UPPER NORTH ISLAND SUPPLY CHAIN STRATEGY
REPORT FROM THE INDEPENDENT WORKING GROUP
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.

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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
Map
Analysis of Supply Chain etc.
Include detailed ownership structure diagram
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:
  o How many ports would you have?
  o Where would you locate them?
  o What would their roles be?
  o Who would own them?
  o 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
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 CO\textsubscript{2} 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 landside 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.
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 emissions.²

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 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 visit4.
- 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.
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. 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.

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.

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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.
Attached revised version of the Cab paper.

Let me know if you need anything else – no further revisions to the Working Group’s content in the email of the 9th.

Thanks,
Dan

Kia ora Dan

Is there an updated Cabinet paper and or any other material from the material you sent on the 9th. If you could send the most up to date information to [redacted] and I, to support us placing Wayne’s letter over the top, that would be appreciated. [redacted] is in Minister Robertson’s office and you now have his email address.

Dear All,

Please find attached:

1. DRAFT Cabinet Paper (for attention of Minister Jones’ office initially, comment from Ministry of Transport and Treasury as required)
2. Upper North Island Supply Chain Strategy Interim report 2: Options and Analysis, attaching:
   i. EY economic analysis report
   ii. Colmar Brunton Polling Research

Happy to discuss as required,
Best,

Dan

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

Enabling New Zealanders to flourish

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Title of Paper: Upper North Island Supply Chain Strategy Second Interim Report: Options and Analysis

Ministry Contact: Dan Jenkins

Decision
1.

Issues
2.
3.

Risks and potential media comment
4.
5.
Upper North Island Supply Chain Strategy Preliminary Report

Proposal

1. This paper provides an update on the progress of the independent Working Group undertaking the Upper North Island Supply Chain Strategy and attaches the second interim report covering options and analysis.

Executive Summary

2. The Working Group’s second interim report is attached to this paper for your consideration. The report provides robust multi-factorial analysis of a range of supply chain scenarios and options, in line with the agreed strategic and investment approach the Working Group is taking.

3. Based on the multi-factorial analysis and evidence developed, the Working Group outline a preferred option for the future of the Upper North Island Supply Chain. This scenario consists of the managed closure of the Ports of Auckland (except for Cruise Liner operations), the development of Northport and continued operation of the Port of Tauranga.

4. The Working Group believe this configuration provides the greatest level of benefit to the upper North Island and New Zealand. The benefit cost ratio for this option is 2:1.

5. The benefits to the liveability of the city and wellbeing of the people of Auckland, from the development of the existing port land are also a key tenant of this strategy.

6. This scenario also includes development of land-side infrastructure consisting: a rejuvenated North Auckland Rail line and spur to Northport; a new inland freight hub in the Northwest of Auckland complementing Metroport in the South.

7. I note this includes upgrades to the North Auckland Line and the construction of the Marsden Point Link to Northport which aligns with the proposals from the Provincial Growth Fund investment strategy for its investment in regional rail.

8. While the Working Group have signalled their preferred option, including the infrastructure likely required to support this scenario, their intention is to explore the priorities for investment in Northport, Port of Tauranga, rail, roads and other supporting infrastructure in their final report in October 2019.

9. This report will make recommendations on the transition from the current state to the preferred solution, including potential for Crown, Local Government and commercial investment, alongside potential regulatory changes on which government and industry will need to work together. Once confirmed by Cabinet, it is intended the final report will act as a decision-making foundation for the Government of the future of ports in the upper north island.
Background

10. In December 2017, Cabinet agreed a working group be established to review New Zealand’s freight and logistics sector for the Upper North Island, including ports, and develop a proposed Upper North Island Supply Chain Strategy [CAB-17-MIN-0550 refers].

11. Cabinet agreed to the summary Terms of Reference which:

11.1. guide the development and delivery of a freight and logistics strategy for the Upper North Island, including ports

11.2. advise on the priorities for investment in rail, roads and other supporting infrastructure

11.3. advise on the feasibility on options for moving the location of the Ports of Auckland, including giving Northport serious consideration.

12. In April 2019, the independent Working Group provided an interim report back to Cabinet and proposed an approach (including revised timeframes) for finalising work on the Upper North Island Supply Chain Strategy.

13. Cabinet agreed that the Working Group continue its work on the Upper North Island Supply Chain Strategy, taking a strategic and investment based approach supported by analysis of the supply chain [DEV-19-MIN-0057 refers].

14. Cabinet agreed that the Working Group deliver:

14.1. a preliminary report in June 2019, providing the results of the evaluation of different port locations (including Northport as an alternative location for all or part of the Ports of Auckland), freight flows and infrastructure options and scenarios;

14.2. a final report in September 2019, with the Working Group’s conclusions and recommended actions to be taken over the next five years and beyond.

15. This paper attaches the preliminary report on options and scenarios.

Working Group membership

16. The Working Group is made up of five members who report to the Ministers of Finance, Transport and Regional Development (Joint Ministers):

16.1. Wayne Brown (Chair)

16.2. Susan Krumdieck

16.3. Gregory Miller

16.4. Shane Vuletich


17. The Working Group previously included a sixth member however Noel Coom tendered his resignation in June 2019 following his appointment to a new role.
18. An additional member was not appointed given the timeframes for the review coming to an end in September 2019. I consider that the broad mix of skills and experience of the remaining members allows the Working Group to continue its final stage having benefitted from Mr Coom's expertise in the earlier stages of the review.

Progress to date

19. The Working Group has continued to meet regularly throughout the second phase of its review and has since visited Port of Tauranga, ridden the North Auckland Line and continued to engage with stakeholders.

20. The Working Group also commissioned external support to assist in their development of strategic principles and a process for selecting and analysing different supply chain options.

Strategic principles for evaluation

21. The Working Group developed a number of strategic principles to help them evaluate the options for a future supply chain:

21.1. **Cost efficiency in moving freight:** Moving freight is critical to the New Zealand economy and the Working Group believe that they 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 freight will flow as cost efficiently as the market allows.

21.2. **Maintaining the level of competition in the supply chain:** The Working Group 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. The Working Group 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.

21.3. **Reducing the ‘friction’ between freight and passenger movements:** It is important that the strategy reduces friction between freight and people as much as possible. The Working Group therefore 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. The Working Group have therefore prioritised freight modes such as rail, and coastal shipping where possible, and place particular emphasis on optimal land use.

21.4. **Maintaining or improving the resilience of the supply chain:** The Working Group believe their 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. The Working Group 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, they do not think that a strategy that relies on one port is in the best interests of New Zealand.
21.5. **Contributing to overall government objectives:** The Working Group are committed to developing a strategy that contributes to overall government objectives. They have therefore given priority to a future supply chain with focus on road safety, reducing CO2 emissions, and economic development of the regions (in particular Northland).

**Options for the Upper North Island Supply Chain**

22. The options the Working Group selected for analysis included:

22.1. 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;

22.2. Managed closure of the Ports of Auckland’s 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.

22.3. Managed closure of the Ports of Auckland’s 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.

22.4. Managed closure of the Ports of Auckland’s 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.

22.5. Managed closure of the Ports of Auckland’s freight operations, 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.

**The Working Group’s preferred option**

23. Based on the multi-factorial analysis undertaken, the Working Group believe that option 2: the managed closure of the Ports of Auckland\(^1\), 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. The benefit cost ratio for this option is 2:1. This scenario also includes development of land-side infrastructure consisting: a rejuvenated the North Auckland Rail line and spur to Northport; a new inland freight hub in the Northwest of Auckland complementing Metroport in the South.

24. There are a number of reasons why the Working Group believe that a two-port solution is their preferred option:

24.1. 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;

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\(^1\) With the exception of the cruise ship operation
24.2. 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;

24.3. 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;

24.4. 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 visit2.

24.5. It potentially improves road safety by increasing rail freight capacity;

24.6. It promotes opportunities for regional development and employment in Northland and supports further growth in the Bay of Plenty;

24.7. It maintains levels of competition in the Upper North Island Supply Chain, fosters innovation and cost effectiveness/efficiency of freight delivery; and,

24.8. It maximises the use of the existing port system and the availability of surrounding land at Northport, noting potential alignment. 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.

25. The full details of the methodology, analysis and results are presented in the Working Group’s interim report, attached.

Alignment with North Auckland Line considerations

26. The Working Group has indicated its preference is to develop Northport and has previously reported they see no point making further investment in Northport without investment in, and development of, the North Auckland Line (NAL) and spur to Marsden Point (and Northport).

27. While the Working Group is yet to submit its final recommendations on the pathway to implementation for its preferred option, the direction from the Working Group at this point is consistent with decisions made by Cabinet on 12 August in related to the Provincial Growth Fund (PGF) Investment Strategy for regional rail. Cabinet approved PGF investment of $94.8m in essential repairs and maintenance to the NAL south of Whangarei. Cabinet also agreed that final investment decisions on the $300m PGF regional rail allocation would be made after the Government has considered the UNISCS final recommendations. Officials will provide Cabinet with advice on PGF investment alongside the UNISCS report.

---

2 Research report: Aucklanders’ sentiment to moving the Auckland Port
28. The Working Group’s intention is to explore the potential and priorities for Crown, Local Government and commercial investment in Northport, Port of Tauranga, rail, roads and other supporting infrastructure in their final report.

Engagement with Auckland Council

29. The Working Group has continued to engage with stakeholders throughout its second stage of the review. In particular, the Working Group has continued to engage with Auckland Council as the shareholder of the Ports of Auckland.

30. In its latest meeting with the Working Group, Auckland Council were supportive of a move of the Ports of Auckland from its current location provided there is a viable alternative supported by robust analysis, and that such an alternative does not have a negative economic effect on Auckland.

31. The economic analysis the Working Group commissioned shows that Auckland would benefit from moving Ports of Auckland’s cargo operations from its current location as it would allow alternative use of the land it occupies.

32. The attached report provides potential alternative land uses and shows it has the potential to generate an estimated total income of $98 million per annum though rate and leasehold income. This is a net benefit of $48 million based on the current dividend Ports of Auckland returns to Auckland Council of approximately $50 million per annum, and does not include the potential value uplifts of surrounding areas from alternative use of the land.

33. The Working Group will continue to engage with Auckland Council and other key stakeholders throughout the remainder of its review.

Public opinion

34. The Working Group commissioned external support to conduct a short online survey of Aucklanders’ sentiment towards moving the Ports of Auckland. The research explored general support for moving the location of the port, perceived impact of moving the port, suggestions on alternative use of the waterfront, and preferred mode of transport for moving cargo if the port was moved to Whangarei.

35. The results show general support for moving the Ports of Auckland, with 62 percent believing that moving the port would make Auckland’s attractiveness as a place to live, work or visit better.

36. The full results are presented in the Working Groups second interim report, attached.

Next Steps

37. The Working Group have signalled their preferred option, including the infrastructure likely required to support this scenario, their intention is to explore the priorities for investment in Northport, Port of Tauranga, rail, roads and other supporting infrastructure in their final report due in September 2019.
38. This report will make recommendations on the transition from the current state to the preferred solution, including potential for Crown, Local Government and commercial investment, alongside potential regulatory changes on which government and industry will need to work together. Once confirmed by Cabinet, it is intended the final report will act as a decision-making foundation for the Government of the future of ports in the upper north island.

39. The Working Group will deliver its final report in September 2019 with their conclusions and recommended actions to be taken over the next five years and beyond.

Consultation

40. The Treasury and Ministry of Transport have been consulted on this paper.

Financial Implications

41. Cabinet previously agreed to allocate $850,000 from the PGF to fund this work. It does not impact on the Crown’s operating balance.

42. As at the end of June 2019, $289,387 has been spent. This has covered the direct costs of running the Working Group and additional costs of travel, accommodation and expenses. When the work is completed, any remaining funds will be returned to the PGF.

43. The Ministry of Transport has provided Secretariat support to the Working Group which has been met within the existing Ministry of Transport baseline.

Legislative Implications

44. There are no legislative implications associated with this paper.

Impact Analysis

45. Impact Analysis requirements do not apply to the proposals in this paper.

Human Rights, Gender Implications and Disability Perspective

46. There are no human rights, gender or disability implications associated with this paper.

Publicity

47. Progress updates are provided on the Ministry of Transport website.

Proactive Release

48. Following Cabinet consideration of this paper, I intend to release it and the accompanying preliminary report from the Working Group on the Ministry of Transport website.

Recommendations

49. note the Working Group’s preliminary report on the Upper North Island Supply Chain Strategy attached to this paper.
50. **note** that the Working Group has identified its preferred option to develop Northport and maintain Port of Tauranga such that these two ports can handle all of Ports of Auckland’s freight as well as their own including growth.

51. **note** that the Working Group will deliver a final report in October 2019 with their conclusions and recommended actions to be taken over the next five years and beyond. This will include priorities for investment in rail, roads and other supporting infrastructure, and future challenges in which government and industry will need to work together.

52. **note** that officials will provide Cabinet with advice on final investment decisions on the $300m PGF regional rail allocation alongside the UNISCS report.
From: Dan Jenkins
Sent: Wednesday, 25 September 2019 9:30 AM
To: Shane Vuletich
Subject: Re:
Attachments: DRAFT Upper North Island Supply Chain Strategy Final Report Skeleton_v1.7 ddj.docx

Shane - still very rough and ready - we're working on it today.

Am proposing that we concentrate on this for the whole meeting tomorrow?

We also have a slight wrinkle in that you're appointment's to the group end on Friday...will try to find a solution today.

Dan

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

Enabling New Zealanders to flourish

From: Shane Vuletich
Sent: 24 September 2019 19:09
To: Dan Jenkins
Subject: Hi Dan, can you please send me the latest version of the report? Thanks,

Shane

Sent from my iPhone
UPPER NORTH ISLAND SUPPLY CHAIN STRATEGY

REPORT FROM THE INDEPENDENT WORKING GROUP
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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\(^1\). 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 from today out to 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.

\(^1\) A copy of the Terms of Reference is available at: https://www.transport.govt.nz/assets/Uploads/Our-Work/Documents/cc9d34704a/UNI-Cabinet-Paper-and-Terms-of-Reference_no-redactions.pdf
We are the independent working group leading this review. We are the members of the independent working group. We have expertise in a range of areas including economic and business development, regional development, transport and logistics, infrastructure management, investment and planning.

From left: Gregory Miller, Wayne Brown, Noel Coom, Susan Krumdieck and Shane Vuletich.

Working Group to provide updated bios

Wayne Brown (Chair)

Mr Brown, engineer, builds and owns roads, pipe networks, subdivisions and commercial buildings, very experienced in fixing Auckland infrastructure messes, appointed to chair Vector back to reliability and profit following Auckland CBD Power failure, chaired Auckland DHB to get $500m Auckland City Hospital build back on time and budget, publicly predicted major electricity supply failure at Penrose then appointed to chair Transpower to bring 400kva line up through Waikato and upgrade supply through Auckland, founding chair of Kordia and drove introduction of Freeview, appointed to chair LTS to sort out digital driving license fiasco, also former two term Mayor of Far North.

Gregory Miller

Mr Miller has three decades of experience in the logistics and global supply chain sector, having been the Managing Director of Toll New Zealand and the Global Development Manager of Mainfreight Group Limited. Mr Miller is a Fellow of the Chartered Institute of Transport and Logistics and has a wealth of supply chain knowledge both domestically and internationally to this role. He is the current Chief Executive of KiwiRail.

Susan Krumdieck

Ms Krumdieck is a Professor in Mechanical Engineering at Canterbury University and has spent the last 17 years consulting for local government, government departments and community groups on a number of transport, energy and future demand projects. She has strong academic background and in-depth understanding of engineering and transport modelling.

Shane Vuletich

Mr Vuletich has spent the past 17 years consulting on a number of major events, business strategies and providing advice on provisions of tourism and infrastructure. He is currently the Managing Director of the Fresh Information Company specialising in strategy, measurement, evaluation and forecasting and has a strong analytics and economic background. Mr Vuletich was a member of the Port Future Study.

Vaughan Wilkinson

Mr Wilkinson has 37 years experience in the agriculture and fisheries sector, and has been involved in a range of roles spanning from teaching to research to senior management, most recently with Sanford Limited. He has also held a number of directorships, mostly in the marine and fisheries sector. Mr Wilkinson is also an exporter of fish.

Noel Coom

In our earlier phases, we benefited from the expertise of Noel Coom. Mr Coom spent 46 years in the shipping, rail, freight and logistics sector. He was previously a senior manager in a number of shipping companies in New Zealand, Los Angeles and Sydney, as well as the previous Group General Manager of TranzRail in New Zealand. Mr Coom is a current Director of Mondiale Freight Services Limited and previously served as a member of the Port Future Study Group commissioned by Auckland Council.
We have taken a comprehensive 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.
The current supply chain is...

Volume

Sea ports 99% of volume

North Port 14%
Ports of Auckland 11%
Port of Tauranga 31%

56% of volume

Exports
Imports

Value

Sea ports 81% of value
Auckland Airport 16%

N$114 billion in 2017

North Port 4%
Ports of Auckland 26%
Port of Tauranga 26%

55% of value

Include visual content provided from Voice once received which displays the network.

Northport

Northport is a deep-water port situated at Marsden Point. Northport occupies 49ha with 180ha of commercially zoned land for port use outside the Northport boundary.

Northport exported approximately 3,250,000 revenue tonnes and imported 311,000 tonnes in the year ended June 2018.

Northport’s exports are mostly logs (approximately 85% in the year ended June 2018), and palm kernel accounts for almost half of Northport’s imports.

In the year to June 2018, Northport handled 7,975 Twenty-foot Equivalent Unit (TEU), just over 60% of which was cement ISO Pods moved coastally.

Add refinery info

Ports of Auckland

Ports of Auckland occupies 77ha on the Auckland waterfront. Its current location is generating concerns of social licence and prompting public debate about whether there are better alternative uses for its land.

Ports of Auckland is significant for imports due to the population that it serves – the Auckland region accounts for 35% of New Zealand’s population4 and 37% of New Zealand’s GDP5. In comparison, its export volumes are low at approximately 6% of New Zealand’s total exports in the year ended June 2018.
Ports of Auckland handles containers and bulk and break-bulk volumes, including cars. It is New Zealand’s largest container importer (approximately 35% of total TEU), and our largest importer of vehicles.

Port of Tauranga

Port of Tauranga is New Zealand’s most significant port by volume, accounting for 35% of New Zealand’s total export tonnage in the year ended June 2018. Approximately 55% of Port of Tauranga’s export tonnage is wood and paper products, the majority of which is logs. Dairy is another key export for Port of Tauranga, accounting for approximately 12% of its export tonnage.

Port of Tauranga handles both containers and bulk volumes, and is New Zealand’s largest container port. In 2017, Port of Tauranga was the first New Zealand port to surpass handling one million TEU in a 12-month period and is New Zealand’s largest container exporter (approximately 40 percent of total export TEU).

Further details are available at [include link to location where freight data will be published]

Include modelling work from Susan

Further details can be found in our Summary of Submissions²

Who we have heard from

During our review we identified a number of key stakeholders as holding relevant supply chain 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  
|                       | Mainfreight  
|                       | Transport Investments Ltd  
|                       | On Truck  
| Shipping industry     | NZ Shipping Federation  
|                       | Pacifica/Swire Shipping  
|                       | International Container Lines Committee  
|                       | NZ Shippers Council  
|                       | Lodestar, Oje Fibre Solutions  
| Commercial interests   | Auckland Business Chamber  
|                       | 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  
|                       | Jukem New Zealand  
| Interested parties    | Auckland Transport  
|                       | NZTA  
|                       | KiwiRail  
|                       | Tainui Group Holdings Ltd  
|                       | Richard Pearson, CK Hutchison Group  
|                       | Geoff Vazey  
|                       | Waikato Regional Council  
|                       | Mahurangi East Residents and Ratepayers Association (MERRA)  
|                       | Urban Auckland  

What they told us

It's the role of our shareholder [Auckland Council] to determine an alternative location for the port - Ports of Auckland

We are in favour of moving the port of there is a viable alternative and it doesn't have a negative economic effect on Auckland – Auckland Council

We are not opposed to the relocation of Ports of Auckland or the car import trade shifting from Auckland if a business case stacks up and it is a commercial decision – Auckland Business Chamber

We can't take our social licence for granted - Port of Tauranga

This [ownership] structure can create imbalances in effective competition, and tensions about investment, that don’t necessarily optimise outcomes for the New Zealand freight system - Marsden Maritime Holdings Ltd.

Northland also has tremendous opportunity ready to be unlocked - Northland Regional Council

Without considerable money and planning, the political revelation of a plan to barge thousands of imported vehicles from Auckland wharves to East Tamaki seems unrealistic and irresponsible – Michael Barnett, Chief Executive of the Auckland Business Chamber

The biggest issue we face is congestion within Auckland city and port congestion – Transport Investments Ltd.

The key improvement should be how to reduce the bottleneck issue in Auckland city and pressures on road infrastructure - Juken New Zealand

Shifting a port is not unique to Auckland. Cities outgrow their ports and the consequence of this is that a port shifts. What is unique to Auckland is the extent to which the port takes up the waterfront, which is substantial – Urban Auckland

Recovering value is an important consequence of a port shift. Inner city waterfront land is far more valuable than the port - Urban Auckland

Wherever we go, we need to be pushing it now as we are likely to be okay in the short-term but in 10-15 years we won’t be - International Container Lines Committee

“Decisions need to be made now” International Container Lines Committee

Moving [from Ports of Auckland] to Northport would add about $100 per vehicle – Motor Vehicle Industry. We note this compares to the around $250 per each used car for the new precautions due to the marmorated stink bug.

The addition of the rail line from Whangarei to Northport…will assist Northland business in the movement of export and domestic cargo by international and coastal shipping. It will be a catalyst for coastal shipping operators to introduce regular weekly coastal shipping services... - Pacifica

There is potential growth to 50 million trays and we have confidence the market could take the growth – Kiwifruit industry representative on Northland Kiwifruit growth

Potential for Northland to become the avocado centre of New Zealand – NZ Avocado

A prior study of trucks in and out of the Ports of Auckland showed only 12 percent were full, and a study of trucking companies in New Zealand showed 55 percent of trips are unpaid (nothing on the back of them) – Geoff Vazey

Implication of the UNISCS is less reliance on the existing harbour crossing corridor for freight, which may delay the need for an additional harbour crossing – NZTA

[Ports of Auckland] is spending ‘like drunken sailors’ – The National Business Review
The existing port system

Strengths
- The Upper North Island is well served by the current 3-port system and inland hubs
- The current port system provides health competition and options for exporters and importers
- The ports are well located in terms of geographical spread and proximity to the market

Weakness
- Northport is not a viable competitor due to lack of port and supporting road and rail infrastructure
- There is a lack of cooperation between ports and they compete rather than work together
- There are inefficiencies in the supply chain and too many ports are trying to be the same thing
- Some parts of the network are congested, particularly surrounding Ports of Auckland and the wider Auckland region
- There has been inadequate investment in infrastructure, particularly lack of rail infrastructure connecting Northport
- There are concerns around Ports of Auckland’s and Port of Tauranga’s social licence to operate in their urban environment
- There is uncertainty around investment infrastructure and the future configuration of the supply chain
- Auckland city short of cash but POAL sitting on large amount of valuable land

Opportunities
- Improved internal transport network
- Increased collaboration across the supply chain
- Greater use of coastal shipping
- Greater use of the availability of industrial land surrounding Northport

Threats
- Overcapitalisation and potential for stranded assets
- Disruptions to the supply chain through natural events
- Uncertainty levels leading to deferred investments
- Increasing levels of congestion
- Growing pressures on social licence
- Availability of truck drivers
- Concerns of safety due to increased freight movements
- New Zealand becoming a hub to Australia
We have been guided by a number of key principles

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.

We also consider it important to ensure value for money and minimising costs to taxpayers right across the network, encompassing rail, road, ports, inland ports and freight hubs.

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. While there is strong competition between the ports currently, there remains a complex and inefficient owner relations between the ports, network infrastructure and assets

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.

Limiting the extent to which freight activity impinges on public areas requires consideration of the social licence. Social licence and working within the communities that the network is there to serve requires important consideration, particularly in Auckland but also in Tauranga. 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).

We are also focused on the wider context within which the Upper North Island Supply Chain Strategy is being developed. This includes a particular focus on optimal land use.
We fully evaluated a number of potential options

We commissioned an economic and multi-criteria evaluation of a range of potential future options for the configuration of the Upper North Island Supply Chain... [section to be completed and include overview of results and SWOT analysis]

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<tr>
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<th>Full move to Northport</th>
<th>Full move to Tauranga</th>
<th>Full move to Firth of Thames</th>
<th>Full move to Northport and Tauranga</th>
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</thead>
<tbody>
<tr>
<td><strong>Costs</strong></td>
<td>$1,776m</td>
<td>$3,526m</td>
<td>$3,417m</td>
<td>$3,370m</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>$3,464m</td>
<td>$362m</td>
<td>$553m</td>
<td>$1,913m</td>
</tr>
<tr>
<td><strong>Net Benefits</strong></td>
<td>$1,688m</td>
<td>-$3,164m</td>
<td>-$2,864m</td>
<td>-$1,457m</td>
</tr>
<tr>
<td><strong>Benefit Cost Ratio</strong></td>
<td>2.0</td>
<td>0.1</td>
<td>0.2</td>
<td>0.6</td>
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Our proposed system

<table>
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<th>Strengths</th>
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$98m

Potential annual income of the Ports of Auckland site thorough alternative rates and leasehold income

This compares to the dividend of approximately $50m that POAL returns to Auckland Council - a net of $48m; and $8.7m that POAL expects to return in 2020.
We recommend progressively managing the closure of Ports of Auckland’s freight operations and developing Northport.

We recommend the progressive managed closure of the Ports of Auckland’s freight operations, the development of Northport and continuation of freight operation of the Port of Tauranga. The progressive closure of the Ports of Auckland will coincide with the progressive release of the land it occupies.

This port configuration will be supported by the development of land-side infrastructure consisting a rejuvenated the North Auckland Rail line and spur to Northport, and a new inland freight hub in the Northwest of Auckland to complement Metroport in the South of Auckland.

This reconfiguration needs to be a managed transition but it needs to start now. We think it can be fully completed within 10-15 years.

We evaluated other strategic scenario that proved not to deliver as many benefits as our recommended scenario:

- 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;
- Managed closure of the Ports of Auckland’s freight operations, Port of Tauranga expands capacity 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. No major development at Northport.
- Managed closure of the Ports of Auckland’s 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.
- Managed closure of the Ports of Auckland’s 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 is a win-win solution

*There is an appetite to move*

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

*Our supply chain has wide reaching benefits that enables the nation to grow*

- 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. 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 dry-dock and rail staging for NZ refinery in west Auckland
- It avoids the significant capital investment and development that would be required to build a new port by making the best use of our existing ports
- It avoids the huge capital spend in Auckland needed to get freight off the port to the motorway that’s already congested
We need to start now

There are a number of factors that together mean we need to act now

The Government’s priorities for the land transport system are safety, access, environment and value for money. The Government supports freight being moved through modes of transport other than by road, such as by rail and/or coastal shipping as this can improve road safety and lower emissions.\(^3\)

Congestion in Auckland right now is an economic problem that demands capital.

Auckland City Council is focused on its long-term plan to transform Auckland into a world-class city and growing the value of its economy through supporting the creation of more high value jobs, businesses and investment. There is significant opportunity to open up and transform the land that Ports of Auckland currently occupies which is critical for Auckland to deliver on these objectives.

“\textit{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.}” Mayor Phil Goff

Auckland’s success has lifted costs and made it unaffordable for those in lower paid industries. Those in lower paid industries (e.g. car industry) could benefit from being relocated to a region with greater affordability. This allows people to enjoy a better standard of living and retains jobs in New Zealand.

West Auckland is becoming the new growth centre, with Costco opening its first store at Westgate in 2021.\(^4\)

Government is focused on Northland rail which opens up opportunities for both Northland and Auckland.

There is an abundance of land available in Northland at a time when Ports of Auckland’s social licence is under threat.

Aucklanders want their harbour back.

62\% of surveyed Aucklanders think moving the cargo port to a new location would make Auckland a better place to live, work or visit

Ports of Auckland’s dividend to its shareholder is reducing\(^5\) at a time when land values are rising.

$8.7m

Divided Ports of Auckland is expecting to deliver in 2020 ↓ from $51.1m in 2018

International shipping lines think Ports of Auckland won’t meet the growing shipping demand within the next 10-15 years.

\(^4\) http://www.westgate.kiwi/news/costco-coming-westgate/
\(^5\) http://infocouncil.aucklandcouncil.govt.nz/Open/2019/08/FIN 20190820 AGN 6821 AT files/FIN 20190820 AGN 6821 AT Attachment 69499 1.PDF
We recommend a market based solution with minimal government intervention

Our vision for the supply chain is a win-win solution. The benefits are wide reaching and it is in the best interests for the Upper North Island and New Zealand as a whole. Given this, under the right settings we expect a market driven approach.

A market driven approach will involve minimal government intervention. In order to occur, it will require the following:

1. Auckland Council as the shareholder of Ports of Auckland agreeing to the managed closure and declaring the closure of the ports freight operations by a particular date
2. Northport will then need to signal it is expanding and looking for investment
3. At the same time, Port of Tauranga will need to agree not to pick up all of the cargo that is current handled by the Ports of Auckland, and Government will need to provide a commitment to provide rail infrastructure.

Government has a role in making this happen

We have engaged with the key players in the current ownership structures of the three ports and have identified a lack of cooperation between players as a likely barrier to the market driven approach. The role of local body owners are not well understood.

The government has a role as an encouraging leader to facilitate cooperation. One lever through which it may ensure cooperation is through its power as a funder of local government, given the involvement of local government in the current port ownership. We recommend Government facilitate this outcome given the clear benefits.

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

In September 2019, Government announced a $94.8 million investment through the Provincial Growth Fund for essential repairs and maintenance on the North Auckland Line. This is an important step in rehabilitating the rail line to ensure its continued operation.

In order to support a growing freight task and allow for a successful market driven approach, commitment to further funding is needed to ensure a fully functioning rail system, including the ability for high cubed containers to be railed from Northport to Auckland.

We recommend Government commit to fund further upgrades of the North Auckland Line and building a spur to Marsden Point. This is in line with Governments role to provide national infrastructure in the best interests of New Zealand. This commitment will provide assurance and certainty to the market such that the market driven response can be activated. The Government is not expected to fund other infrastructure associated with our recommended supply chain.

In response, the market will fund development in Northport and the hub in the Northwest of Auckland given the economic benefits. Indicative costs for the development are... [MoT to
include based on EY costings]. A lot of existing assets from Ports of Auckland can also be easily transferred to Northport, including recently purchased cranes and straddle carriers. This could be achieved by Ports of Auckland selling these assets or increasing their shareholding in Northport.

**Infrastructure is needed for a fully functioning system but the staged transition should begin now**

The closure of Ports of Auckland will be a progressive transition and the port company is responsible for determining the appropriate phasing.

While port development and rail infrastructure is needed for this system to be fully functional and optimised, the absence of completed infrastructure does not prevent this transition beginning in the short-term. There are likely to be particular cargos that currently land at Ports of Auckland (e.g. vehicle imports and bulk goods such as coal) that can be reasonably easily be relocated to Northport.

**Government should monitor progress and be prepared to intervene if needed**

We consider 12 months an appropriate timeframe for some momentum to have been gained. If after 12 months, it is clear there has been no progress, Government needs to be prepared to intervene through its powers as a regulator. This is consistent with Governments role to unblock unintentional barriers and smooth issues through reform of regulatory settings. Regulation in our solution is second order and will only be needed if barriers cannot be overcome within a reasonable timeframe.

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