This excludes the massive social, cultural, environmental and economic value that would be created by transforming this property into a globally iconic waterfront.

City Port Land values is a worldwide issue and it has been noted by Audit NZ as an issue for New Zealand ports. Audit NZ noted that “port companies do not value their property, plant and equipment consistently” and urged port companies to review how they value their assets in the future\(^\text{10}\).

We consider accurately valuing land particularly important as artificially low land values may overstate the performance of ports and it could be argued they aren’t operating on a fully commercial basis. To ensure our study is based on consistent and accurate valuations of land we have therefore commissioned further analysis of land values of the three ports. This will allow us to consider whether the current land use is optimal and untangle whether ports are operating in a commercially viable way.

**Government advice**

We have asked the Ministry of Transport and Ministry of Primary Industries to provide advice on the regulatory and legislative framework for ports and the requirements for Bio-security and import clearance with respect to motor vehicles. (The recent case of an unwelcome bug resulted in the turnaround at sea of an importing vessel)

**Stakeholder engagement**

We have engaged with stakeholders and key interest groups including representatives from the three upper North Island ports, port company shareholders, the road freight industry, the shipping industry, commercial interests, cargo interests other interested parties.

A full list of stakeholders who have provided feedback to date is provided below.

<table>
<thead>
<tr>
<th>Ports</th>
<th>Northport</th>
<th>Ports of Auckland</th>
<th>Port of Tauranga</th>
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<tbody>
<tr>
<td>Port Company Shareholders</td>
<td>Auckland Council</td>
<td>Northland Regional Council</td>
<td>Marsden Maritime Holdings</td>
</tr>
<tr>
<td>Road Freight Industry</td>
<td>Road Freight Transport Forum</td>
<td>Toll</td>
<td>Transport Investments Ltd</td>
</tr>
<tr>
<td>Shipping Industry</td>
<td>NZ Shipping Federation</td>
<td>Pacifica/Swire Shipping</td>
<td>Armacup Shipping</td>
</tr>
<tr>
<td>Commercial Interests</td>
<td>Auckland Chambers of Commerce</td>
<td>Auckland Waterfront Consortium</td>
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</tbody>
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<table>
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<tr>
<th>Cargo interests</th>
<th>Custom Brokers and Freight Forwarders</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Fonterra / Kotahi</td>
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<td></td>
<td>CODA</td>
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<td></td>
<td>PTS Group</td>
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<td></td>
<td>Motor Industry Association</td>
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<td></td>
<td>Imported Motor Vehicle Industry Association</td>
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<td></td>
<td>Dolphin Shipping New Zealand</td>
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<tr>
<td>Interested parties</td>
<td>Auckland Transport</td>
</tr>
<tr>
<td></td>
<td>Tainui Group Holdings Ltd</td>
</tr>
<tr>
<td></td>
<td>Richard Pearson, CK Hutchison Group</td>
</tr>
<tr>
<td></td>
<td>Waikato Regional Council</td>
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<td></td>
<td>Talleys/Open Country Dairy/AFFCO</td>
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</tbody>
</table>

Stakeholders have provided feedback on the strengths and weaknesses of the upper North Island’s current three-port freight system, as well as the main opportunities and threats over the next 10, 25 and 50 years. We have also received feedback on the ownership structures of the three ports and the extent to which they are influencing freight outcomes for NZ Inc.

We have asked stakeholders to consider how they might structure the upper North Island freight system if the system could be redesigned from scratch, including thoughts on how many ports they would have, where they would be located, what their roles would be, who would own them and who would operate them.

**Common themes we heard**

We heard a number a common views throughout our engagement:

- Unanimous support for a fully functioning rail system to ship side.
- General agreement that the current ports are competing but not cooperating.
- That the mixed shareholdings of the ports, particularly of Northport, is restricting its natural role.
- Freight forwarding community is largely agnostic to where imports arrive as long as they are supported with good transport infrastructure.
- Widely accepted that the Bay of Plenty and the Waikato have benefitted from rail infrastructure provided by Government at no capital cost to end users.
- The lack of rail infrastructure and port connectivity has been a brake on Northland’s economic development.
- The currently successful Port of Tauranga existed several years before its successful level of container traffic followed.
- There is universal interest in the cost of moving freight and that cost is a big driver of behaviour.
- Land values drive change and usage which is an international issue with ports located over the world.
- Councils all considered the dividend provided by ports very important.
- There are too many ports trying to be the same thing.
- Concerns over duplication of port and inland port assets.
- Congestion is the number one problem for freight operators.
- There are problems in getting rail through Auckland.
A number of differing points of consideration have also emerged during our initial investigations and discussions with stakeholders to date which we have grouped into five broad themes:

- The **wider context** within which the Upper North Island Supply Chain Strategy is being conducted, with a particular emphasis on **optimal land use**.
- **Efficiencies** of the network, encompassing rail, road, ports, shipping and hubs.
- The **ownership** of network infrastructure and assets.
- The importance of **social licence** and working within the communities that the network is there to serve.
- The **investment** – what should receive investment, who should be investing, what the trade-offs of investment are, and how to future-proof investment / make smart decisions for the long term.

**The wider context** that a strategy is being developed within – broader considerations, trends, and a need to think about the national system and optimal land use

Stakeholders had a range of views on the scope of what should be considered the Upper North Island Supply Chain, from ensuring that Waikato was included, to needing to think about the North Island or even New Zealand as a whole when making decisions about ports, roads and rail in the upper North Island. Their overall view was that the impacts were far-reaching and so should be grounded in robust evidence.

Many submissions were clear about the supply chain strategy being more than looking at infrastructure. Stakeholders are clear that the behaviours and types of freight handlers and logistics organisations have equally important effects on the effectiveness and outcomes of the supply chain. We heard that cost is a big driver of behaviour and there was a universal interest in the cost of moving freight. Importers of motor vehicles indicated a change in port landing from Ports of Auckland could add approximately $100 per vehicle in cost, but accepted this could be less than the current land subsidy from the port for their free three days of storage.

Submissions talked about the need to develop resilience in the system – so that allowances are made for adverse events (such as a natural disaster affecting part of the chain, or climate change). Others considered that the strategy could positively contribute to other national priorities, such as lowering emissions or meeting international standards.

Some submitters noted the importance of considering land use and whether current land use of the ports is optimal, which has raised the question of “could the land Ports of Auckland occupies be better utilised?”

Ports of Auckland occupies 77ha of prime real estate close to the hub of Auckland city and there may be better uses for the land the Ports of Auckland occupies which could enhance the attractiveness of the city and ultimately make Auckland a better place to live. We have heard some proposals on how to make alternative use of this land from stakeholders – this includes things such as a new stadium, hotels, offices, open spaces and residential developments.
Auckland City Council, POAL and Auckland Chamber of Commerce all accepted that Auckland Port would shift at some time but there was debate over when and where to. A report commissioned by Auckland City had suggested options including the West Coast and the Firth of Thames, but this report did not consider North Port becoming a viable alternative. The marine insurance industry suggest that the West Coast option is not viable and the Firth of Thames option, which requires major infrastructural investment and Resource Consent issues will be in the mix of options being considered and may well have a place in the future port configuration.

Our option selection and analysis will consider optimal land use and whether the relocation of some or all of Ports of Auckland's freight task would be beneficial to Auckland's long-term social and economic success as well as that of Northport.

How best to optimise the upper North Island network (rail, road, shipping, ports) – the different options that could do this, and different views on how best to optimise

While stakeholders recognised there are strengths in the current supply chain, nearly all stakeholders have thought about where inefficiencies exist. These include:

- The number of ports, and how the ports are competing with each other on specialised operations and markets (domestic, international, cargo type) was criticised by many stakeholders.
- There was a mix of opinions about the optimal number of ports/hubs, and the differentiation that each should be undertaking.
- The imbalance of freight flows and waste in the system, evident through the movement of empty containers. The imbalance of imports-exports at Ports of Auckland and Port of Tauranga results in around 40 percent of Ports of Auckland's export TEU and Port of Tauranga's import TEU being empty.
- The counter-intuitive freight movements such as Northland production being exported out of Tauranga. We have learnt that approximately 30,000 TEU originating in Northland travels out of the region by road each year.
- A number of stakeholders objected to the current upper North Island ports being described as a "system." There was general agreement that the three ports compete but do not cooperate, and some concern that they are working against each other to the detriment of NZ Inc.
- We have heard from some stakeholders that "there are too many ports trying to be the same thing," with concern being expressed over the duplication of assets and over capitalisation, particularly at ports and inland hubs.
- The current levels of infrastructure congestion and delays in processing cargo were criticised by several stakeholders.
- We heard from stakeholders about the constraints of transporting cargo to and from the ports, particularly Ports of Auckland. Representatives from the road freight industry and those representing cargo interests sited issues with port congestion and slowness as the number one issue facing their industry, with trucks needing to wait in long queues at the port.
• That the status quo provides little incentives for logistics and freight companies to work together to achieve efficiencies, and instead the competing behaviours lead to system inefficiencies and non-strategic investments.
• Many stakeholder were agnostic about port locations as long as the supply chain enabled freight to flow efficiently and cost-effectively. We heard that the best solution would be one that provides consistency, efficiency and predictability.

We consider an efficient supply chain key to unlocking the success of the upper North Island. Our option selection will therefore place particular emphasis on how to optimise the upper North Island network, taking into account the wide-ranging views we have heard.

Ownership of assets

Many stakeholders considered that ownership is a critical part of the supply chain, as ownership has significant impacts and influences on investment decisions and supply chain operations behaviour.

The ownership structure of the three upper north island ports is complex. The ownership is characterised by significant local government and cross-port ownership, as summarised below:

<table>
<thead>
<tr>
<th>Ports of Auckland</th>
<th>Northport</th>
<th>Port of Tauranga</th>
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</thead>
<tbody>
<tr>
<td>• Ports of Auckland is wholly owned by Auckland Council</td>
<td>• Marsden Maritime Holdings Ltd owns the Northport facility (land and fixed assets) and is the statutory port company for the port. This is a publicly listed company, and the two largest shareholders are the Northland Regional Council (53.6 percent) and Port of Auckland Ltd (19.9 percent).</td>
<td>• Port of Tauranga is owned 54 percent by the Bay of Plenty Regional Council and 46 percent by the public.</td>
</tr>
<tr>
<td>• Ports of Auckland has a 19.9 percent stake in Marsden Maritime Holdings (owners of Northport).</td>
<td>• Northport is operated by Northport Limited, which is 50 percent owned by Port of Tauranga and 50 percent by Marsden Maritime Holdings Ltd</td>
<td>• The Port of Tauranga group includes 50 percent ownership of Northport Ltd.</td>
</tr>
<tr>
<td>• Auckland City ownership allows transfer of losses from other council companies to reduce POAL tax and this option is not available to other ports</td>
<td>• We are not yet aware of the contractual arrangements between MMHL and Northpo</td>
<td></td>
</tr>
</tbody>
</table>

Many stakeholders had a view on the current ownership structure of the three ports:
• The interwoven nature of port ownership has restricted ports from developing in New Zealand’s best interests.
• Current decisions tend to be made in isolation which some believe has led to inefficiencies and duplication of resources.
• Councils in particular noted the value that the ports bring in terms of dividend income and thereby providing a subsidy to ratepayers. However, we have learnt that the
benefits of this are not currently spread evenly amongst all regions of the upper North Island.

- Submitters generally viewed Port of Tauranga as having the best ownership model.
- The current ownership arrangements of Northport were criticised by some but defended by others.
- Those who criticised the ownership structure of Northport argued that it has hampered its natural development, and despite all ports having a shareholding, there is a lack of cooperation. Examples provided were Northport’s struggle to get agreement from its shareholder to procure and install a mobile container crane and that POAL did not offer its spare cranes to Northport.
- While there was no general consensus about the best ownership structure, many stakeholders supported a change in port ownership for the benefit of New Zealand.
- Some stakeholders suggested potential alternative ownership structures for our consideration such as single ownership, suggesting this would solve the lack of cooperation and overcapitalisation.
- Councils were somewhat open to a change in port ownership as long as they preserved their income and value of the port to their community.
- Some stakeholders also discussed the constraints on ownership imposed by legislation.

We will be considering the current ownership structure of ports and whether a change may be needed to ensure interests are aligned to deliver the best outcome for New Zealand.

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**Social licence and community support**

Some submissions noted the need for community support, and how some areas were losing their social licence to operate as urban areas grow and congestion and encroachment on industrial areas grows too. Community support – including mana whenua support – for investment decisions was seen as a key part of the decision-making process.

We consider a broad definition of social licence to encompass the following aspects:

- **Environment** – issues such as noise, light, dust, and contamination created from port activity.
- **Congestion** – the flow of trucks to and from ports and the impact this port traffic has on community traffic.
- **Social amenity conflicts**.
- **Financial considerations** – is having a port in its current location the best return on investment?
- **Consideration of competing sectors** such as cruise and ferries.
- **Long term considerations** – Ports of Auckland have considered their long term possible relocation with options as discussed above.

A number of points relating to community support and social licence emerged in our discussions with stakeholders:

- Ports of Auckland lack full community support, some groups oppose further development of the port and indeed local elected officials campaigned to prevent further harbour encroachment by POAL.
While community unrest and opposition with Ports of Auckland is well documented, we have heard that signs of this are emerging in Tauranga.

Port of Tauranga acknowledged its social licence is something it cannot take for granted. Port of Tauranga indicated now that the city is growing the port is receiving some criticism on its contribution to peak traffic, even despite its growth having been on rail rather than road. Port of Tauranga makes significant use of rail, with almost half (49 percent) of its TEU entering the port by rail and 42 percent of its TEU exiting the port by rail. Port of Tauranga also noted that while it has not received any complaints around noise, they have had queries on other areas of port activity such as dust.

While Ports of Auckland may be able to accommodate some of the future freight growth through automation, port activity should not impede on the ethos of the city. The current location of Ports of Auckland does not fit with the surrounding landscape of the city and its activity is seen largely as an eye sore.

Some stakeholders noted that while the current port location is ideal in terms of being in close proximity to its market, that it is less than ideal from a CBD design perspective.

Northport does not face the same land constraints as Ports of Auckland and Port of Tauranga. Northport is located within industrial zoned land, away from residential areas with additional space for expansion.

A port’s influence can extend well beyond its physical footprint and there is a growing conflict between port operation and urban residential areas which is a worldwide issue. The movement of freight to and from the port imposes significant land-side externalities through congestion, emissions, and damage to roads. These impacts can be greatly exacerbated if the port’s proximity is close to the central business district. There are also significant sea-side impacts in terms of harbour congestion and environmental impacts caused by dredging and harbour reclamion.

The question of port relocation should therefore not solely hinge on the ability of a port to accommodate future growth, which is how the problem has been framed previously. In formulating our options, we will therefore give consideration to community support and externalities, and whether the location of the port hinder our cities from achieving their full social, economic and environmental potential.

**Supply chain infrastructure investment**

There was general agreement among stakeholders that the network is constrained and there has been a lack of infrastructure investment.

Stakeholders noted the importance of landside infrastructure in connecting cargo from ports to where it needs to go and we have heard that investment in infrastructure has lagged and that the networks is insufficient to handle increasing volumes of freight.

One consistent and overarching theme in the stakeholder comments was the need for a national, connected and well-functioning rail system. There was unanimous support,

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including from the road transport and coastal shipping groups, for a fully functioning rail freight system.

Stakeholders provided examples of current issues with the rail network including:
- The lack of rail connection to Northport (Northport and Nelson are the only ports in New Zealand without a rail connection)
- The North Auckland line between Auckland and Whangarei has a number of issues. For example, while other lines have had improvements to their tunnels over time, many of the tunnels on the North Auckland line remain too low to accommodate high-cubed containers.
- The Northland rail network has had no capital investment for decades and has been in managed decline (or neglect).
- East/West rail corridor in Auckland as yet unbuilt.
- Some cited issues with the Auckland rail network arising from the fact that freight needs to compete with passenger services.
- The risk to Port of Tauranga arising from its reliance on the rail line through the Kaimai tunnel.

We have learnt that Bay of Plenty and the Waikato have benefited from rail infrastructure and investment provided by Government at no capital cost to the end user which Port of Tauranga was able to capitalise on. Conversely, it is generally agreed that the lack of rail infrastructure and connectivity to Northport has hindered Northland’s economic development. Some stakeholders noted the similarities of Northland to Bay of Plenty, and expected similar investment in Northland could produce results like that of what the Bay of Plenty has experienced.

Investment in Northland was supported by other regional councils, and there was general support for upgrades of its rail and road networks regardless of a supply chain strategy.

**We fundamentally believe that there is no point making further investment in Northport without investment in, and development of, the train line to Auckland.**

We have been briefed on the North Auckland Line Business Case and Future of Rail project which points to a considerable upgrading. Our option development will take into consideration these current programmes of work when considering the infrastructure upgrades, new infrastructure, and operational changes that may need to occur.

There are a large number of infrastructure options that may have a part or full place to play in changes to the UNI supply chain and these will be considered.

These include but are not limited to:-
- North Port rail spur (government is soil testing for this)
- Second route Auckland to Tauranga
- Freight Corridor through West Auckland
- West Auckland Inland port
- Expanded or moved Southdown
- Firth of Thames new mega-port
- Vehicle servicing and import centre at North Port
Appendix 1

Inland hubs for logs and exports within Northland with refurbished local lines
NZ dry dock
Northland rail line upgrade to double track and double stack or to high service single track
with passing lanes
Electrification of rail services and alternative truck, rail machinery
Four lane Hiway to Whangarei (currently 18kms to Warkworth underway but at 12 years and
$1bn for 18kms this will take 60 years and $7bn)
Upgraded cruise liner terminal at Auckland

For example, in evaluating one of our options that involves moving some of Ports of
Auckland’s freight task to Northport, we will consider potential infrastructure that may be
required to support this such as:
• a spur to Northport, of which we understand the current Government is undertaking
engineering investigation of which could continue as construction of the spur.
• upgrades to the existing North Auckland Line
• potential short-term operational changes such moving freight through Auckland on
the commuter network at night
• potential long-term new infrastructure requirements such as a new rail line out west of
Auckland to avoid congestion in the Auckland public transport rail network and
connect through to the current inland freight terminals, and the potential
establishment of new inland freight terminals.

Assuming that the Northland Rail upgrade proceeds then the system could look like the map
below
Some stakeholders also noted concerns with other infrastructure, for example:

- constrained capacity at some ports and at the inland freight terminals in Auckland
- the congested road network, particularly around Ports of Auckland e.g. Grafton Gully
- road conditions in Northland, not helped by the pressure of trucks. In the year ended June 2018, there were 144,827 single truck movements to Northport.

In making recommendations about infrastructure investment, we will give consideration to all modes of transport including the role coastal shipping may play. We will also give consideration to other externalities such as community support. We believe that the success of Port of Tauranga and smaller investments such as the move of the port from Whangarei to Northport were as a result of strategic vision rather than detailed business case development. Much of the infrastructure in New Zealand today was also justified on the basis of vision rather than business case. There is a need to be deliberately strategic in developing and evaluating investment options for the supply chain of the Upper North Island; we intend to produce an evidence based strategic vision of an efficient and effective supply chain and port system, rather than spend time developing narrowly focused, option-specific, business cases which risk missing the bigger picture of what is best for NZ Inc.

Our discussions with stakeholders also raised some broader questions surrounding investment for our consideration:

- **When should infrastructure investment occur?** Some stakeholders indicated a sense of urgency and the need to act quickly. Shipping industry representatives noted they foresee the next two years as being constrained while current upgrades are completed, and then expected some recovery before becoming the network becomes
considerably constrained in 10-15 years. Given how long it takes to implement major infrastructure this means that serious planning needs to start now.

- **What aspects of the network should be prioritised for investment?** Rail and multi-user assets (ports, inland hubs) were seen as desirable for more investment, in part because of the flow-on effects for other supply chain companies, jobs and flow-on investment.

- **How do we make investments that support a whole-of-network approach?** How do we avoid investments that duplicate or are isolated in their connection to the network? Stakeholders largely agreed that a balance needs to be struck between achieving good competitive conditions and ensuring the network as a whole is working together. While most stakeholders were open to a range of investment options for the supply chain, most agreed that achieving a system that is efficient and consistent is what counts.

- **Who should invest in the network? What funding models are best for the upper North Island?** Most submitters looked at investment from a government-funded basis, however others raised different models – such as public-private-partnership models.

- **What are the trade-offs for investment options** e.g. will optimising rail through Auckland come at a cost of less lanes on roads from the port?

- **Are we making investment decisions based on an appropriate timeframe?** Is 50 or 100 years appropriate? Stakeholders were supportive of both short-term and long-term investment horizons being considered as part of the strategy.

- **Are we making sure investment decisions are future proofed and able to adapt to changes in trends and technologies?**
Appendix 1

Wider Context

- How the UNISCS works within a national context – can the strategy be considered as part of a national (or North Island) system? How do Waikato assets (the inland port) complement the UNISCS?
- How does the UNISCS work with previous studies and proposals?
- Ensuring the UNISCS supports an efficient freight and logistics solution within the context of optimal land use
- Can the UNISCS support broader objectives, such as lowering New Zealand’s emissions or international requirements (e.g. MARPOL requirements)
- Ensuring a resilient network – one able to absorb shocks, future-proofed (including for climate change) and able to adapt to coming technologies and trends

Efficiency

- How do we optimise the whole network? Road congestion, rail usage (working with the city rail link/solving the Swanson to Wiri issue), shipping logistics.
- How can the ports complement and collaborate with each other to optimise the network, rather than competing? How do we reduce duplication of investment, and overcapitalisation in individual ports? Can ports specialise and differentiate?
- Can we make better use of hubs? For cars, freight. Can we move some activities to other places?
- How can freight handlers and logistics companies help the network work well?

Ownership

- What is the best ownership arrangement for the ports? Should the ownership arrangements of assets beyond the ports be considered – are they working well? Could they work better?
- How do ownership arrangements affect the efficiency of the system? How do they affect outcomes?
- How do ownership arrangements affect investment decisions? Is the status quo optimal, or are changes needed?

Community support

- Need to think about urban encroachment trends on supply chain areas (such as Auckland and Tauranga port areas)
- Changes to assets (ports, railways, hubs, roads) need community support and endorsement
- How parties have influence over other actors – such as the power of international companies at the expense of smaller operators
- The importance of mana whenua in investment and decision making

Investment

- When should investment occur?
- What aspects of the network should be prioritised for investment?
- How do we make investments that support a whole-of-network approach? How do we avoid investments that duplicate or are isolated in their connection to the network?
- Who should invest in the network? What funding models are best for the UNISCS?
- What are the trade-offs for investment options (e.g. will optimising rail through Auckland come at a cost of less lanes on roads from the port?)
- Are we making investment decisions based on an appropriate timeframe? Is 50 or 100 years appropriate?
- Are we making sure investment decisions are future proofed and able to adapt to changes in trends and technologies?
Next steps

In this report we have presented a summary of the things we have learnt through our discovery phase (Stage 1) and the things we need to consider as we complete our remaining stages. While there were a number of concerns raised with the current system, there were a number of positive aspects. We consider the issues not insurmountable, and look forward to setting out our joint view and recommendations to improve the supply chain and provide better outcomes for New Zealand.

Our next steps are to complete stages 2 and 3:

Stage 2 - Vision, Possibility, Resilience, Strategic Thinking
- **Barriers, future system design, network, land use** – advantages and benefits to changing from the status quo
- **International comparisons** and benchmarking against best in class supply chains – e.g. Sydney and Brisbane
- **Long-term view** – transition and context, history and future

Stage 3 - Practicalities, Costs and Benefits, Backcasting
- **Options development and evaluation** – developing a strategic vision, articulating a case for change, exploring scenarios for development and the effects on freight efficiency, land use, resilience, capacity and wellbeing for all New Zealanders
- **Strategy and recommendations** - articulating our findings on the strategy and reasons for our recommendations.

We intend to produce a full range of options for further discussion, taking into account what we have learnt to date, and taking note of the recommendations of the Port Future Study\(^\text{12}\). Our option development and evaluation will place particular emphasis on the key themes that have emerged to date.

Following the evaluation of these different options, we will present out recommendations, including key actions to be taken over the next five years and beyond.

Throughout this process we will continue to engage with stakeholders to ensure we engage with those we have not yet spoken to and those who are likely to be most significantly impacted.

**Deliverables and timetable**

We intend to deliver a **preliminary report to Cabinet in June 2019**. This report will provide a fuller update on our progress and evaluation of different options.

We intend to deliver a **final report to Cabinet in September 2019**. This report will include our final conclusions and recommended actions to be taken over the next five years and beyond.

\(^{12}\) [http://www.portfuturestudy.co.nz/docs/pdf/sconsensusworkinggrouprecommendations072016.pdf](http://www.portfuturestudy.co.nz/docs/pdf/sconsensusworkinggrouprecommendations072016.pdf)
Hi Chris

Here is my go at the executive summary and the chapter headings.

Obviously you have a pile more stuff to add including peppering the exec summary with pictures especially the new harbour land use stuff plus maps and numbers etc.

Wayne

My Team, helpful criticism sent to me please for debate amongst us in preparation for this Thursday

Wayne
UNISCS REPORT #2

Background

NZ - a small South Pacific trading country dominated by one large city that is the centre of NZ’s consumption spend. NZ income is mainly earned from rural agribusiness. Current port system makes imports easier than exports, hence NZ has a large balance of payments deficit.

REGIONS-

Northland – Only NZ province where more people live outside the main city (Whangarei in this case)
   - Undeveloped, poorly serviced by transport infrastructure, overloaded roads damaged by trucks, run-down rail network near end of life, poor social statistics
   -coming boom in horticulture (gold kiwifruit, avocados, manuka honey), dairy growth
   -currently 30,000 containers of exports trucked to Auckland then railed to Tauranga

Auckland - Big city suffering congestion, sprawl, housing shortage
   -few physical exports, experiencing delivery crises
   -big importer, 50% useful, 50% cheap junk, car imports, 50% new, 50% well used
   -heavy local capex spend on city-based transport infrastructure

Waikato - successful export region based on dairy industry which has peaked
   -well serviced by road and rail infrastructure links to Auckland and Tauranga

Bay of Plenty - successful export region based on kiwifruit and servicing Waikato via successful import/export port
   -Well serviced by road and rail
   -starting to experience port driven congestion issues

PORTS-

Northport (NP) - natural deep-water port, nation’s fuel port
   - undeveloped port facilities, mainly log exports
   -large area of available cheap land for port based commercial activities with no competing residential population
   -zero rail and associated infrastructure, very limited container crane capability

Ports of Auckland (POAL) - large import port, greater port capacity than local road/rail network can handle
   -serious congestion issues around port and with truck booking access
   -questionable viability based on artificially low land value
-shipping groups give it ten years before it won’t work for them
-much better and more valuable alternative uses for port land
-needs large capital infrastructure costs to extend port life, additional rail lines etc
-problems with large numbers of empty containers and land to store them
-big vehicle import business subsidised to use valuable land
-population prefer moving of port to get back their harbour and use the land for more valuable activities

**Port of Tauranga (PoT)**—successfully run port

- good balance of import/export
- well serviced by rail connection to Auckland and Waikato
- has capacity to increase throughput
- starting to experience local congestion pressure
- risk from Kaikai tunnel

**PROPOSED OPTIONS**

These are being assessed for practicality, cost and benefits, avoided costs, potential regional economic gains, noting that many of the benefits of shifting POAL accrue to Auckland.

Options considered are:-

1. **POAL where it is.** This actually requires large capex, it is not a free option as congestion and harbour usage pressures remain.
2. **Partial Shift of Cars only to NP.** Relatively easy but limited benefits mostly with available high value land in Auckland city
3. **Shift of POAL to NP.** Needs rail upgrade from West Auckland to NP plus wharf investment at NP and a new inland port in West Auckland, but improves Auckland with high value land release and gives a big regional economic lift to Northland
4. **Shift of POAL to POT.** Just possible but high risks to NZ Inc with “all eggs in one basket” plus Kaimai tunnel risk.
5. **Shift POAL activities to NP and PoT.** This is similar to option 3 and is where the infrastructure for option 3 is provided and the market chooses with NP servicing Auckland north and PoT servicing Auckland south. Options 3 and 5 also delay additional harbour crossings.
6. **Close POAL and build new Megaport in Gulf of Thames.** Very expensive, no regional economic benefits, limited improvement to Auckland congestion, but like others does release high value land, still leaves need for rail to Northland. Indeed, if there was to be a regional megaport it is most likely to be in Brisbane.

The options of port relocation to the west coast were ruled out after discussion with marine insurance representatives and it is not on the growing trade route between Asia and South America which brings the very large container ships to NZ.
Wayne — FYI

Dan

From: Dan Jenkins
Sent: Thursday, 18 July 2019 12:25 PM
To: Greg Miller; Susan Krumdieck; Shane; Vaughan Wilkinson; Wayne Brown
Cc: Chris Money
Subject: UNISCS interim report

Dear all,

I’ve been talking with Chris Money at EY and he’s been busy incorporating comments on the draft report.

Am conscious that time is ticking on and we need to get this through the Cabinet process, so can I request that any comments be provided to Chris by Monday midday at the latest, so he can issue a revised / final draft on Tuesday morning.

Once we’re all happy with that version, minor revisions to that draft, we can get that up to the Minister office later next week and potentially get to Cabinet before end August.

Also attached for your consideration is a two-three page capping paper which will accompany the report, I’ve tried to capture your collective thoughts of the last few months and the nuances of the report but please feel free to suggest changes.

I am also drafting the Cabinet paper – we shouldn’t need any input for that but I will share with Wayne before we send it up.

Thanks,
Dan

Dan Jenkins
Manager, Analytics & Modelling
Ministry of Transport - Te Manatu Waka

www.transport.govt.nz

Enabling New Zealanders to flourish
Upper North Island Supply Chain Study Second Interim Report: Options and Analysis

Background

The Upper North Island Supply Chain Strategy has been asked by Cabinet to undertake a comprehensive review of New Zealand’s freight and logistics sector for the Upper North Island, including ports. This will guide the development and delivery of a strategy for the Upper North Island to ensure the supply chain is fit for purpose in the long-term.

Our interim report presented the progress we made in our first stage of this review. This included a number of site visits, including visits to Northport and Ports of Auckland, supported by stakeholder engagement and initial analysis and advice to gain an understanding of the current system. We have since visited Port of Tauranga.

A number of key themes emerged during our discovery phase that are guiding us in our review. These include:

- **inefficiencies** of the network, encompassing rail, road, ports, shipping and hub
- **complex and inefficient ownership** of ports, network infrastructure and assets
- the importance of **social licence** and working within the communities that the network is there to serve, particularly in Auckland but also in Tauranga.
- **infrastructure investment**
- the **wider context** within which the Upper North Island Supply Chain Strategy is being conducted, with a particular emphasis on **optimal land use**.

This second report back to Cabinet builds on our interim thinking and provides a strategic and investment approach to the analysis of the Upper North Island Supply Chain.

We have undertaken an economic and multi-criteria evaluation of a range of potential future options for the configuration of the Upper North Island Supply Chain. Combining this with our stakeholder consultation and additional research undertaken (polling activity and other advice), we have identified a preferred option for the design of a future Upper North Island Supply Chain. We will expand and develop the requirements for this option, including potential implementation plans, as we progress our final report due later this year.

Under the direction of the Working Group, a consortium led by Ernst and Young, including experts from Advisian, Warren & Mahoney and WT Partnership, undertook the analysis.

Strategic Principles

We have built on the key themes that emerged in our discovery phase to develop a range of strategic principles to assist in the evaluation of options for a future supply chain:

1. **Cost efficiency in moving freight**

Moving freight is critical to the New Zealand economy and we believe that we must present a future supply chain that allows the costs of moving freight to be kept as low as possible. This is particularly important in considering any reconfiguration of the supply chain, as we do not have the ability to direct freight. Freight will flow in the most cost efficient way possible as the market allows.
2. **Maintaining the level of competition in the supply chain**

We think that preserving the current level of competition in the Upper North Island Supply Chain, particularly in relation to the number of ports, is critical for the success of the supply chain. Healthy competition between ports and transport providers in the supply chain is a good driver of innovation and cost effectiveness. We do not consider a strategy that promotes monopolism to be in the best interests of New Zealand.

3. **Reducing the ‘friction’ between freight and passenger movements**

It is important that the strategy reduce friction between freight and people as much as possible. We therefore have consider a future supply chain that favours the provision of infrastructure that limits the degree to which freight activity impinges on public areas, and reduces the interaction between freight and passenger movements, particularly in congested areas. We are therefore prioritising freight modes such as rail, and coastal shipping where possible, and place particular emphasis on optimal land use.

4. **Maintaining or improving the resilience of the supply chain**

We believe the strategy must provide confidence that the Upper North Island supply chain has the ability to continue moving freight in the event of a natural disaster or other events that impact areas of the Upper North Island. We therefore think that as a minimum, a two-port system is needed for the Upper North Island. Given the significance of the Upper North Island supply chain to the rest of the country, we do not think that a strategy that relies on one port is in the best interests of New Zealand.

5. **Contributing to overall government objectives**

It is important to develop a strategy that contributes to overall government objectives. We are therefore giving priority to a future supply chain with focus on road safety, reducing CO₂ emissions, and economic development of the regions (in particular Northland).

**Analysis and Selection**

We used our strategic principles to guide and develop the economic analysis, drawing on a number of contemporary analytical approaches. More detail on the methodology, process, data and results are attached in the consultants report.

The strategic options we have considered are:

1. Maintaining the current status-quo, whereby the Upper North Island is serviced by Port of Tauranga and Ports of Auckland, and Northport to a lesser extent;
2. Development of the port at Northport equivalent to the Ports of Auckland, including appropriate levels of landside infrastructure and capacity to grow as levels of freight increase. Maintaining the Port of Tauranga;
3. Development of Port of Tauranga to be able to accept the freight of the Ports of Auckland in addition to it’s own, including appropriate levels of landside infrastructure and capacity to grow as levels of freight increase;
4. Development of both Northport and Port of Tauranga to be able to accept the freight of the Ports of Auckland, in addition to their own, including appropriate levels landside infrastructure and capacity to grow as levels of freight increase; and,
5. A new port in the Upper North Island that can handle the Ports of Auckland freight task, along with appropriate landside infrastructure and capacity to grow as levels of freight increase.
Our preferred option

Based on the multi-factorial analysis undertaken we believe that Option 2, the development of Northport and continued operation of the Port of Tauranga, provides the greatest level of benefit to the upper North Island and New Zealand.

There are a number of reasons why this two-port solution is our preferred option:

- It promotes resilience in the supply chain by providing two distinct North and South entry points for international freight originating in and destined for Auckland;
- It reduces levels of friction in the Auckland CBD which is currently a congested entry point for freight out of Ports of Auckland and provides two alternative entry points into the city;
- It allows for alternative use of the Auckland waterfront land, and returns the harbour to the people which helps Auckland to achieve its ambition of becoming a more “liveable city”. 62 percent of Aucklanders, polled on behalf of the working group, believe that moving the port would make Auckland a better place to live, work and visit.
- It promotes opportunities for regional development and employment in Northland and supports further growth in the Bay of Plenty;
- It maintains levels of competition in the Upper North Island Supply Chain, fosters innovation and cost effectiveness/efficiency of freight delivery; and,
- It maximises the use of the existing port system and the availability of surrounding land at Northport. We consider the Upper North Island can be effectively serviced by the existing ports without the need for the significant capital investment and development required to create a new port.

Final stage

We now move into the final stage of our review where we will consider how to transition from the current state to our preferred option.

We intend to deliver a final report in September 2019. This will report on our recommendations to achieve our preferred solution and will be guided by our strategic principles.

Our recommendations will include priorities for infrastructure investment, optimal regulatory settings, future challenges on which government and industry will need to work together and key actions to be taken over the next five years and beyond to implement a two-port strategy for the Upper North Island.
Hi All,

I was going to just say that the cover doc was pretty good capture on first glance – but then thought I should do my job and give it a thorough review.

Attached.
I agree with Vaughn’s comments, and these have shown up in my edits (in track changes).

As for the thing we paid a lot for – the BCR and MCA...
As a cover doc, shouldn’t it just give the ultimate results of the analysis? Like come right out and say that our preferred option had multicriteria analysis score more than 5 times higher than the others and BCR more than twice the next runner up? (actually you fill in the final numbers, I’m not sure about the exact comparison)

Other than that it should be clear to the reader what we are going forward with.

Cheers

Susan

---

Hi Chris/Wayne,

Unfortunately the release of the draft and commentary period coincided with the two weeks when I was already committed to a family holiday that left me with no time to spare. Having noted that limitation I also always favour the process moving on at best possible pace to a considered outcome.

Overall the conclusions of the report concur with what I consider to be the most logical outcome (strong BCR in favour of Northport shift) and to that extent I support it.
There are a number of matters of detail that I would take issue with, or consider require further deliberation, but they are unlikely to alter the conclusions. Nonetheless I'll still comment on a few of these issues. There are numerous others that in the interests of time I'll ignore for now but may comment on through the balance of the Working Group process.

Firstly on the status of the report, I've raised this issue in the Working Group a number of times that it is my understanding that the report was commissioned by the Working Group. I think the report should expressly acknowledge that (if my understanding is correct). This could be dealt with by redrafting the para. on pg 3 of the transmittal letter and section 1.4 of the report as follows:

“The Working Group sought to commission an economic evaluation of potential Upper North Island (UNI) supply chain configurations. Accordingly, in May 2019 the Ministry of Transport appointed a consortium led by Ernst & Young Limited (EY) to perform this task. This report examines a range of potential scenarios for land side and port investment, taking account of regional development impacts as well as transport outcomes.”

This makes it clear to all that it is the Working group who sought to have this work undertaken.

On the infrastructure issue of the Avondale-Southdown rail link ($1B) I think this issue is at least worthy of some further discussion, which we are yet to have in a considered and detailed fashion. It may well be required and I note the report deals with it as a “likelihood” rather than necessity and I am comfortable with that position. However, it is also worth us taking a closer look at what information there is on freight flows within Auckland (which I’ve been doing) and then thinking about how the dynamics might change with time. At the moment the Onehunga/Penrose freight hub flows are driven by 90-95% of the freight containers coming into the area by truck from Ports of Auckland. The majority of the freight is then dispersed from that hub to the East and West. Hence the driver for the East West link improvements. Auckland City’s own projections for population growth in the next 30 years show a slightly great disposition to the North and West than the South. You can envisage that this population growth dynamic is likely to drive further distribution centre/warehousing growth in the North and West of the City which in turn will influence the freight hubbing dynamics in the city. These types of dynamics make it worth discussing further whether the Avondale-Southdown rail link would be an absolute necessity for the Northport full shift or a debatable consideration. I’m not sure of the answer to either contention at the moment, particularly when we acknowledge that the Working Group can’t control the modal form of freight movement.

On the non-monetary issues I’ve already made it clear that I find this type of approach not as appealing (to me) as some others that I’ve detailed. Having said that I think it does the job for now, recognising that a lot more work will occur in the future on the issue of any prospective port relocation.
As I’ve said there are lots of other issues of minor consequence that I’d address if there were more time but they are unlikely to significantly alter the BCR’s and that’s the headline story.

Regards,

Vaughan

Sent from my iPad

On 8/07/2019, at 8:59 PM, Chris Money [REDACTED] wrote:

Hi all

Please find attached a comment-ready draft.

A couple of outstanding items we will be working through in advance of receiving comments:

1. There are a number of outputs in this report that are absolutely critical to the analysis (avoided POAL development costs, freight costs and mode share and leasehold/rates income to Auckland Council from alternative land use). I am asking my team to triple check and confirm with me that they are happy with each of these and are willing to stand by them. The analysis is very sensitive to changes in these key assumptions and I am confirming that these are based on each team member’s industry leading knowledge.

2. I will go through a process of reconciling all the Working Group’s comments over the last few weeks to make sure we have them covered off. There are some work-ons in this regard:

   a. While we reference the Colmar Brunton work as underpinning the MCA work and the WG’s scoring, we’ve not included the detailed findings. Suggest we either leave as is or put in an appendix

   b. We’ve got the qualitative and non monetised impacts in there, but really keen to test whether they are seen as sufficient (Vaughn’s view critical here). I’d suggest that with a strong benefit cost ratio
(2.0 for Northport), the multicriteria analysis, plus the wider economic impacts, and the Warren and Mahoney visuals, there is enough in there.

c. The “interim step”, plus the 5/15 year strategy is not reflected strongly enough. You’ll note much of the analysis still references 30 years – which is appropriate to define the key issues, but we then need to reconcile back to the 5/15 year approach – clearly stating that the key issues are actually addressed by a rapid move – namely a large part of the value is driven by removing the need to invest in POAL, and then moving progressively to an alternate land use.

3. Appendices to be added – these will be detail and not material to your commentary. You will note we do not have the detailed MCA scoring in the body of the report. I will include this in the appendix, along with other detail.

4. We need to do a final check reconciling the numbers in every table. The core BCR is correct, but at least one table still mentions NAL as part of the base case (which its not). I’ve deliberately not included the Total numbers in the scenario summary tables until this final line by line reconciliation is done.

5. Some formatting (consistent color scheme) and spelling and grammar, and correct footnoting an figure references (done it several times already but still not satisfied).

Dan – the more I look at the freight story in here, the more I’d like the update of the NFDS to be incorporated, as I feel it would be a shame not to have 2019 NFDS figures in preference to 2014. It won’t change the conclusions, but as you note, there are some changes, and some areas where the Ministry has a view (e.g. Cars – Ministry vs POAL projections).

Chris

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<UNI Ports Report - DRAFT MASTER to Working Group Monday 8 July.docx>
Upper North Island Supply Chain Study Second Interim Report:
Options and Analysis

Background
The Upper North Island Supply Chain Strategy has been asked by Cabinet to undertake a comprehensive review of New Zealand’s freight and logistics sector for the Upper North Island, including ports. This will guide the development and delivery of a strategy for the Upper North Island to ensure the supply chain is fit for purpose in the long-term.

Our interim report presented the progress we made in our first stage of this review. This included a number of site visits, including visits to Northport and Ports of Auckland, supported by stakeholder engagement and initial analysis and advice to gain an understanding of the current system. We have since also visited Port of Tauranga and further stakeholder meetings.

A number of key themes emerged during our discovery phase that are guiding us in our review. These include:

- **reasons for inefficiencies** of the network infrastructures, encompassing rail, road, ports, shipping inland ports and hubs.
- **complex and inefficient owner relationships** of ports, network infrastructures and assets.
- the **importance of social licence** and working within communities that the network is there to serve, particularly in Auckland but also in Tauranga.
- **infrastructure investment** by different parties and their rationales.
- **shipping and handling behaviours** in finding the best ways to use the network capacity and manage problems like congestion and driver shortages.
- the **wider context** within which the Upper North Island Supply Chain Strategy is being conducted, with a particular emphasis on **optimal land use**.

This second report back to Cabinet builds on our interim thinking and provides a strategic and **investment approach/optimisation** to the analysis of the Upper North Island Supply Chain. Our work in this term has focused on determining the possible options that different stakeholders have and using a strategic approach to analyse whole system performance.

We have undertaken an economic and multi-criteria evaluation of a range of potential future options for the configuration of the Upper North Island Supply Chain. Combining this with our stakeholder consultation and additional research undertaken (polling activity and other advice), we have identified a preferred option for the design of a future Upper North Island Supply Chain. We will expand and develop the requirements for this option, including potential implementation plans, as we progress our final report due later this year. We will also suggest a strategy for realising the benefits of the preferred option at the earliest point.

Under the direction of the Working Group, a consortium led by Ernst and Young, including experts from Advisian, Warren & Mahoney and WT Partnership, undertook a requested economic and multi-criteria analysis.

**Strategic Principles**
We have built on the key themes that emerged in our discovery phase with the results of the economic analysis to develop a range of strategic principles to assist in the evaluation of the preferred options for a future supply chain:

1. **Cost efficiency in moving freight**

Moving freight is critical to the New Zealand economy and we believe that we must present a future supply chain that allows the costs of moving freight to be kept as low as possible over the long term. This is particularly important in considering any reconfiguration of the supply chain, as we do not have the ability to direct freight. Freight will flow in the most cost efficient way possible as the market allows and as facilitated by smooth, cogent operations management.

2. **Maintaining the level of healthy and productive competition in the supply chain**

We do not consider a strategy that promotes monopolism to be in the best interests of New Zealand. Healthy competition between ports and transport providers in the supply chain is a good driver of innovation and cost effectiveness. We think that preserving the current level of competition in the Upper North Island Supply Chain, particularly in relation to the number of ports, is critical for the success of the supply chain. That said, national infrastructure is a shared resource within which freight movers can freely compete. Oversupply or redundancy in basic services does not necessarily increase competition and reduce costs. Healthy competition between ports and transport providers in the supply chain is a good driver of innovation and cost effectiveness. We do not consider a strategy that promotes monopolism to be in the best interests of New Zealand.

3. **Reducing the ‘friction’ between freight and passenger movements**

It is important that the strategy reduce friction between freight and people as much as possible. We therefore have considered a future supply chain infrastructure that favours the provision of infrastructure that limits the degree to which freight activity impinges on public areas, and that reduces the interaction between freight and passenger movements, particularly in congested areas. We are therefore prioritising freight modes such as rail, and coastal shipping where possible, and place particular emphasis on optimal land use.

4. **Maintaining or improving the resilience of the supply chain**

We believe the strategy must provide confidence that the Upper North Island supply chain has the ability to continue moving freight in the event of a natural disaster or other events that impact areas of the Upper North Island. We therefore think that as a minimum, a two-port system is needed for the Upper North Island. Given the significance of the Upper North Island supply chain to the rest of the country, we do not think that a strategy that relies on one port is in the best interests of New Zealand.

5. **Contributing to overall government objectives**

It is important to develop a strategy that contributes to overall government objectives. We are committed to developing a strategy that contributes to overall government objectives. We are therefore giving priority to a future supply chain with focus on road safety, reducing CO2 emissions, and economic development of the regions (in particular Northland).

**Analysis and Selection**

We used our broad engagement to develop a set of possible scenarios that included all options proposed in previous studies and stakeholder ideas. We used our strategic
principles to guide and develop the economic analysis of the scenarios, drawing on a number of contemporary analytical approaches. More detail on the methodology, process, data and results are attached in the consultants report.

The strategic scenarios with various options which we have considered are:

1. **Maintaining the current status quo**, whereby the Upper North Island is serviced by Northport operations increase only marginally as the new rail spur and repair of North Auckland Rail line bring more local export cargo. Port of Tauranga and Ports of Auckland carry on with business as usual, but capacity to grow is limited, and Northport to a lesser extent.

2. **Development of the port at Northport** develops to capacity equivalent to the Ports of Auckland, including appropriate levels of landside infrastructure and capacity to grow as levels of freight increase. **Maintaining the Port of Tauranga continues its planned development.**

3. **Development of Port of Tauranga** expands capacity to be able to accept the freight of the Ports of Auckland in addition to its own, including appropriate levels of landside infrastructure and capacity to grow as levels of freight increase. **No major development at Northport.**

4. **Development of both** Northport and Port of Tauranga expand capacity to be able to accept the freight of the Ports of Auckland, in addition to their own, including appropriate levels of landside infrastructure and capacity to grow as levels of freight increase.

5. A new port in the Upper North Island is built that can handle the Ports of Auckland freight task, along with appropriate landside infrastructure and capacity to grow as levels of freight increase.
Our preferred option

Based on the multi-factorial analysis undertaken we believe that Option 2, the development of Northport and continued business plan operation of the Port of Tauranga, provides the greatest level of benefit to the upper North Island and New Zealand. The land-side infrastructure involved in this option includes a modern and full scale North Auckland Rail line and at least one new inland hub in the Northwest of Auckland along the same scale as Metropot in the South. The friction with urban personal transport and regional deliveries would be greatly reduced by a dedicated freight rail line through the Avondale corridor connecting the two main freight hubs. The waterfront of Auckland would undergo a transition of land use.

There are a number of reasons why this two-port solution is our preferred option:

- It promotes resilience in the supply chain by providing two distinct North and South entry points for international freight originating in and destined for Auckland;
- It reduces levels of friction in the Auckland CBD which is currently a congested entry point for freight out of Ports of Auckland and provides two alternative entry points into the city;
- It allows for alternative use of the Auckland waterfront land, and returns the harbour to the people which helps Auckland to achieve its ambition of becoming a more "liveable city". 62 percent of Aucklanders, polled on behalf of the working group, believe that moving the port would make Auckland a better place to live, work and visit.
- It improves road safety by greatly increasing rail freight capacity and logistics;
- It promotes opportunities for regional development and employment in Northland and supports further growth in the Bay of Plenty;
- It maintains levels of competition in the Upper North Island Supply Chain, fosters innovation and cost effectiveness/efficiency of freight delivery; and,
- It maximises the use of the existing port system and the availability of surrounding land at Northport. We consider the Upper North Island can be effectively serviced by the existing ports without the need for the significant capital investment and development required to create a new port.

Final stage

We now move into the final stage of our work where we will consider how to transition from the current state to our preferred option.

We intend to deliver a final report in September 2019. This will report our recommendations to achieve our preferred solution and will be guided by our strategic principles.

Our recommendations will include priorities for infrastructure investment, optimal regulatory settings, future challenges on which government and industry will need to work together and key actions to be taken over the next five years and beyond to implement a two-port strategy for the Upper North Island.
From: [TSY] [TSY]  
Sent: Monday, 16 September 2019 8:48 AM  
To: Dan Jenkins  
Subject: Agenda for this afternoon  

[IN-CONFIDENCE]  

Hi Dan,  

Just following on from our conversation on Friday, can we please make sure the info presented this afternoon isn’t information already provided to us. The best place to start would be the detail behind the BCRs. In fact, if you’re able to send the cost tables for each scenario, as well as how the benefits were calculated, this morning so we can get a chance to look at them beforehand that would be ideal.

Happy to discuss,

__________________________

TE TAI ŌHANGA  
THE TREASURY  

(she/her) | Senior Analyst, National Infrastructure Unit | Te Tai Ōhanga – The Treasury  
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__________________________

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Karl,

Any thoughts, am looking through this now...

D

Hi Dan,

I’ve attached where I’ve got to with the draft skeleton UNICS report.

Do you want to discuss or add/amend anything before I send it with the agenda to the Working Group?

Thanks,

[Name]
Senior Data Analyst
Ministry of Transport – Te Manatū Waka

[Link to website]

Enabling New Zealanders to flourish
UPPER NORTH ISLAND SUPPLY CHAIN STRATEGY
REPORT FROM THE INDEPENDENT WORKING GROUP
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Appendix 1 – Terms of Reference .............................................................................................. 17
Background
The Government agreed to a Terms of Reference (ToR) for a review to guide the development and delivery of a freight and logistics (supply chain) strategy for the Upper North Island. We are the independent working group leading this review. We have been asked to advise on the priorities for investment in rail, roads and other supporting infrastructure, and to consider moving the Ports of Auckland, giving Northport serious consideration. The ToR guides us to consider a range of impacts including transport, land use and urban planning, and national and regional economic growth. Specifically, the ToR requests we set out our joint view of:

- the current and future drivers of freight and logistics demand, including the impact of technological change
- a potential future location or locations for Ports of Auckland, with serious consideration to be given to Northport. As ports are long term assets, the work needs to take a view that is 30-50 years or longer
- supporting priorities for other transport infrastructure, across road, rail and other modes and corridors such as coastal shipping
- potential priorities for transport-related infrastructure investment from a national economic and regional development perspective
- the optimal regulatory settings, and planning and investment frameworks across government to give effect to the review findings
- future challenges on which government and industry will need to work together
- key actions to be taken over the next five years.

Our approach
We began our review with a number of site visits, supported by stakeholder engagement and initial analysis and advice to gain an understanding of the current system. A number of key themes emerged during this discovery phase that guided the remainder of our review.

Our second phase consisted a strategic approach and investigation of the Upper North Island Supply Chain. This work focused on determining the possible options that different stakeholders have and used a strategic approach to analyse whole system performance.

We undertook economic and multi-criteria evaluation of a range of potential future options for the configuration of the Upper North Island Supply Chain. Combining this with our stakeholder consultation and additional research undertaken (polling activity and other advice), we identified a preferred option for the design of a future Upper North Island Supply Chain.

This is our final report which sets out our joint view. It details our findings and expands and develops the requirements for our preferred option. It also includes potential implementation plans, and future challenges and actions on which government and industry will need to work together.

1 A copy of the Terms of Reference is provided in Appendix 1.
The current supply chain

MoT to insert detailed description of current supply chain and freight data
What people told us about the current supply chain

During our review we identified a number of key stakeholders as holding relevant experience. We talked to a range of stakeholders and key interest groups including representatives from the three upper North Island ports, port company shareholders, the road freight industry, the shipping industry, commercial interests, cargo interests other interested parties.

| Ports                      | Northport  
|                           | Ports of Auckland  
|                           | Port of Tauranga  
| Port company shareholders | Auckland Council  
|                           | Northland Regional Council  
|                           | Marsden Maritime Holdings  
|                           | Bay of Plenty Regional Council  
|                           | Quayside Holdings  
| Road freight industry     | Road Freight Transport Forum  
|                           | Toll  
|                           | Transport Investments Ltd  
| Shipping industry         | NZ Shipping Federation  
|                           | Pacifica/Swire Shipping  
|                           | International Container Lines Committee  
|                           | NZ Shippers Council  
|                           | Lodestar  
| Commercial interests      | Auckland Chambers of Commerce  
|                           | Auckland Waterfront Consortium  
| Cargo interests           | Custom Brokers and Freight Forwarders  
|                           | Fonterra / Kotahi  
|                           | Talleys/Open Country Dairy/AFFCO  
|                           | CODA  
|                           | PTS Group  
|                           | Motor Industry Association  
|                           | Imported Motor Vehicle Industry Association  
|                           | Dolphin Shipping New Zealand  
|                           | Ian Craig, Kiwifruit representative  
|                           | Juken New Zealand  
| Interested parties        | Auckland Transport  
|                           | NZTA  
|                           | Tainui Group Holdings Ltd  
|                           | Richard Pearson, CK Hutchison Group  
|                           | Geoff Vazey  
|                           | Waikato Regional Council  
|                           | Mahurangi East Residents and Ratepayers Association (MERRA)  
|                           | Urban Auckland |
What we asked stakeholders

What are the strengths of the Upper North Island’s (UNI’s) current 3-port freight system?

What are the weaknesses of the UNI’s current 3-port freight system?

What opportunities exist to improve the UNI freight system over the next 10, 25 and 50 years?

What are the main threats to the UNI freight system over the next 10, 25 and 50 years?

Do you think the ownership structures of the 3 UNI ports are providing optimal freight outcomes for NZ Inc? If not, why not, and what would you change?

If you could redesign the UNI freight system from scratch:
  - How many ports would you have?
  - Where would you locate them?
  - What would their roles be?
  - Who would own them?
  - Who would operate them?

What feedback do you have on the questions implied by our current Terms of Reference for the review?
Key themes guiding us

1. **inefficiencies** of the network, encompassing rail, road, ports, inland ports and freight hubs
2. **complex and inefficient owner relations** between the ports, network infrastructure and assets
3. the importance of **social licence** and working within the communities that the network is there to serve, particularly in Auckland but also in Tauranga
4. **infrastructure investment** by different parties and their rationales
5. the **wider context** within which the Upper North Island Supply Chain Strategy is being conducted, with a particular emphasis on **optimal land use**.

MoT to insert details about each of the key themes from Interim Report

Include detailed ownership structure diagram
Our strategic principles

We built on the key themes that emerged in our discovery phase to develop a range of strategic principles to assist in the evaluation of options for a future supply chain:

**Cost efficiency in moving freight**

Moving freight is critical to the New Zealand economy and we believe that we must present a future supply chain that allows the costs of moving freight to be kept as low as possible. This is particularly important in considering any reconfiguration of the supply chain, as we do not have the ability to direct freight. Freight will flow in the most cost efficient way possible as the market allows.

**Maintaining the level of competition in the supply chain**

We do not consider a strategy that promotes monopolism to be in the best interests of New Zealand. Healthy competition between ports and transport providers in the supply chain is a good driver of innovation and cost effectiveness. We think that preserving the current level of competition in the Upper North Island Supply Chain, particularly in relation to the number of ports, is critical for the success of the supply chain.

**Reducing the ‘friction’ between freight and passenger movements**

It is important that the strategy reduce friction between freight and people as much as possible. We therefore have considered a future supply chain that favours the provision of infrastructure that limits the degree to which freight activity impinges on public areas, and reduces the interaction between freight and passenger movements, particularly in congested areas. We are therefore prioritising freight modes such as rail, and coastal shipping where possible, and place particular emphasis on optimal land use.

**Maintaining or improving the resilience of the supply chain**

We believe the strategy must provide confidence that the Upper North Island supply chain has the ability to continue moving freight in the event of a natural disaster or other events that impact areas of the Upper North Island. We therefore think that as a minimum, a two-port system is needed for the Upper North Island. Given the significance of the Upper North Island supply chain to the rest of the country, we do not think that a strategy that relies on one port is in the best interests of New Zealand.

**Contributing to overall government objectives**

We are committed to developing a strategy that contributes to overall government objectives. We are therefore giving priority to a future supply chain with focus on road safety, reducing CO₂ emissions, and economic development of the regions (in particular Northland).
Options analysis

MoT to insert detail on CBA and costings from EY report
Our recommended option

The strategic scenarios and options we considered were:

1. Maintaining the status-quo, whereby the Upper North Island is serviced by Port of Tauranga and Ports of Auckland, and Northport to a lesser extent;

2. Managed closure of the POAL freight operations, Northport develops to capacity equivalent to the Ports of Auckland, including appropriate levels of landside infrastructure and capacity to grow as levels of freight increase. Port of Tauranga continues its planned development.

3. Managed closure of the POAL freight operations, Port of Tauranga expands capacity to be able to accept the freight of the Ports of Auckland in addition to its own, including appropriate levels of landside infrastructure and capacity to grow as levels of freight increase. No major development at Northport.

4. Managed closure of the POAL freight operations, both Northport and Port of Tauranga expand capacity to be able to accept the freight of the Ports of Auckland, in addition to their own, including appropriate levels of landside infrastructure and capacity to grow as levels of freight increase.

5. Managed closure of the POAL freight operations, a new “super” port in the Upper North Island is built that can handle the Ports of Auckland freight task, along with appropriate landside infrastructure and capacity to grow as levels of freight increase.

Our recommended supply chain

The managed closure of the Ports of Auckland's freight options, the development of Northport and continuation of freight operation of the Port of Tauranga. This will be supported by the development of land-side infrastructure consisting of a rejuvenated the North Auckland Rail line and spur to Northport, and a new inland freight hub in the Northwest of Auckland complementing Metroport in the South of Auckland.
Our findings

Appetite to move

We have talked to all people who wanted to talk to us and have not heard a valid reason for why our preferred option should not be implemented. Any objections we have heard stem from myths that exist, or result from narrow or short-term thinking.

Benefits of our recommended supply chain

- Our recommended supply chain promotes resilience in the supply chain by providing two distinct North and South entry points for international freight originating in and destined for Auckland;
- It reduces levels of friction in the Auckland CBD which is currently a congested entry point for freight out of Ports of Auckland and provides two alternative entry points into the city;
- Friction with urban personal transport and regional deliveries could be further reduced by a dedicated freight rail line through the Avondale corridor connecting the two main freight hubs;
- It allows for alternative use of the Auckland waterfront land, and returns the harbour to the people which helps Auckland to achieve its ambition of becoming a more “liveable city”. 62 percent of Aucklanders, polled on behalf of the working group, believe that moving the port would make Auckland a better place to live, work and visit;
- It potentially improves road safety by increasing rail freight capacity;
- It promotes opportunities for regional development and employment in Northland and supports further growth in the Bay of Plenty;
- It maintains levels of competition in the Upper North Island Supply Chain, fosters innovation and cost effectiveness/efficiency of freight delivery;
- It maximises the use of the existing port system and the availability of surrounding land at Northport, noting potential alignment with other strategic projects such as a new drydock and rail staging for NZ refinery in west Auckland;
- We consider the Upper North Island can be effectively serviced by the existing ports without the need for the significant capital investment and development required to create a new port.
Pathways to implementation

Insert stars aligning story about why now is a good time for this new supply chain to be implemented. Narrative to include Government focus on rail, Auckland waterfront, Auckland focus on long term planning, Auckland as a liveable city, amazing Auckland without the port, land availability in Northland etc.

*Example to start shaping Government focus on rail:*

The Government’s priorities for the land transport system are safety, access, environment and value for money. The Government recognises that supporting the movement of freight through modes of transport other than by road, such as by rail and/or coastal shipping, can improve road safety and reduce lower emissions².

Content from Auckland Plan to be used to shape narrative

10-year budget plan – Long Term Plan 2018 - 2028

Message from the Mayor (volume 1):

- “To protect our quality of life and to make Auckland a world class city, Council is acting decisively to invest to make Auckland a more exciting, efficient and inclusive place to live, work and play.”
- “This 10-year Budget will help deliver a world class Auckland while keeping rates low and reasonable.”
- “Auckland is a vibrant and dynamic region, and the coming decade will be exciting for our city. We are embarking on an investment programme at a level which has not been seen before in New Zealand. It is investment that will make our city a better place to live, that will allow us to grow while protecting our way of life and environment.”

What will be delivered (page 16, volume 1):
- Growing the value of Auckland’s visitor economy
- Supporting the creation of more high value jobs, businesses and investment

Auckland Plan 2050 outcome: Opportunity and prosperity

“We need to ensure Auckland is prosperous, with many opportunities, and delivering a better standard of living for everyone. To be truly successful Auckland needs sustainable prosperity that puts people and the environment at the centre of economic progress… Innovation and entrepreneurship will be essential elements for increasing employment and raising wages. This will strengthen Auckland’s economy in a globally competitive environment and allow the economy to meet the needs of our growing population. Innovation among enterprises of all sizes can provide Auckland with the resilience to adapt in a rapidly changing world.” (page 8, volume 2)

“The Development Strategy provides the strategic direction for how and where growth can be realised over the life of the plan. It identifies the expected location, timing, and sequence of future development capacity in the existing urban areas and future urban areas.

We will achieve this by taking a quality compact approach to growth and development.

This means that future development will be focused in existing and new urban areas within Auckland’s urban footprint, limiting expansion into the rural hinterland. By 2050, most growth will have occurred within this urban footprint, particularly focused in and around:
- the city centre…
- the nodes...
- identified development areas...
- future urban areas...

In practice this means… ensuring sufficient capacity for growth across Auckland; embedding good design in all development…” (page 9, volume 2)

The Auckland Plan (2050)

“Auckland’s scale means it is able to support higher education and nurture highly specialised businesses across a range of industries, such as healthcare and research.” (pg10)

“As Auckland continues to grow, we need to ensure that all Aucklanders can benefit from the social and economic prosperity that growth brings and can participate in and enjoy community and civic life.”

“One key way to support a connected society is to provide safe, shared places and spaces where social and cultural life can flourish.”
What Government can do

**Government as a leader**

Insert information about Government role as a leader

Government has a leadership role in ensuring national interests, and a facilitation role to resolve any issues…

**Government as a regulator**

Insert information about Government role as a regulator

Government has a role to unblock unintentional barriers and smooth things or reform through regulatory systems…

Regulation in our solution is second-order. It will only be needed if barriers cannot be overcome within a reasonable timeframe.

**Government as a funder**

Insert information about Government role as a leader

Government has a role in providing national infrastructure…

In our solution, Government commitment to fund rail infrastructure of the North Auckland Line and spur to Marsden Point will be required. However, Government is not expected to fund other infrastructure associated with our recommended supply chain.

What the market can do

Insert options of what the market can do

**We have identified some potential barriers**

Working Group to add potential barriers they have identified

*Example*

*At times, the ownership of Northport by Port of Tauranga and Ports of Auckland has been viewed as a blocking stake. From what we have heard this doesn’t seem to be occurring now however the current ownership structure creates this risk…*

*What would occur if Port of Tauranga sold one share in Northport?*

We do not consider the barriers to be insurmountable and we anticipate that the benefits that can be realised from all parties with our recommended option will mean barriers will be sensible worked through. However, we are clear that if there is no momentum within one year, Government must be prepared to intervene.
Our recommendations

**WE RECOMMEND A MARKET BASED SOLUTION WITH MINIMAL GOVERNMENT INTERVENTION**

We consider the benefits of our recommend supply chain solution to provide for a market-based solution with minimal Government intervention. However, we are clear that if an optimal outcome isn’t arrived at when the conditions are optimal then the market settings are wrong and Government intervention will be required.

Working Group to add recommended options for implementing and sequencing of recommended options

*Examples:*

**Government should provide commitment to build the North Auckland Line and spur to Northport**

**Auckland Council should agree to the managed transition from Ports of Auckland to Northport**

**Commitment should be gained from an international shipping line to begin calling at Northport**

**Government should monitor progress of the Upper North Island supply chain**

Government should monitor the Upper North Island supply chain. We consider 12 months an appropriate timeframe for some momentum to have been gained for transitioning to our recommended supply chain. If after 12 months, it becomes clear there has been no market response, Government needs to be prepared to intervene through its powers as a regulator.
Myth busting

Working Group to add myths and their arguments against these (some examples below to be busted).

“Ports of Auckland has another 30 years in its current location”

“Ports of Auckland can only move to a new location in Auckland”

“The best option is for a new port to be built in the Firth of Thames or Manukau”

“Port of Tauranga can handle the entire Auckland freight task as well as its own”

“Northport isn’t a viable alternative for Ports of Auckland because it cannot handle big ships”

“If Ports of Auckland moves from its current location there will be job losses and a loss to the economy”

“Ports of Auckland can barge their cars”

Myth busting boxes to be distributed throughout the report in relevant places.
Appendix 1 – Terms of Reference

Upper North Island Supply Chain Review

A review of New Zealand’s freight and logistics sector, including ports for the Upper North Island

Context

The government has a strong interest in the future of New Zealand’s ports, freight services and coastal shipping.” We see this as critical for lifting and securing the economic well-being of New Zealanders, and in promoting opportunities for regional development and employment. We have a strong interest in developing an efficient and effective transport and logistics infrastructure that is resilient and works in the national interest. We are also mindful of the need to ensure the best use of scarce resources such as land, especially in metropolitan areas.

Freight is a key enabler of our economy, and we rely on our international freight links to connect our goods to the world.

New Zealand’s freight volumes are expected to continue to grow, and all parts of the freight system will be impacted by this growth. New Zealand’s freight task is projected to increase by about 50 per cent over the next 30 years. Understanding the drivers of, and uncertainties around, future freight and logistics demand is critical to ensure that New Zealand’s supply chain is fit for purpose in the longer-term.

This terms of reference guides the development and delivery of a freight and logistics (supply chain) strategy for the Upper North Island, including ports. It will advise on the priorities for investment in rail, roads and other supporting infrastructure. It will also advise on the feasibility of moving the Ports of Auckland, with serious consideration to be given to Northport. It will consider a range of impacts including transport, land use and urban planning, as well as national and regional economic growth.

Governance and approach

The government is setting up an independent working group of experts who will provide advice on the matters outlined in the scope section below. The working group will report to the Ministers of Finance, Transport, and Regional Development.

The working group will be supported by officials from the Ministry of Transport, the NZ Transport Agency and the Ministry of Business, Innovation and Employment.

Scope

The review will consider national and regional economic development outcomes and transport outcomes. The review will also consider the extent to which the government may need to invest to achieve these outcomes.

It will set out the independent working group’s joint view of:
the current and future drivers of freight and logistics demand, including the impact of technological change

a potential future location or locations for Ports of Auckland, with serious consideration to be given to Northport.\(^3\) As ports are long term assets, the work needs to take a view that is 30-50 years or longer

supporting priorities for other transport infrastructure, across road, rail and other modes and corridors such as coastal shipping\(^4\)

potential priorities for transport-related infrastructure investment from a national economic and regional development perspective\(^5\)

the optimal regulatory settings, and planning and investment frameworks across government to give effect to the review findings

future challenges on which government and industry will need to work together

key actions to be taken over the next five years.

This view will be put to government, for it then to determine how it will respond. It is anticipated, that subject to the government’s endorsement of the view, that it will form the basis of a government strategy.

**Deliverables and milestones**

The working group will report to Ministers as follows:

- Report on the findings of the supply chain study, and specifically in the Upper North Island including ports by July 2018

- Priorities for investment in rail, roads and other supporting infrastructure, and future challenges on which government and industry will need to work together by December 2018

- A feasibility study to explore options for moving the location of the Ports of Auckland, including giving Northport serious consideration by December 2018. The Minister for Regional Development will explore options with the Chair of the working group to bring forward this date.

**Engaging with stakeholders**

The working group will consult with key interest groups and stakeholders.

\(^3\) This assessment should be based on value for money considerations, including non-monetary and intangible costs and benefits.

\(^4\) These assessments should be based on value for money considerations, including non-monetary and intangible costs and benefits.

\(^5\) As above.
From: Dan Jenkins  
Sent: Tuesday, 27 August 2019 3:47 PM  
To: [redacted]  
Subject: RE: UNISCS draft skeleton report  
Attachments: DRAFT Upper North Island Supply Chain Strategy Final Report Skeleton_v1.1.docx

Thanks: [redacted] have moved a couple of sections around — be good to talk about this on Thursday with the WG...can you make sure there’s some time on the agenda to do that.

Thanks,
Dan

From: [redacted]  
Sent: Tuesday, 27 August 2019 10:20 AM  
To: Dan Jenkins [redacted]  
Subject: UNISCS draft skeleton report

Hi Dan,

I’ve attached where I’ve got to with the draft skeleton UNISCS report.

Do you want to discuss or add/amend anything before I send it with the agenda to the Working Group?

Thanks,
[redacted]

Senior Data Analyst  
Ministry of Transport – Te Manatū Waka

[redacted] | www.transport.govt.nz

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