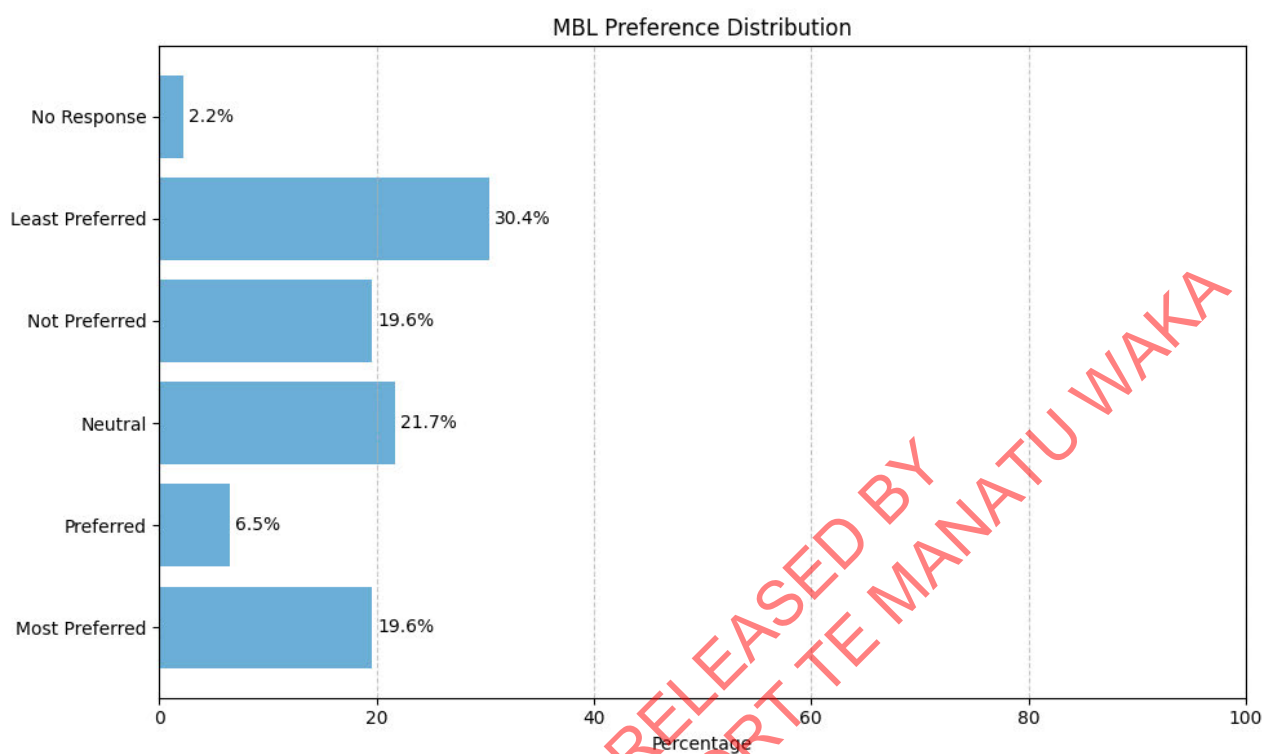
- 26.1 percent of respondents rating the proposal as “most preferred” or “preferred”,
- 50 percent rating the proposal as “not preferred or “least preferred”,
- 21.7 percent rated the proposal neutral and;
- 2.2% not providing a rating

Distribution of ratings of the MBL proposal are presented in figure 11.

Individual submitters who supported the proposal liked that MBL are a New Zealand based company and had some experience serving the Chathams and working with the Community. The MBL proposal was also praised for having a transition plan and its ability to use other vessels for the Chathams if the proposed vessel is out of action.

Individual submitters who did not support the proposal criticised MBLs lack of experience in coastal freight shipping, particularly the shipping of livestock. Submitters were also critical of the design of the vessel (many incorrectly interpreted the design to be a barge) and the length of the proposed contract (10 years).

Organisation submitters were mostly critical of the proposal, citing issues with the vessel design and its ability to handle the sea conditions of the Chatham Islands and MBL’s historical opposition to their crews unionising.

Figure 11 Preference Rating distrubution MBL

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Te Kāwanatanga o Aotearoa
New Zealand Government

ANNEX

s 9(2)(b)(ii)

s 9(2)(b)(ii)	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]
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Cabinet Economic Policy Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Chatham Islands Replacement Shipping Service: Selecting a Preferred Supplier

Portfolio Associate Transport

On 17 September 2025, the Cabinet Economic Policy Committee:

- 1 **noted** that as part of Budget 2022 decisions, Cabinet:
 - 1.1 agreed to support the Chatham Islands to replace its current vessel, the Southern Tiare as it reaches the end of its life, including funding to support short-term maintenance of the Southern Tiare until a replacement vessel is delivered;
 - 1.2 agreed to establish a tagged operating contingency of up to the following amounts to provide for the decision above:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26
Supporting a Chatham Islands Replacement Ship to Enable Critical Transportation Services – Tagged Operating Contingency	-	11.020	24.080	-	-

- 1.3 agreed that the contingency may be drawn down by the Minister of Transport, the Minister of Internal Affairs, and the Minister of Finance (establishing any new appropriations as necessary), upon their joint satisfaction with further work to confirm the ownership model, business operating model and governance arrangements for the future shipping solution;
- 1.4 noted that the contingency may be drawn down into Vote Transport or Vote Internal Affairs as required;

[CAB-22-MIN-0129]

- 2 **noted** that, following cumulative drawdowns of \$11.520 million to fund critical maintenance activities on the Southern Tiare, the remaining balance and indicative phasing of the operating tagged contingency is as follows:

	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30
Supporting a Chatham Islands Replacement Ship to Enable Critical Transportation Services – Tagged Operating Contingency	24.300	-		--	-

- 3 **noted** that the joint venture of McCallum Bros Limited and Nova Marine Carriers SA (the MBL JV) is requesting grant funding of \$24.3 million, payable in instalments based on key milestones of the ship build, with the final payment made upon successful completion of first sailing of the new vessel;
- 4 **agreed** that the MBL JV should be approved as the preferred supplier of shipping services to the Chatham Islands;
- 5 **authorised** the Associate Minister of Transport to approve the final contract and to authorise the Secretary of Transport to sign a contract with the MBL JV for shipping services to the Chatham Islands;
- 6 **agreed** to amend the drawdown conditions attached to the tagged contingency listed in paragraph 1.2 above:

Original conditions	Amended conditions
agree that the contingency may be drawn down by the Minister of Transport, the Minister of Internal Affairs, and the Minister of Finance (establishing any new appropriations as necessary), upon their joint satisfaction with further work to confirm the ownership model, business operating model and governance arrangements for the future shipping solution	authorise the Minister of Transport, Associate Minister of Transport and the Minister of Finance to provide funding from the tagged contingency for the supply of shipping services to the Chatham Islands (including establishing new appropriations and approving operating to capital swaps as required)

- 7 **noted** that future drawdowns of funding will be into Vote Transport;
- 8 **noted** that the appropriate accounting treatment and appropriation implications of the arrangement (including if the arrangement will be considered lending under the Public Finance Act 1989) will be confirmed based on the terms of the final contract;
- 9 **noted** that the Ministry of Transport expects the fiscal impact of the arrangement will be able to be managed against the tagged contingency described in paragraph 1 above, but that the timing of the fiscal impact will vary from the indicative phasing provided above (and may extend beyond the forecast period);
- 10 **noted** that, in Budget 2025, Cabinet authorised the Minister of Finance and Minister of Transport jointly to agree to transfer unspent funding in the “Supporting Resilient Shipping to the Chatham Islands” appropriation from 2024/25 to 2025/26, following completion of the 2024/25 audited financial statements of the Ministry of Transport [CAB-25-MIN-0126.70];

- 11 **noted** that although audited financial statements for 2024/25 have not been completed, scheduled maintenance of the Southern Tiare in October 2025 requires the early confirmation of the full amount of the available expense transfer;
- 12 **agreed** an expense transfer of \$2.163 million from 2024/25 to 2025/26;
- 13 **approved** the following changes to appropriations to provide for the decision in paragraph 12 above, with no impact on the operating balance and/or net core Crown debt across the forecast period:

	\$m – increase/(decrease)				
Vote Transport	2025/26	2026/27	2027/28	2028/29	2029/30 & outyears
Minister of Transport					
Non-Departmental Other Expense	2.163	-	-	-	-
Supporting Resilient Shipping to the Chatham Islands					

- 14 **agreed** that the change to appropriations for 2025/26 above be included in the 2025/26 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 15 **noted** that the Associate Minister of Transport intends to announce the MBL JV as the preferred supplier, and that final contract terms may still be confirmed after this;
- 16 **noted** that services with the new vessel are planned to start in the second half of 2027, and the Ministry of Transport will work with the MBL JV, the Chatham Islands Council and Chatham Islands Enterprise Trust to develop a transition plan for the new service;
- 17 **noted** that the Ministry of Transport will be responsible for the implementation and ongoing monitoring of the contract and shipping services.

Rachel Clarke
Committee Secretary

Present:

Hon David Seymour (Chair)
Rt Hon Winston Peters
Hon Brooke van Velden
Hon Shane Jones
Hon Louise Upston
Hon Dr Shane Reti
Hon Chris Penk
Hon Andrew Hoggard
Hon Nicola Grigg
Hon James Meager
Simon Court MP

Officials present from:

Office of the Prime Minister
Officials Committee for ECO



Cabinet

Minute of Decision

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Report of the Cabinet Economic Policy Committee: Period Ended 19 September 2025

On 22 September 2025, Cabinet made the following decisions on the work of the Cabinet Economic Policy Committee for the period ended 19 September 2025:

Out of Scope

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ECO-25-MIN-0150

**Chatham Islands Replacement Shipping Service:
Selecting a Preferred Supplier**
Portfolio: Associate Transport

CONFIRMED

Out of Scope

Rachel Hayward
Secretary of the Cabinet

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