



Reference: T2019/2523 (Treasury) SH-8-8 (Regional Transport)
OC190814 (Ministry of Transport)

Date: 28 August 2019

To: Minister of Finance (Hon Grant Robertson)
Minister of Transport (Hon Phil Twyford)
Associate Minister of Transport (Hon Shane Jones)

Deadline: Before the meeting at 4pm on Thursday 9 September

Upper North Island Supply Chain Strategy – Meeting on second interim report

You are meeting at 4pm on Thursday 9 September to discuss the draft Cabinet paper on the second interim report from the Upper North Island Supply Chain Strategy (UNISCS) Working Group.

This aide memoire provides you with advice on the analysis underpinning the Working Group's findings, as well as how Ministers can ensure that the recommendations in the final report are underpinned by a strong and clear evidence base.

The Working Group favours development of Northport...

The second interim report outlines that the Working Group's preferred option for the future of the Upper North Island Supply Chain consists of the managed closure of the Ports of Auckland (except for Cruise operations), the development of Northport and continued operation of the Port of Tauranga. This scenario would include the development of new infrastructure including an upgraded North Auckland Railway Line, the construction of a rail spur to Marsden Point (to connect Northport to the network), and the development of a new inland freight hub in northwest Auckland.

...but the analysis underpinning that finding is not clear

The Working Group is responsible for providing independent advice to Ministers on the future of the Upper North Island Supply Chain. Treasury and the Ministry of Transport is to support Ministers by testing the analysis and evidence that underpins the Working Group's advice.

The Working Group's findings are largely based on an economic analysis carried out by Ernst and Young ("Economic Analysis of Upper North Island Supply Chain

Scenarios”), including a multi-criteria and cost-benefit analysis. According to the report, the preferred option has a benefit-cost ratio (BCR) of 2:1.

However, we note that the methodology behind the analysis is not sufficiently clear and this makes it difficult to reach a view on whether the Working Group’s findings are supported by a strong evidence base. In particular, the costs and benefits associated with each scenario (including the base case of no change) have not been clearly explained or broken down, including which impacts have been included or excluded and the extent to which these have been monetised.

The rationale behind the Working Group’s preference for a full move to Northport is also inconsistent with some elements of the EY analysis. For instance, the partial move to Northport scenario apparently produces a BCR of 6.8 while the partial move to Tauranga produces a BCR of 4.1. It is unclear why these options are not preferred compared to the full move to Northport.

The Treasury requested to be given access to the full analysis undertaken by EY in order to better understand what assumptions were made. However, the Chair of the Working Group refused this request on the basis that view the report stands for itself.

You should ask the Chair to provide the full analysis and evidence-base when the final report is delivered...

No decisions on the future of the Upper North Island Supply Chain are being sought from Cabinet at this time. The Working Group is due to deliver their final report in September 2019 which will explore the priorities for investment in rail, roads and other supporting infrastructure in order to deliver their preferred option. This report will also make recommendations on transitioning from the current state to the preferred solution.

In order to ensure that officials are well-placed to support Ministers taking decisions on the future of the Upper North Island Supply Chain, we consider that the Working Group should provide the full analysis and evidence base underpinning its recommendations prior to its final report being delivered in September 2019. You could write to the Chair of the Working Group outlining your expectations in this regard.

David Taylor, Manager, National Infrastructure Unit, Treasury, [REDACTED]
Erin Wynne, Director, Rail Transformation, Ministry of Transport, [REDACTED]

Withheld to protect the privacy of Natural Persons.