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Dear 

I refer to your request of 14 July 2021 under the Official Information Act 1982 (the Act):

*“This is an OIA for the following docs, and any advice/correspondence relating to them  
OC200686 Tier 2 Advice: Taking forward the Upper North Island Supply Chain  
Strategy (UNISCS), 16 Decemeber 2020 (by Callum Gill and approved by Harriet  
Shelton, Manager, Supply Chain, Ministry of Transport)*

*OC210240 Freight and Supply Chain Strategy Work Programme, 5 May 2021 (by  
David Stimpson and Callum Gill, approved by Harriet Shelton, Manager, Supply Chain,  
Ministry of Transport)”*

I am releasing both documents with only minor redactions made:

- OC200686 – telephone number redacted under section 9(2)(g)(ii), to protect privacy, and
- OC210240 – telephone number redacted under section 9(2)(g)(ii), to protect privacy, and minor redactions under section 9(2)(i), commercially confidential, and section 9(2)(f)(iv), decisions yet to be made.

I am satisfied that the public interest in releasing withheld information does not outweigh the reasons for withholding it at this time.

You have the right under section 28(3) of the OIA to make a complaint to the Ombudsman if you feel that we have inappropriately withheld information. You can make a complaint by email ([info@ombudsman.parliament.nz](mailto:info@ombudsman.parliament.nz)) or post (PO Box 10152, Wellington 6143).

Yours sincerely



Harriet Shelton  
**Manager, Supply Chain**

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**BRIEFING**

16 December 2020

OC200686

**Hon Michael Wood**  
**Minister of Transport***Tier 2 Advice: Taking forward the Upper North Island Supply Chain Strategy (UNISCS)**Purpose*

To provide background and options to take forward the UNISCS project. Our recommendation is that the future location options for the Ports of Auckland Ltd (POAL) are best considered within the context of a supply chain strategy.

*Key points*

- The UNISCS began as a desire to develop a strategic approach to the supply chain system in the upper North Island including its ports. This strategy was intended to identify ways to support a more efficient supply chain and advise on priorities for investment. The two primary studies on this issue include the reports from the UNISCS Independent Working Group and Sapere.
- At the Independent Working Group's request, their mandate was narrowed to a point where their final report focussed heavily on the Ports of Auckland and the issues surrounding when and to where it should move. Neither this, nor the subsequent Sapere study, with their limited scopes, considered the wider supply chain or the flow-on national impacts of a port move.
- A key choice for you and your colleagues is whether you want to focus on the wider supply chain or zoom-in on the future of Auckland Port only. Officials' advice to the previous Cabinet was that the supply chain needs to be considered as an integrated system, which had been part of the starting point of the UNISCS exercise.
- In addition, our experiences through COVID and the ongoing port congestion issues continue to highlight the complexities of the New Zealand supply chain system, including the importance of the location of our ports. There is also growing support from the sector for progressing strategic work that considers the long-term resilience, capacity and infrastructure requirements of the supply chain. Several other countries have already undertaken this type of work.
- To ensure effective freight decisions are being made throughout the system, and on the future location of the Ports of Auckland, we believe completing a longer-term supply chain strategy, with a focus on the upper North Island, is the best next step.
- This longer-term approach would take a 15-year or more system-wide view and provide an intermediate level of strategic direction to inform more detailed investment decisions.

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by Government, Councils, and private sector players. Our recommended option is also scalable to include the rest of the country if this level of analysis is desired.

- Building upon previous UNISCS reports, a supply chain strategy would provide you and other Ministers with the opportunity to determine the weightings you put on certain objectives. These include how emissions can be reduced, how infrastructure can drive supply chain efficiency, and how the supply chain can develop to support regional economies. There are economic development opportunities from enabling the supply chain to lead on some of these objectives, rather than reactively following from behind.
- Given the importance of the port relocation issue, officials believe that considering the ports question within the context of a broader strategy is the most practical next step, as this would help us think about the long-term future of New Zealand's supply chain as an integrated system.

*Recommendations*

We recommend you:

- |   |  |          |
|---|--|----------|
| 1 | <b>discuss</b> the Ports of Auckland location, wider supply chain strategy issues and various options to progress this work programme raised in this briefing with transport officials | Yes / No |
|---|--|----------|

\_\_\_\_\_  
 Harriet Shelton  
**Manager, Supply Chain**  
 ..... / ..... / .....

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 Hon Michael Wood  
**Minister of Transport**  
 ..... / ..... / .....

- Minister's office to complete:**
- |  |   |
|--|---|
| <input type="checkbox"/> Approved            | <input type="checkbox"/> Declined             |
| <input type="checkbox"/> Seen by Minister    | <input type="checkbox"/> Not seen by Minister |
| <input type="checkbox"/> Overtaken by events |   |

**Comments**

**Contacts**

Name	Telephone	First contact
Harriet Shelton, Manager, Supply Chain	██████████	✓
Callum Gill, Adviser, Supply Chain	██████████	

Withheld under section 9(2)(g)(2) of the Official Information Act 1982

*Taking forward the Upper North Island Supply Chain Strategy (UNISCS)*

**The origins of the Upper North Island Supply Chain Strategy**

1. The impetus for the UNISCS project was the Labour-NZ First government, which agreed a terms of reference for an Independent Working Group to develop a freight and logistics (supply chain) strategy for the upper North Island, including its ports. This medium- to long-term strategy would answer questions around how the supply chain could be supported to operate more efficiently in the upper North Island and advise on priorities for investment in rail, roads and other supporting infrastructure.
2. Another task outlined in its terms of reference was to consider a potential future location or locations for POAL, with serious consideration to be given to Northport.
3. The upper North Island, or 'Golden Triangle', was exclusively examined as the government recognised that it is the gateway to New Zealand's international markets, and the three ports' (Ports of Auckland, Port of Tauranga and Northport.) role in the supply chain is continuing to grow. Our analysis projects New Zealand's freight task to increase by about 50 per cent over the next 30 years. Sapere analysis suggests that this growth could be substantially higher.
4. While the future of the Ports of Auckland can be considered a local Government issue, the upper North Island ports and supporting road and rail infrastructure handle a significant portion of New Zealand's freight task. As the recent port congestion issues are highlighting, the effective operation of POAL is critical to the wider New Zealand economy and supply chain.

**The Government appointed an Independent Working Group to investigate the upper North Island supply chain**

5. An Independent Working Group was appointed in early 2018. Their final report was released in December 2019.
6. In early 2019, the Independent Working Group received Cabinet approval to depart from the original terms of reference, by seeking to no longer complete a study of the upper North Island supply chain. Instead, the group proposed to include analysis of the upper North Island supply chain with their consideration of infrastructure investment options in its final report.
7. As noted, the original intention behind creating the Independent Working Group was to better understand how the supply chain could be supported to operate in the Upper North Island. With the scope change of the Working Group's terms of reference, their final report instead focussed heavily on the future of the POAL and the issues surrounding when and to where it should move.
8. The Ministry and Treasury had concerns that the Independent Working Group's change in approach to a more POAL-focussed piece of work would limit the Government's ability to develop and put in place a strategy for the upper North Island.

*Final report of the Independent Working Group*

9. The Independent Working Group delivered their final report in November 2019. They concluded that the POAL freight operation in central Auckland was no longer economically or environmentally viable.

10. On behalf of the Independent Working Group, EY assessed five options:
  - Do nothing (status quo)
  - Move to Northport
  - Move to Port of Tauranga
  - Move to Firth of Thames
  - Full move to Northport and Port of Tauranga
11. The Independent Working Group recommended an urgent decision for a full move of Ports of Auckland's freight business to Northport within 10 to 15 years, driven primarily by:
  - 11.1. loss of social licence to operate and expand, and intolerable congestion beyond the port's gates
  - 11.2. the opportunity for harbour-side redevelopment in Auckland and regional economic development in Northland.
12. Officials considered that there were some significant gaps in the analysis informing the decisions laid out in the Working Group's final report. Officials recommended that further analysis was needed to test their conclusions and recommendations.
13. While we questioned the analysis undertaken, officials also agreed that the Independent Working Group presented some strategic arguments that warranted further examination, such as the potentially significant city-shaping and congestion-reducing benefits to Auckland and the regional economic benefits to Northland.

*Cabinet consideration of the Independent Working Group's final report*

14. Cabinet considered the final report on 9 December 2019. Cabinet noted that the Ports of Auckland is not viable as the Upper North Island's key import port in the long term. Cabinet agreed to fund \$2 million for further work to be undertaken by officials to assist final decisions on the Independent Working Group's recommendations.

**Officials led a work programme with economic consultancy Sapere to undertake a deeper dive on the UNISCS questions**

15. Given Cabinet noted that the Ports of Auckland is not viable in the long term, the key issues that Sapere, working with officials needed to consider were: **when** the port should move, to **where** the port should move, and **how** best to facilitate this transition
16. We were tasked to examine the same scenarios that the Independent Working Group considered:
  - do nothing
  - full move to Northport (as recommended by the Independent Working Group)
  - full move to Port of Tauranga
  - an increase in capacity at Northport and/or Port of Tauranga
  - a new port in the Firth of Thames
  - a new port in the Manukau Harbour.

*Sapere report's findings*

17. The Sapere report, dated 26 June 2020 widened the evidence base and contributed new findings to inform the analysis of the five potential port location options.

18. The report deepened our understanding of capital costs for infrastructure, consenting issues, traffic patterns in Auckland and potential port land redevelopment impacts. In particular, we better understand the long-term operating impacts of each option on operators and the environment. The engagement with iwi, local government and port management was also critical to Sapere's process and findings.
19. Sapere's key findings were as follows:
  - 19.1. The port has around 30 years' capacity and the need to move the port is therefore not considered to be as urgent as recommended by the Independent Working Group. There is a ten to fifteen-year period to make a decision, allowing for long infrastructure lead times.
  - 19.2. Road congestion is not a reason to move the port, contrary to the conclusions of the Independent Working Group. The port is a minor contributor to current congestion in Auckland and a move would not significantly lessen this.
  - 19.3. All the location scenarios would be difficult to engineer and consent, present very high costs, and the economic costs outweigh the economic benefits. This contrasts with the EY analysis indicating a net positive economic benefit from a full shift to Northport.
  - 19.4. The highest ranked option is Manukau Harbour, which is considered technically feasible although difficult to consent. The Independent Working Group discounted this scenario as uninsurable. Sapere found that navigability of the harbour entrance and insurability of shipping to use the harbour are less of a concern than the Independent Working Group identified, but this needs to be confirmed by a detailed feasibility study.
  - 19.5. Neither Port of Tauranga nor Northport are likely to be able to provide sufficient long-term capacity to provide for both Auckland's and their own growth. Sapere reached this conclusion using the same expert port engineers as used by the Independent Working Group, but using a 60-year planning horizon to 2080 rather than 30 years to 2050. Additionally, a number of the supply chain actors spoken to by Sapere's transportation specialists rejected Northport as an option because they see it as too far from, and on the wrong side of, Auckland.

**There are significant differences between Sapere's and the Independent Working Group's conclusions**

20. There are significant differences between the Sapere technical assessment, and the conclusions of the Independent Working Group and its economic advisers, EY. As noted earlier, we see this as a result of both groups placing emphasis on different objectives and having different views on what they perceived to be broken in the system.
21. The Independent Working Group's recommendation of a move to Northport reflects their emphasis on three objectives: reducing Auckland's congestion, the transformational city-shaping benefits for Auckland, and regional economic development for Northland.
22. In contrast, Sapere's assessment was more focussed on a comprehensive cost benefit analysis and understanding the triggers of a need to move and the future

capacity constraints at each port. Manukau Harbour was the highest-ranked option primarily due to the efficiency and environmental gains of having a port closely located to close to freight origins and destinations in South Auckland.

23. This example highlights how emphasis on certain objectives and priorities can lead to varying outcomes. Therefore, any next step option where this project continues requires Ministers to consider their objectives and drivers for the move of the Ports of Auckland, and to consider the problems and/or opportunities within the freight system and urban and wider environments.

**There are a number of options to take forward the work programme – we recommend option 3: consider the ports question in the context of a national supply chain strategy with a focus on the upper North Island**

24. The Independent Working Group's recommendations highlighted the complexity of planning the future of a single asset within the context of a complex system. The task of deciding the future of a port is straightforward if the sole concern is efficiency and capacity. However, this question becomes more complex when other issues are considered, such as the port's role in the broader and local economy, the resilience of and the port's impact on the supply chain system around it, New Zealand's economic strategy, and questions of social licence to operate.
25. Our Briefing to the Incoming Minister on strategic issues ("Your Guide to Opportunities and Challenges in the Transport System") advised that a supply chain strategy would support the implementation of various Government objectives, such as minimising harm on our roading network, reducing emissions from the transport sector, improving freight connections and supporting a more mode-neutral transport system.<sup>1</sup> It would also help deliver on the Labour manifesto commitments of achieving a more sustainable and efficient freight network.
26. Given no supply chain strategy exists that can be drawn on or updated, options that suggest a decision in the context of a supply chain strategy will take longer to achieve. There is, however, a lot of support from the sector for progressing this type of strategic work, and the issues from COVID and subsequent port congestion are likely to mean stakeholders will be highly engaged in any process. There will also be a greater desire for a strategy to take into account the needs of regions and cities over long periods.
27. Recognising this we have identified four pathways to take forward the work on the future of POAL. Further detail on each of these options is provided in **appendix 1**.

*Option 1: Pause the work and focus on other competing priorities*

28. We understand that the Government has a number of wide-ranging and complex policies and that, even within transport, there are other significant projects to progress. Weighing this consideration against Sapere's conclusion that POAL likely has capacity for 10-15 years, an urgent decision is likely not needed.
29. However, Sapere also recommend that work to enable any decision, including securing corridors and potential new location(s) for POAL, begin as soon as practical. While we have not tested these conclusions, we support this approach in principle.
30. The UNISCS project was also a flagship policy of this Government in the previous term of Parliament. It captured the attention of the public and the many involved

<sup>1</sup> Green Freight project, GPS 2021 and its strategic priority of Improving Freight Connections, the NZ Rail Plan, and the Road Safety Strategy.

stakeholders. We believe that before you consider pausing the project, you should at a minimum discuss with stakeholders their expectations on the timing of this issue. A lot of momentum and goodwill was built up over the last year, and stakeholders' perspective on the issue should factor into your decision-making.

31. If you do not want to progress with this project within the current Parliamentary term, we recommend that this decision be clearly communicated with the cornerstone partners<sup>2</sup>, iwi, wider stakeholders and the public.

*Option 2: Conclude the Sapere process and receive officials' policy analysis on the two UNISCS reports*

32. Cabinet considered the Sapere report on 6 July 2020. Officials' advice on the report was not possible at that time due to the need to work on the COVID response and recovery workstreams. Officials recommended that Cabinet defer any decision on which option to take forward, and commission officials to complete policy analysis, with a focus on key gaps, in the New Year.
33. We also noted that Government has a limited share of the decision-making rights in relation to the port relocation and that more engagement is required. Almost all of those engaged, including the cornerstone partners and Treaty partners, made it clear they want to be more deeply involved before a preferred relocation option is agreed. Ongoing engagement with iwi is essential, in line with the Treaty partnership.
34. This option would see officials provide policy analysis on the Sapere and Working Group reports, particularly focussing on a number of key areas as follows:
  - 34.1. Conclusions on the balance of evidence where there are significant analytical differences between Sapere and the Working Group/EY. This would include advice on the benefit cost analysis for each option, and the extent to which each addresses government objectives
  - 34.2. Further insights on strategic competition, ownership and supply chain resilience issues.
  - 34.3. The management of risks, sequencing of decisions, opportunities for early investment and regulatory change, and next steps.
  - 34.4. Continued engagement with Cornerstone and Treaty Partners, and with other stakeholders, and resulting recommendations.
35. This policy analysis would be targeted at closing off the UNISCS process which was initiated by the Independent Working Group, and weighing up the conclusions of each report. The purpose would be to formally conclude the Sapere analysis, which was initiated to test the options identified by the Independent Working Group and examine their conclusions.
36. This option would not support you in making a robust decision on the POAL, as the scope of the Sapere analysis was only to test the Independent Working Group's conclusions, not to provide a separate recommendation on the timing and location of a port move. A number of key issues, such as examining POAL's position in the wider supply chain and any national impacts at a relocation, were not within scope of Sapere's report and would be a focus under Options 3 and 4, discussed below.

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<sup>2</sup> The cornerstone partners consist of: Auckland Council, Bay of Plenty Regional Council, Northland Regional Council, Marsden Maritime Holdings Ltd., Ports of Auckland Ltd., Port of Tauranga Ltd. and Northport Ltd.



37. This is not a comprehensive or strategically-aligned option. We do not therefore recommend taking forward option 2 in isolation.

*Option 3: Build on the Independent Working Groups' recommendations and Sapere's report and begin work on a national supply chain strategy, with a focus on the upper North Island*

38. We believe taking forward a broader approach to identifying issues and opportunities in the supply chain will lead to better decision-making for the future of POAL, by basing decisions within the context of how POAL fits within the wider supply chain.
39. This approach reduces the risk of making a misaligned decision between what we learn through a deeper dive into the supply chain and a decision on where POAL should move. The aim is to prevent any unintended consequences for the supply chain and the New Zealand economy as a whole.
40. We see this option being an extension of option 2, geared towards undertaking additional work to help us begin thinking about this issue at a national level and exploring what a move would mean for the wider supply chain system.
41. This option does not propose to undertake a full comprehensive supply chain strategy of the entire country (option 4), but rather to achieve something similar to what was originally outlined in the Independent Working Group's terms of reference before they were altered at their request in early 2019.
42. Such areas we think would be necessary to build on include:
- 42.1. the current and future drivers and projected scenarios for freight and logistics demand and supply, including the impact of technological change
  - 42.2. supporting priorities for other transport infrastructure, across road, rail and other modes and corridors such as coastal shipping
  - 42.3. potential priorities for transport-related infrastructure investment from a national economic, regional development and sustainability perspective
  - 42.4. the optimal regulatory, ownership and governance settings, and planning and investment frameworks across government to give effect to the findings
  - 42.5. future challenges on which government and industry will need to work together
  - 42.6. key actions to enable any decision over a 5-10 year period, including securing corridors and potential new location(s) for POAL.
43. We see option 3 as being modular, beginning with a focus on the upper North Island, given its strategic importance in the supply chain, and potentially working down the rest of the country. While this option does not provide you and other Ministers with a comprehensive view of New Zealand's supply chain, it should enable you to take decisions on POAL with a higher level of confidence.
44. Unlike option 2, this option allows you to consider and agree on your objectives and desired outcomes for POAL and the supply chain within the upper North Island, and work towards a common set of goals. We believe that undertaking a strategy process would also provide an opportunity to gain important buy-in from the various stakeholders, who would be involved in the process.

*Option 4: Undertake a comprehensive national supply chain strategy*

45. Option 4 would be a full examination of the national supply chain and international supply chain to the extent it affects New Zealand. We anticipate that something on this scale would be similar to what the Australian Federal Government completed in 2019.
46. We would envisage that a national supply chain strategy would consider a number of port-related issues, such as the Port Companies Act 1988, the number of New Zealand's ports, the role of our regional ports and the freight connections to and from our ports.
47. This level of detail would help your decision-making in more detail compared to Option 3, but at the expense of Option 4 taking more time and cost to complete (as detailed in **appendix 1**).

**Conclusions and next steps**

48. We recommend you discuss the Ports of Auckland location, wider supply chain strategy issues and the pros, cons and risks of various options to progress this work programme raised in this briefing with transport officials.

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## Appendix 1: Options 1-4 in more detail

**Option 1: Do not progress work on UNISCS and focus on other priorities**

**Scope:** This would result in the project going on hold indefinitely. You may consider this option as POAL likely has capacity for the next 30 years, requiring a decision in the next 10-15 years. We do not recommend this option, as the recent port congestion issues have demonstrated that action may be required sooner than the 10- to 15-year horizon.

**Timing:** N/A

**Resources required:** N/A

**Cost implications:** N/A

**Risks:** Stakeholder expectations may not be met. Delaying the UNISCS work now may narrow the options available in future.

**Option 2: Conclude the Sapere process and receive officials' policy analysis on the two UNISCS reports [do minimum]**

**Scope:** Officials would provide Ministers with our advice on next steps based on the finding from the Working Group and Sapere. Our recommendations might include doing further work before Government commits to anything. Ministers could then decide how they wish to proceed. We see this is as the do minimum scenario.

**Timing:** We could provide you advice based on the two reports in 6 months time.

**Resources required:** TBC - approximately 2 FTE from the Ministry of Transport and 0.5 FTE from the Treasury.

**Cost implications:** Taken from Ministry baseline.

**Decision pathways for Ministers:** We would update you on our progress with a single report back to you (or rail ministers).

**Risks:** This is what officials promised to delivery under the previous Government, and stakeholders are likely expecting this to occur at minimum. This option does not contribute to the transport outcomes and government priorities.

**Option 3: Build on the Independent Working Group and Sapere reports and begin work on a national supply chain strategy, with a focus on the upper North Island [recommended]**

**Scope:** This is an extension of option 2, including additional analysis likely to be undertaken by technical experts. This option would seek to achieve the Working Group's original mandate. A supply chain strategy focussing on the UNI will give Ministers a richer picture of the trade-offs of varying locations and inform a decision on when a move will need to be made. Once work on the UNI is done, Ministers would have the option to progress work on a full national supply chain strategy, if desired.

**Timing:** Approximately 12-18 months.

**Resources required:** TBC - approximately 3 FTE from the Ministry of Transport and 1 FTE from the Treasury, alongside consultancy resource.

**Cost implications:** TBC - approximately \$1m.

**Decision pathways for Ministers:** Officials would provide periodic updates to Ministers at any key decision-making points. Your input into the key strategic objectives would be required early on in the process.

**Benefits:** This would contribute to achieving the GPS 2021 strategic priorities (freight connections), transport outcomes and manifesto commitments.

**Risk:** Only provides a snapshot of the supply chain, without considering New Zealand as a whole. Trade-offs required within Ministry work programme as the resource needs are high.

**Option 4: Undertake a comprehensive national supply chain strategy**

**Scope:** This is the most detailed and lengthy option. This would expand on option 3, covering the whole country and consider international impacts on New Zealand's supply chain. Our approach would take a holistic system-wide view and provide an intermediate level of strategic direction to inform more detailed investment decisions by Government, Councils, and private sector players. This option would not include any deep dives into specific location, which is the purpose of a feasibility study.

**Timing:** Likely a full Parliamentary term (approximately 2-3 years).

**Resources required:** Approximately 3-4 FTE from the Ministry of Transport and 1-2 FTE from the Treasury, alongside consultancy resource.

**Cost implications:** TBC - approximately \$2m

**Decision pathways for Ministers:** We would provide periodic updates to Ministers at any key decision-making points. Their input into the key strategic objectives would be required early on in the process.

**Benefits:** This would contribute to achieving the GPS 2021 strategic priorities (freight connections), transport outcomes and manifesto commitments.

**Risks:** Delays any progress on the future of POAL for a number of years, as the focus is now about understanding the full supply chain. Trade-offs required within the Ministry's work programme, as the resource needs are high.

Options increase in time, resource required, detail and cost requirements

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**BRIEFING**

5 May 2021

OC210240

**Hon Michael Wood**  
**Minister of Transport****Freight and Supply Chain Strategy Work Programme****Purpose**

To seek your feedback on the work programme for your preferred option indicated in OC200686 for taking forward the Upper North Island Supply Chain Strategy (UNISCS) as a freight and supply chain strategy.

**Key points**

- To take forward the UNISCS work, you have indicated support for an approach to “Build on the Independent Working Group’s recommendations and Sapere’s report and begin work on a national supply chain strategy, with a focus on the upper North Island” (Option 3 in OC200686).
- This briefing noted that the strategy would provide a 15-30 years or longer system-wide view and an intermediate level of strategic direction to inform more detailed investment decisions by central and local Government, iwi, and the private sector. It would be the first fully integrated piece of work to look right across industries, sectors and modes, identifying challenges and opportunities in the long-term.
- Officials have used the first NZ Rail Plan as an initial step towards longer term planning in the freight system. The UNISCS process highlighted the difficulties with dealing with individual parts of the system, such as ports, in isolation of others. COVID-19 highlighted the importance of resilience and the need to work alongside industry to tackle large issues. These factors have demonstrated the need for an over-arching strategy for the freight system and that now is the time to do this.
- A fundamental output of a supply chain strategy would be to establish how the freight system can support the Government to achieve its outcomes for New Zealand. This would require the balancing of objectives such as economic growth, decarbonisation, and supply chain resilience as a part of broader economic resilience. We seek feedback on your appetite for the depth and extent of fundamental change of the system that might be considered.
- Understanding your priority objectives for this strategy will also be important. The choice of priority objectives and their respective weighting will require decisions about trade offs. While they are all important, they can pull in different directions and lead to different outcomes.

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- The Ministry has been establishing what it needs to undertake generational planning for the transport system (i.e. planning from now to 30-50 years out). We intend to use the supply chain strategy with its like 15-30-year timeframe to gather a view of the key choices for the freight system over this period. These will feed into a National Connections Framework that can enable governments to plan and invest inter-generationally.
- Our first priority for 2021 is on stakeholder engagement supported by an issues paper posing open ended questions to industry and other interested parties to test views on the challenges and opportunities.
- There is no current supply chain or freight strategy to build from and international experience is that establishing a new, comprehensive strategy takes up to three years. Maintaining a deliverable scope of work remains a key risk. We will report back on our best idea of phasing as this exercise is scoped.

### Recommendations

We recommend you:

- |   |  |          |
|---|--|----------|
| 1 | <b>agree</b> the supply chain strategy programme of work start with a phase one in 2021 focused on industry, iwi and other stakeholder engagement supported by an issues paper   | Yes / No |
| 2 | <b>agree</b> that the detailed scope of work, priority objectives and the governance arrangements for the strategy development be determined as an output of the phase one engagement work to be delivered towards the end of 2021 | Yes / No |
| 3 | <b>refer</b> this briefing to the Minister of Finance and Minister of Regional Economic development who along with the Minister of Transport have provided oversight of previous UNISCS work.                                      | Yes / No |



Harriet Shelton  
**Manager, Supply Chain**

5 / 05 / 2021

Hon Michael Wood  
**Minister of Transport**

..... / ..... / .....

**Minister's office to complete:**

Approved

Declined




Seen by Minister

Not seen by Minister

Overtaken by events

Withheld under section 9(2)(g)(2) of the  
 Official Information Act 1982

### Contacts

Name	Telephone	First contact
Harriet Shelton, Manager, Supply Chain		✓
David Stimpson, Principal Adviser, Supply Chain		
Callum Gill, Adviser, Supply Chain		

**We seek your feedback on a work programme to deliver a supply chain strategy**

1. To take forward the UNISCS work completed by the previous government, you have indicated support for an option to: “Build on the Independent Working Group’s recommendations and Sapere’s report and begin work on a national supply chain strategy, with a focus on the upper North Island” (Option 3 in our briefing of 16 December 2020 - OC200686 refers).
2. The purpose of this briefing is to seek your feedback on the possible scope, objectives and approach for a supply chain strategy work programme to the end of 2021.

**There are some core aspects a supply chain strategy will need to cover**

3. Supply chains are a complex system of systems, spanning the multitude of inputs to business operations and the associated freight infrastructure and operations. We propose to focus on the freight and transport elements of the supply chain, acknowledging the many interfaces with other supply chain elements such as manufacturing and production.
4. While we propose to engage extensively with stakeholders to form a view on the challenges and opportunities, there are some aspects that the strategy will need to achieve to be successful. These include
  - 4.1. Setting out the government’s objectives for the freight system, where and how it might act to achieve these objectives, and the challenges in doing so
  - 4.2. Establishing the basis for a longer term relationship between government, iwi and private actors in the system
  - 4.3. Providing longer term certainty about where the government intends to act, and guidelines and pathways for investment by all levels of government
  - 4.4. Ensuring all freight modes are enabled to play an appropriate role in the system to deliver agreed freight system objectives.
5. Most of these outcomes will provide greater transparency about government priorities and intentions and signal where investments and other actions are planned. Our discussions with stakeholders will also inform these further.
6. More tangibly, the strategy will set out the government’s intended role in the supply chain system, and its approach across its levers of investment, regulatory change, the use of economic levers like pricing, and approach to managing connections with the international supply chain. It will provide more certainty around how decarbonisation of the freight system will be achieved. This will be driven by Ministers’ choice of objectives and informed by the stakeholder engagement we intend to do.
7. Alongside this, the Ministry has been establishing what it needs to undertake generational planning for the transport system (i.e. planning from now to 30-50 years out).<sup>1</sup> We intend to use the supply chain strategy (with a focus of around 15-30-years

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<sup>1</sup> The Generational Investment Approach (GIA) has been developed by the Ministry in collaboration with other agencies, as an evidence-based way of planning transport choices out to 30-50 years. It is based on the London School of Economics’ Multi Criteria Decision Analysis methodology, and uses the transport outcomes framework as a way of framing priorities and choices. The GIA aims to enable integrated short, medium and long term transport planning; consideration of trade-offs between investment and other levers; and a longer and more certain pipeline.

or longer) to gather a view of the key choices for the freight system over this period. These will feed into a National Connections Framework that can enable governments to plan and invest inter-generationally.

### **Developing the work programme scope requires consideration of many factors**

8. In developing a list of possible objectives and scope of work, we have considered a number of factors that will influence a supply chain strategy:
  - 8.1. Two key elements in the Labour Manifesto 2021:
    - Infrastructure and transport: “an evidence-based collaborative process with stakeholders to agree on the future of the upper North Island’s ports”.
    - Climate change and energy: “help New Zealand’s freight network to become more sustainable and efficient, including through coastal shipping.
  - 8.2. Wider government work and programmes, including work by the Climate Change Commission, Infrastructure Commission (30 Year Infrastructure Strategy), the Ministry of Foreign Affairs and Trade (on critical goods) and work being led by MBIE on the supply chain impacts of climate change. Safety outcomes will be an underling consideration.
  - 8.3. Lessons from the UNISCS and Sapere work in 2019 – 2020. This work identified the need for data-driven and modelled understanding of supply chain efficiency and options along with the need for industry and iwi leadership and engagement. We need to build upon these foundations to shape our understanding of freight flows and growth within New Zealand.
  - 8.4. Lessons from Covid-19 and its immediate aftermath impacting on freight systems. The unexpected worldwide and New Zealand based congestion in the containerised supply chain since September 2020 has raised questions about the adequacy of our supply chains’ resilience. Current freight infrastructure and other investment levels are efficient in the short term, but provide little or no spare capacity to accommodate system shocks. We need to work through costs and benefits of increased resilience, weighing up the costs of shocks against the increased costs of providing for ongoing resilience. This issue was raised at the supply chain congestion workshop facilitated by the Ministry on 16 March 2021, along with the need for improved information visibility along the supply chain and the benefits of greater levels of freight literacy among stakeholders, consumers and decision-makers.

### **We recommend the list of project objectives is kept focused if we are to be successful**

9. Based on the considerations above, we suggest the following government-side objectives, or goals, form the focus of industry and stakeholder discussion material:
  - 9.1. Meeting government’s decarbonisation goals - significant opportunities to shape how the freight system can contribute to decreasing emissions (transport accounts for 21% of New Zealand’s annual greenhouse gas emissions and the heavy vehicle fleet makes up just under a quarter of transport emissions overall).

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- 9.2. Provision of appropriate levels of supply chain resilience – COVID-19 has exposed vulnerabilities in our supply chains which has required various levels of government intervention to maintain. A focus of this work should be to identify what opportunities exist to maintain a resilience and secure supply chain to New Zealand.
  - 9.3. Development of sector capability – including labour, skills, data sharing, technology and innovation. We need to develop a view of the potential drivers of disruption in the freight system, such as automation, and how the government and the broader sector may approach these.
  - 9.4. Delivery of the Government Policy Statement 2021 strategic priority of Improving Freight Connections. This seeks to improve the efficiency of the freight system with a focus on New Zealand's international cost competitiveness as a trading and investment location and reduction of the cost of goods to consumers.
  - 9.5. Support for economic development and recovery – the freight system contributes approximately 5 percent of New Zealand's GDP and is involved across a wide range of industries. MBIE data suggests that transport employs 108,000 workers (4 percent of national workforce) across 16,000 businesses. The freight system is also an unpinning input to all goods and markets. Its efficient operation will contribute to New Zealand's overall economic productivity.
  - 9.6. Building awareness and understanding of the freight system among the public and improving social licence for freight operations – a supply chain strategy is an opportunity to explain to the public the important role of the freight system, how it works, and why things operate the way they do.
10. We seek your input into where the Ministry should be focussing its efforts and which of the objectives above are priorities for you. While each of these objectives are important, they can pull in different directions and lead to different outcomes.

### **There is a need for a broad approach given the inter-connectivity of the supply chain across industries geography and modes**

11. Freight operations throughout the country are closely linked to the upper North Island - the centre of gravity for the country's economic activity and location of the two largest ports. The modes and interconnecting nodes interact in complex ways.
12. We therefore expect stakeholder discussions to be of a very significant breadth and scale covering: importers, exporters, freight forwarders, international shipping, ports, coastal shipping, rail & road and associated hub and nodes including: inland ports, intermodal hubs, warehousing & distribution centres.
13. The breadth of these interested parties creates a significant resourcing challenge for each phase of the programme. We are proposing to phase the outputs of the strategy work to ensure the work programme is manageable.
14. Airfreight is an important component of the freight system and very complex in its own right. Significant separate work is ongoing with our Maintaining International Air Connectivity (MIAC) scheme in response to COVID-19. The international sea freight legs of our supply chains, while outside the jurisdiction of New Zealand's emission

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reductions commitments, none the less need to be considered. As part of phase one sector engagement we propose to discuss how air and international sea-freight might be manageably covered in the supply chain strategy.

### **We invite feedback on your appetite for the extent of change under consideration**

15. Issues such as asset ownership, governance, competition and other regulatory settings are individually likely to require significant time, resource and Ministerial oversight. While we recommend maintenance of an open-mind on the range of issues from stakeholders that might be considered, we seek feedback on your appetite for the depth and extent of fundamental change manageable given your other priorities.
16. For example, what is your comfort for government-led planning of port investment or investment in particular corridors? The Australian Federal Government are planning on taking quite a centralised planning approach to its freight system. The Australian Federal Government have identified specific freight corridors for investment.
17. We suggest that a manageable strategy most probably sets guidelines and pathways, rather than directing the investment decisions of Waka Kotahi KiwiRail and others. However, future actions from the strategy may be to consider certain corridors as strategic investment priorities. We will need to remain closely engaged with you on these questions as sector consultation proceeds.
18. Changes to ownership arrangements for ports, or adjustments to cabotage rules are further examples of potentially controversial and resource hungry issues that might arise. We will have more opportunities to discuss this as this work progresses.
19. Another area we may like to explore further is the Australian approach to increasingly share industry data more widely. We expect this may be something that we want to explore appetite for but we are unlikely to get to final recommendations around implementation or legislative changes as part of the strategy itself. This may come after the strategy as we consider how to implement or address key issues identified in the strategy.

### **Our suggested approach is to begin by scanning sector opinion to feed into an issues paper outlining the problems, opportunities, relative priorities and a process for our strategy**

20. Annex 1 provides a summary of our proposed approach. We are suggesting initially undertaking targeted engagement with certain industry members to fill gaps in our knowledge. This, alongside an environment scan across all modes and geography, will feed into an issues paper which we propose to release more widely for feedback and use to support what will need to be wide engagement with a large sector.
21. The issues paper would form the basis of extensive engagement with industry and Maori interests in 2021 to explore the problems, opportunities and priorities. Engagement is likely to comprise a variety of wide ranging and large-scale undertakings such as interviews, meetings, site visits, industry reference groups, focus groups and stakeholder surveys.
22. Our engagement with the sector will reflect your key messages on important objectives and priority areas. We would also confirm the content of the issues paper with you before it is shared more widely. It would likely include:
  - Open-ended questions on the current state of the freight system and gaps across all industries and modes including international connections.

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- An indication of the government's objectives for a strong, reliable and low carbon supply chain.
  - An indication of some of the options available to the government, and the potential issues a strategy might cover, including for example how questions around the location of upper-North-Island ports may be taken forward.
  - Governance arrangements for the development of the strategy by Industry / iwi / Government.
23. We anticipate that interacting with the sector and engaging on the issues paper will take the majority of 2021. This will enable us to confirm problems, recommend priority objectives, and undertake detailed data analysis, and determine the governance arrangements.
24. Our recommended approach is based on:
- 24.1. The experience of other jurisdictions - The Australian federal government has supported a supply chain strategy governed by an independent industry panel. It started in 2016 and delivering a work-plan in 2020. A key lesson is the significant time required for industry and stakeholder engagement – taking well over a year for this phase alone. Their Action Plan takes quite a centralised approach to planning and selecting certain corridors for investment. The balance of government and industry leadership of the strategy will be a matter for discussion with you and a question proposed for industry consultation.
- 24.2. Lessons learned from other strategy projects completed by the Ministry. The Green Freight Strategy recently delivered by the Ministry of Transport required significant stakeholder engagement over 3-4 months, but as a result is well regarded and has sector buy-in.
- 24.3. The UNISCS process was led independently from Government and faced challenges over the extent of its consultation that we would seek to avoid. An important lesson is ensuring buy-in from industry to the strategy given the range of private sector levers and government levers that need to work together in the system.
25. We are interested in your views on this timeframe and the proposed outputs of work. You may want to be involved in certain parts of engagement, possibly when dealing with mayors or chairs of interested parties. Withheld under Section 9(2)(i) of the Official Information Act 1982
26. The Ministry has the remaining [REDACTED] from the previous Sapere UNISCS work programme, which may be used to support this work. Further funding will be required for future phases, which we previously indicated could be in the order [REDACTED]. However, decisions on this will not need to be made for some time yet. Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982
- We propose a phasing of the work programme, starting with an open-minded discussion with industry, iwi and other stakeholders to allow them to identify issues and priorities for your consideration.** Withheld under Section 9(2)(f)(iv) of the Official Information Act 1982
27. The Sapere led work in 2020 highlighted the demand for significant input from iwi and Māori. Our recommended programme approach in phase one is to engage iwi on

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both the governance and process for the strategy development, as well as identification of priority objectives.

*We also intend on taking a more industry-led approach*

28. Given the complex nature of the freight system and the large number of players involved, extensive engagement with industry will be critical to enable a strategy that is relevant, informed and has buy-in. We believe the approach of being more industry-led was well received under the Green Freight and Road to Zero strategies. There is a lot of interest in undertaking this type of work.

### **The key programme risk is maintaining a manageable scope of work**

29. The key risk to this programme is establishing and maintaining a manageable scope of work. A programme providing comprehensive coverage of both high level objectives and implementation detail such as identifying priority investments and routes is of daunting and likely undeliverable scale. Developing a framework for how we want investments considered is likely to be a more manageable approach.
30. Based on our recent experience of strategic projects, such as the Green Freight strategy and Road to Zero, thorough engagement and appropriate data and analysis is required to deliver a credible product that will have the support it needs for implementation.

### **We consider a strategy will require take longer than 18 months to deliver**

31. While we initially advised you that we think a strategy could take around 18 months, further consideration suggests it would take longer to deliver based on what has been done locally and overseas. This is because:
- **We need to work closely with industry and iwi**, and both are likely to ask for more time to work with us. Given this, we anticipate that we will spend the remainder of 2021 engaging with industry, iwi and government.
  - **The task is very complex and will take time to get buy-in from industry.** Government have limited regulatory levers to create change, and experience with Green Freight and Road to Zero strategies is to involve industry as closely as possible to embed change and buy-in.
  - **Many of the issues that will be examined are dynamic** (climate change, supply chain congestion) and evolving over time. This will require additional time to integrate other policy initiatives with the strategy.
  - **There is no current supply chain or freight strategy.** There is not an existing base, including things such as the intent of current investment and regulatory settings, on which to 'build' responses to the above issues. This will have to be established.
  - **Timeframes may need to be flexible to accommodate the Cabinet approval process.** This is a significant policy issue concerning the portfolio interests of a number of Ministers. Seeking Cabinet approval at key milestone points may push out timeframes.

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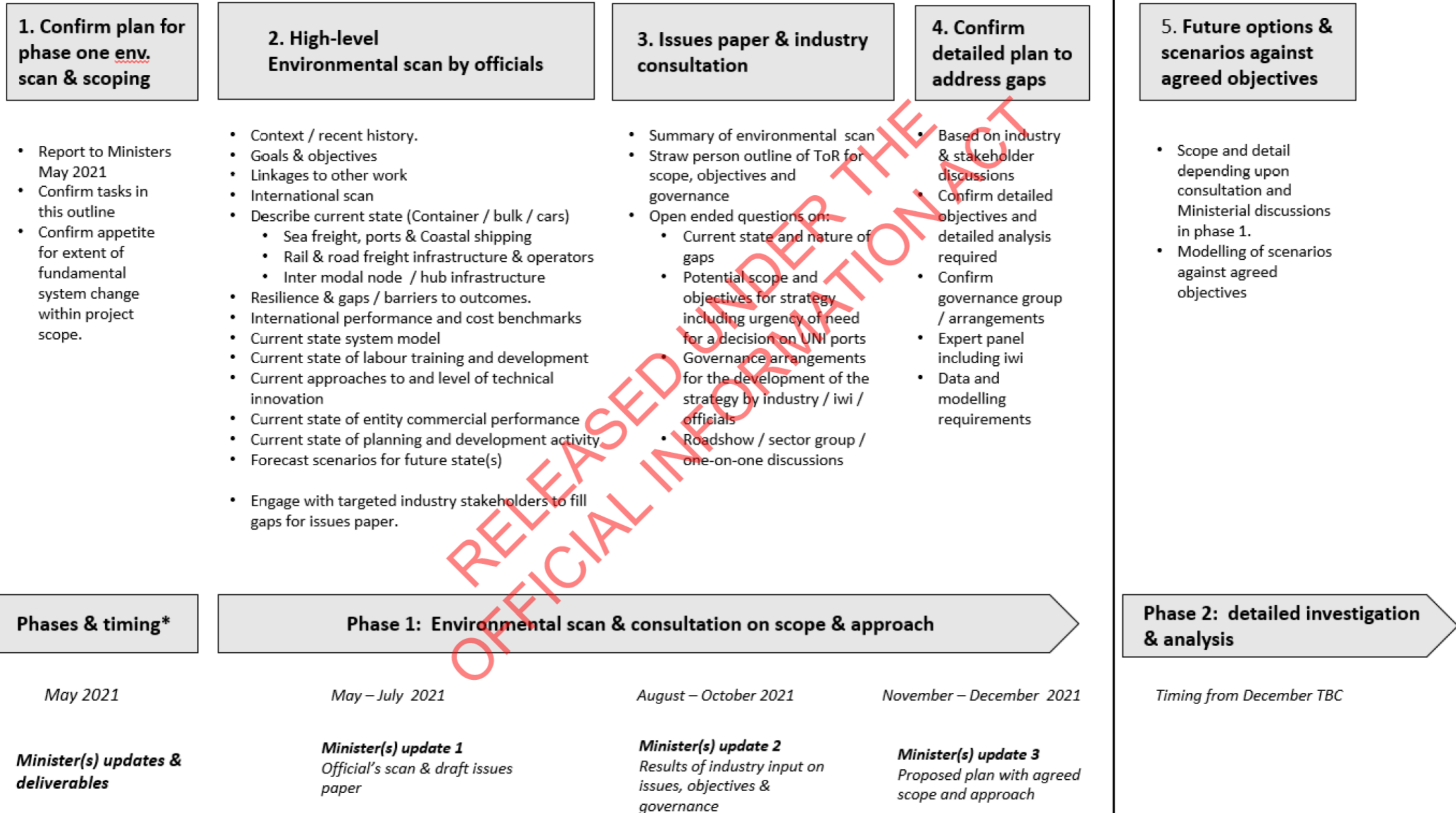
32. Given the size of the task, work on this project will be traded against our work on supply chain congestion and rail, and the timing will need to be agreed in the context of the Ministry's broader programme. The Ministry will move other resource to support this work, but its supply chain team is currently only 8 FTEs who are already fully occupied covering issues in the supply chain and freight system as well as heavy rail.

**Ongoing collaboration with the Treasury, and possibly MBIE, will be required for the strategy to be a success**

33. The Treasury and MBIE (the Provincial Development Unit) were heavily involved in the Government's response to the UNISCS Working Group's final report, and the Sapere process which followed thereafter. This reflects the Ministers that were involved in the process (Hon Grant Robertson as Minister of Finance, and Hon Shane Jones as Minister for Regional Economic Development and Associate Transport).
34. Their input and involvement to provide a different perspective was useful in responding to the UNISCS process and taking forward the Government-led Sapere process. We suggest that these Ministries and their portfolios are at least kept informed of our work programme.

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**ANNEX 1. NZ freight & supply chain strategy – outline project plan for phase one**



\*Dates may move due to Cabinet/Ministerial approval processes and quick deployment of internal resources