

# Upper North Island Supply Chain Strategy

**\$8.5m**

The dividend received from \$6bn worth of Auckland port land

**\$4bn**

The capital needed to just keep the Port of Auckland open

**\$6bn**

Uplift to Auckland City balance sheet from port move

**2million m<sup>3</sup>**

Port shift avoids 2m cubic meters of dredging in the Waitematā channel

The New Zealand economy is the 57th largest and 41st most complex. Top imports are fuel, vehicles, machinery and consumer goods. Top exports are agriculture, forestry and horticulture.

# The New Zealand economy

- Most imports enter via Auckland to service urban consumers needs. Exports, contributing to economic growth, are produced in rural areas and leave via regional ports.
- Auckland accounts for 33% of New Zealand's population, 38% of GDP and only 6% of exports.
- The primary sector, mainly forestry and dairy, are the biggest user of domestic freight. Dairy is mainly located in Waikato, Taranaki, Manawatu and Canterbury and account for 20% of freight movements.
- Forestry in Northland, Waikato, Bay of Plenty, Gisborne, Hawke's Bay and Nelson/Tasman accounts for 35% of regional freight.
- The Upper North Island region accounts for 53% of all freight movements. Northland is experiencing high growth in population and horticulture.
- Northport's layout will be designed to favour rail over trucks.

# Timeline

**September**  
2018

Cabinet appoints a Working Group to review freight and logistics sector in Upper North Island, formally known as the Upper North Island Supply Chain Strategy (UNISCS).

**May**  
2019

The Ministry of Transport appoint a consortium to economically evaluate a range of investment scenarios.

**September**  
2019

The Supply Chain Strategy is presented to key stakeholders.

**50**  
**tonnes per**  
**capita each year**

**Regional freight %**

### **The role of freight**

We heavily rely on efficient supply chain to connect our goods to the world. Currently 50 tonnes per capita of freight is moved and this is expected to grow significantly over time, impacting roads and rail infrastructure.

The pipeline from Marsden Point to Auckland presently accounts for more tonnage per capita than rail. Rail would increase dramatically if a fit-for-purpose railway was built.

### Road dominates as a mode

Road dominates for both inter and intra-regional freight with over 95% share of market, with the exception of the Bay of Plenty and Auckland due to proximity to good rail and ports. This suggests intermodal capacity dominates mode choice.

## Percentage of market share



Road

Rail

Sea

Pipeline

# 6

## Biggest impacts and drivers of change

- 1 City congestion in Auckland
- 2 Shifting land value demands usage changes
- 3 Lack of cooperation between port owners
- 4 Lack of rail infrastructure and poor state highways in Northland
- 5 Need for easier export routes
- 6 Climate change: rail versus trucks

# Commercial realities

- Changes to the Upper North Island supply chain and port structure need to maximise land values in the Auckland CBD.
- Auckland needs more than one point of entry for goods if the city is serious about reducing congestion.
- Cost to consumer for perceived increase in freight charges, if the existing port structure is moved to Northport, is nominal to nil.
- Rail and road to port investment has historically been footed by the taxpayer. Tauranga, has benefitted from around \$4bn of Crown investment.
- Rate payers subsidise Ports of Auckland \$500,000 annually.
- Auckland Port only has 10 years of operational life remaining.

### Ports are the crucial international link

Today, New Zealand ports link 99.5% of the country's trade with international markets. In 2014, Auckland, Tauranga and Northport accounted for 45% of New Zealand's total freight export weights. The Port of Tauranga alone shipped 30% of national export weights. More significantly, the three ports handled 68% of total national import weights in 2012.

### The key issue is optimal land use

Freight and logistics capabilities are just part of what needs to be considered. The most important factor is: **where will expansion deliver the greatest positive impacts to the regional and national economy?**

## Current state

# The Port of Auckland

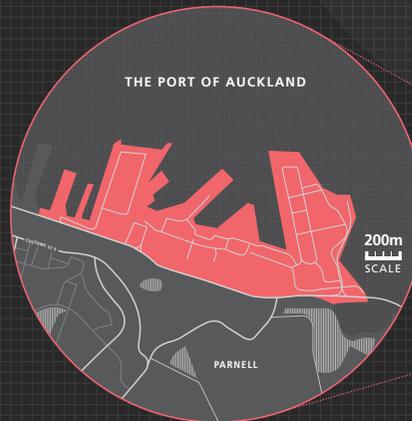
# 77

hectares  
alternative better value use

-  Current land use runs on a **low yield model**
-  Current port infrastructure generates **mass CBD congestion**
-  Future port growth constrained by **lack of available land**
-  **800,000 truck movements** through the city via the port each year

**There are currently 33 million tonnes of inbound and 30 million tonnes of outbound freight between Auckland and Northland, Waikato, BOP and Gisborne.**

The Port of Auckland largely handles containers, and bulk and break-bulk volumes, and is the largest container importer in New Zealand.



The combination of increased road freight activity within Auckland and significant growth in population has led to congestion problems in Auckland. This is important because the majority of The Port of Auckland trade volumes are distributed via the road network.

Projections predict a 10-year maximum possible usage of the port at its current depth. Future use will require significant harbour dredging, with major environmental and economical impact.



## Current state

# Northport

# 180

hectares  
available to expand



Large area of underutilised industrial land available



Rail line in need of upgrade.  
No current rail spur.



The shorter run to the outskirts of Auckland will bring future efficiencies when compared to Tauranga

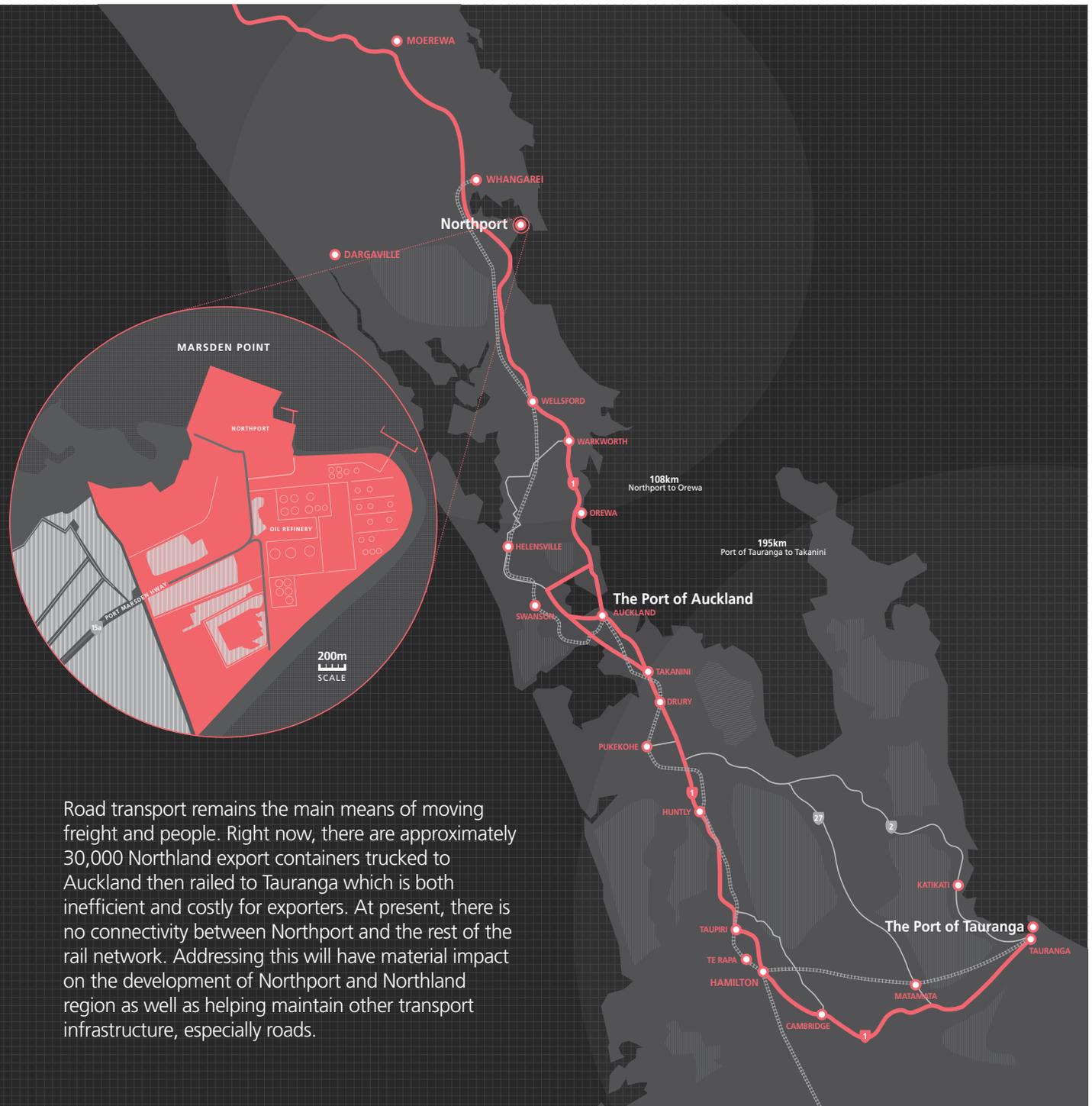


Port depth is of suezmax, able to accommodate the deepest draft ships

There are currently 8 million tonnes of inbound and 10 million tonnes of outbound freight between Northland and Auckland, Waikato, BOP and Gisborne. Currently, 1/3 of logs are processed locally and there is economic potential in wood processing, logging, saw-milling, wood-chipping, veneer and plywood manufacture.

Freight in the region is forecast to increase by almost 40% in the region between 2012 and 2042.

Road transport remains the main means of moving freight and people. Right now, there are approximately 30,000 Northland export containers trucked to Auckland then railed to Tauranga which is both inefficient and costly for exporters. At present, there is no connectivity between Northport and the rest of the rail network. Addressing this will have material impact on the development of Northport and Northland region as well as helping maintain other transport infrastructure, especially roads.



## Current state

# The Port of Tauranga

# 107

hectares  
available to expand



Already a **major export port**

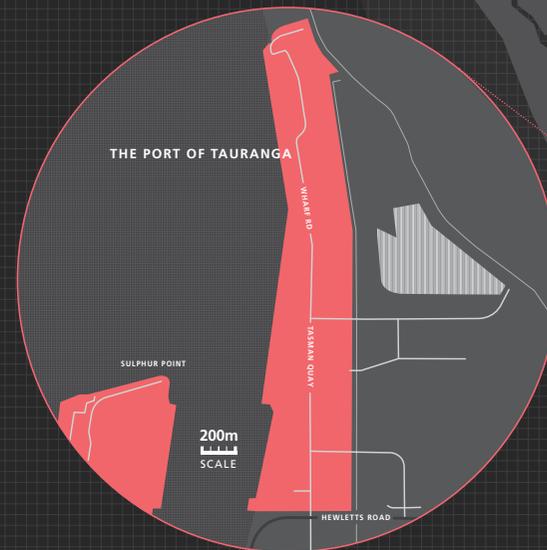


**Congestion** is becoming more and more of an issue



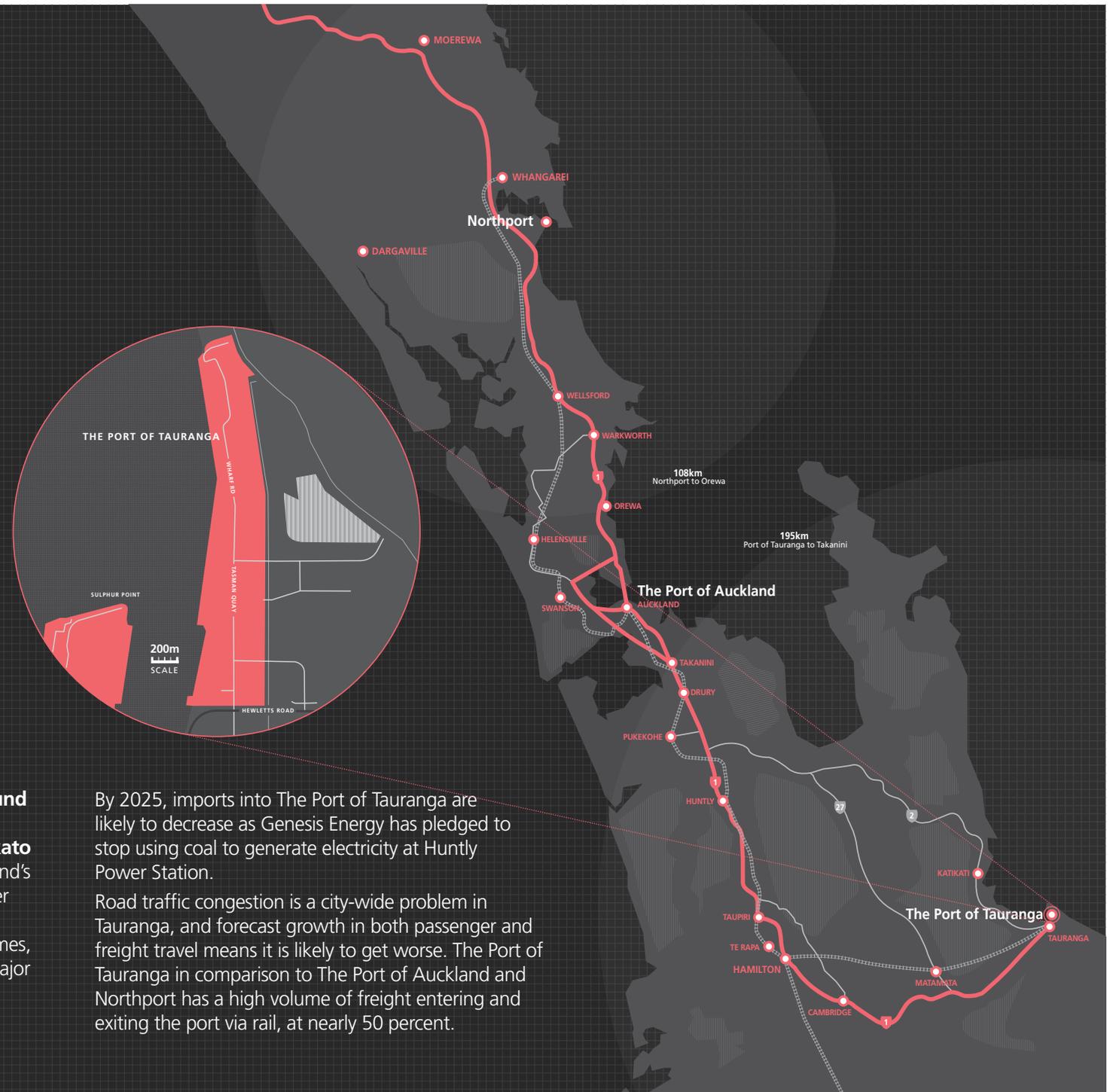
**Kaimai Tunnel** represents significant earthquake risk

There are currently **21 million tonnes of inbound and 18 million tonnes of outbound freight between BOP and Auckland, Northland, Waikato and Gisborne**. The Port of Tauranga is New Zealand's fastest growing and most productive port, however the port has an import-export imbalance. Import volumes are less than two thirds of its export volumes, meaning significant empty containers. Dairy is a major driver of exports in Tauranga but is expected to remain relatively flat.



By 2025, imports into The Port of Tauranga are likely to decrease as Genesis Energy has pledged to stop using coal to generate electricity at Huntly Power Station.

Road traffic congestion is a city-wide problem in Tauranga, and forecast growth in both passenger and freight travel means it is likely to get worse. The Port of Tauranga in comparison to The Port of Auckland and Northport has a high volume of freight entering and exiting the port via rail, at nearly 50 percent.



# Upper North Island Supply Chain Strategy

## The recommended options:

- 1 The managed closure of The Port of Auckland freight
- 2 The development of Northport
- 3 Continued operation of the The Port of Tauranga
- 4 Rejuvenated North Auckland rail line
- 5 A new inland freight hub in North West Auckland

# Three primary objectives:

1

To develop efficient and effective transport and logistics infrastructure that works in the national interest

2

To ensure the best use of scarce resources such as land, especially in metropolitan areas

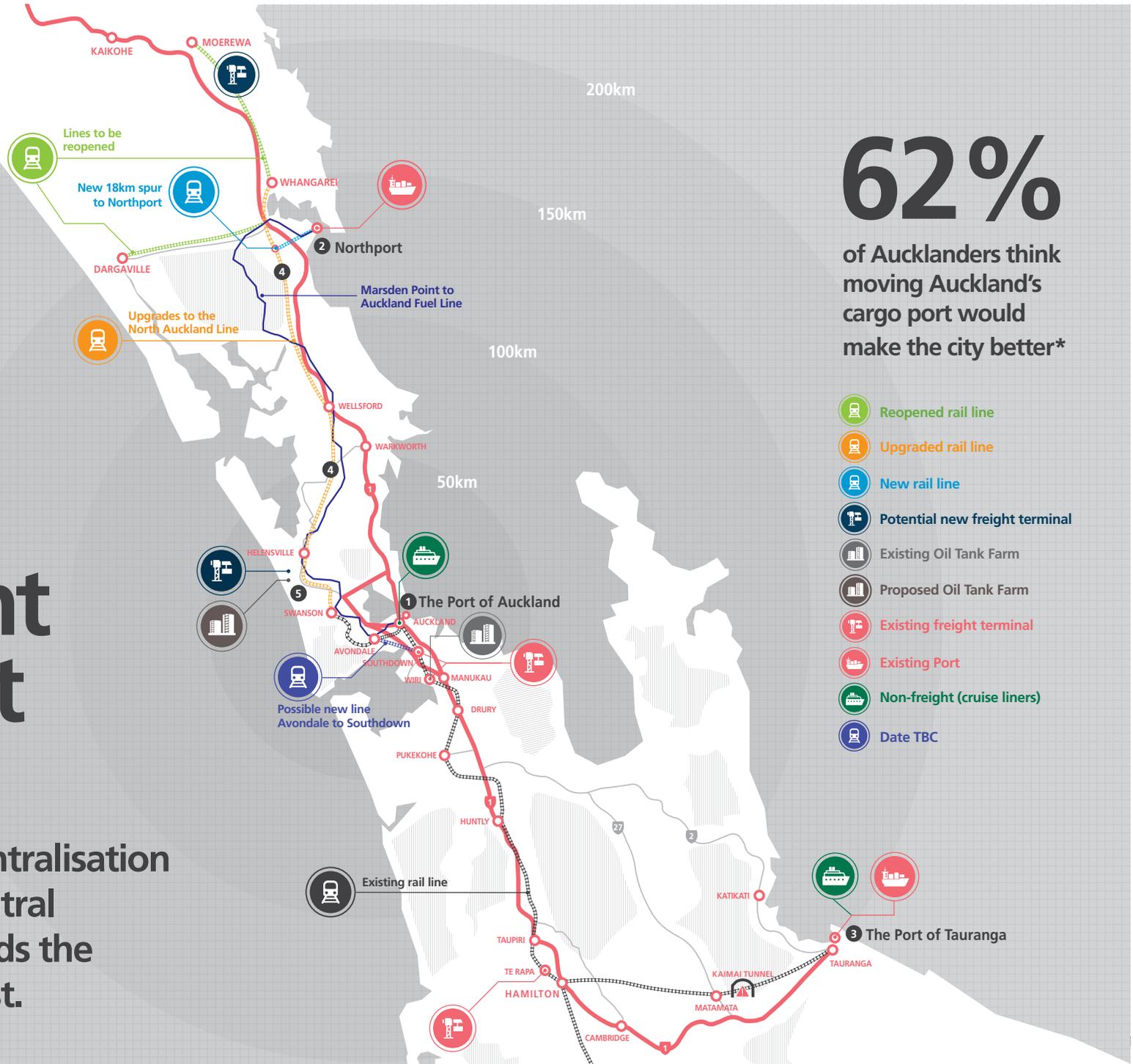
3

To promote opportunities for regional development and employment

# Future state

# A resilient two port model

Aligns with the decentralisation of growth, out of central Auckland, and towards the north, south and west.



**62%**  
of Aucklanders think moving Auckland's cargo port would make the city better\*

- Reopened rail line
- Upgraded rail line
- New rail line
- Potential new freight terminal
- Existing Oil Tank Farm
- Proposed Oil Tank Farm
- Existing freight terminal
- Existing Port
- Non-freight (cruise liners)
- Date TBC

# Future state



## Benefits to Northland

- › Promotes regional development and employment across the region
- › Shifts jobs north where housing is more affordable than Auckland
- › Northport site could be used to develop industrial parks and production facilities, stimulating additional economic growth in the local area
- › Local businesses will have easier and faster access to regional, inter-regional, and international markets
- › Maximises the existing port system and surrounding land at Northport
- › Positive cultural impact by supporting Māori enterprises across forestry, agriculture and fishing sectors, as well as health and community services

## Benefits to Tauranga

- › Promotes further growth in the Bay of Plenty
- › Tauranga benefits from the new infrastructure by an expected uplift in freight, and an improvement in supply chain efficiency as a whole

## Benefits to New Zealand

- › Two distinct north and south entry points for international freight
- › Potentially improves road safety by increasing rail freight capacity
- › Maintains competition, fosters innovation and cost effectiveness/efficiency of freight delivery
- › Greenhouse gas emissions will decrease by diverting road freight onto rail

# Benefits to Auckland

- ✓ Less congestion in the Auckland CBD and motorway network
- ✓ Releases huge land value to Auckland City Council's balance sheet
- ✓ Less friction with urban personal transport and regional deliveries with a dedicated freight rail line through the Avondale corridor
- ✓ Returns the harbour to the people and helps Auckland become a more 'liveable city'
- ✓ More resilient and sustainable supply chain
- ✓ Stronger balance sheet
- ✓ Creation of higher paying jobs through better land use of the port area

# Financial implications at a glance

## What needs to happen?

## Who pays?

1. Rail upgrade north with link to Northport

Government/KiwiRail

2. Extend Northport wharf length

Port companies

3. Set up of North West Auckland inland port

Private enterprise/Refining NZ/KiwiRail

4. Encourage port owners to cooperate in  
New Zealand's best interests OR legislate

No cost

# Thank you

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**Upper North Island  
Supply Chain Strategy**

A strategic recommendation  
for the future of our ports