



Date: Wednesday 1 April 2015
Time: 10.38am
Meeting Room: Reception Lounge
Venue: Auckland Town Hall
301-305 Queen Street
Auckland

Auckland Development Committee OPEN MINUTE ITEM ATTACHMENTS

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Resolution number DT/2015/34

MOVED by Chairperson MA Cohen, seconded by Member DP Hale:

That the Devonport-Takapuna Local Board:

- f) request the Mayor, the Chief Executive of Auckland Council and the Chief Executive of Auckland Council Investments Ltd to do everything within their powers to dissuade the Ports of Auckland from implementing consents to extend the Bledisloe Wharf into the Waitemata Harbour via the B2 and B3 extensions (currently proposed as 93m² and 98m² respectively).
- g) recommend to the Mayor and Chief Executive of Auckland Council that the Port Study Stage 2, addressing the port location, development and operations, be immediately commissioned.

CARRIED

Resolution number DT/2015/35

MOVED by Chairperson MA Cohen, seconded by Member G Gillon:

That the Devonport-Takapuna Local Board:

- h) request the governing body issue an immediate moratorium to Ports of Auckland on any consented wharf extensions on Bledisloe Wharf until full consideration by the governing body of Auckland Council's future report on the long term future of the port, which will be based on a proper analysis of economic, environmental and social factors.
- i) request that consideration be given to holding the Port land and wharves in public ownership.
- j) express concern over Auckland Council's position to shift reclamations from non-complying to a full discretionary activity.
- k) express concern to the directors of Ports of Auckland as to the way the process of the proposed wharf extension and reclamation has been managed to date.

CARRIED



30 March 2015

The Chair
Auckland Council Investments Limited
BY EMAIL

Dear Simon

Ports of Auckland Limited

Following a meeting earlier this week between ACIL, Ports of Auckland representatives and the Mayor, The Mayor and Deputy Mayor have asked me to write to you to make clear what Auckland Council's expectations of the ACIL board are in relation to POAL, and to clarify your mandate.

Auckland Council's view is that, as the shareholder of POAL, ACIL has a broad mandate, which is set out below.

Financial

ACIL's purpose is to support the Council's vision and to bring a strong commercial focus to the ownership and management of the Council's investments in POAL, AIAL, and AFSL. As stated in ACIL's SOI, sound commercial governance of these assets is important. ACIL's role is to endeavour to maximise their contribution to the Auckland economy and provide substantial financial returns, which are financially sustainable in the long term.

The dividend received from ACIL form an important part of council's revenue, which directly offsets council's rates requirements. ACIL should be seeking to maximise earnings growth whilst maintaining long-term financial sustainability across all its investments and subsidiaries. It is therefore our expectation that the ACIL Board should continually assess the strategies adopted by its subsidiaries. ACIL should as a matter of course assess the proposed investments and associated risks relating to its subsidiaries.

As debt and full earnings for POAL are consolidated in the group accounts, we expect the ACIL Board to have an active role in the assessment of the port's financial results and forecasts, and long-term strategies. This should include:

- ensuring the strategies adopted align to those of the Auckland Council, and any investments made by POAL support such strategies
- business cases for material spend or of high stakeholder interest are assessed, including review on returns, assumptions, risks and timing
- assessment of level of growth, risks, assumptions and returns within budgets received.

Given the importance of the dividend paid by ACIL to Council's financial position, the ACIL Board must provide adequate assurance to council that POAL's budgets and capital investments support earnings growth, whilst maintaining long-term financial sustainability and alignment with strategies. It is also expected that ACIL will advise Council of the debt arrangements relating to security of POAL's assets.

Auckland Council objectives

POAL's principle objective, pursuant to the Port Companies Act, is to operate as a successful business. Whilst Auckland Council acknowledges that Council has broader objectives that it is trying to achieve. These objectives are outlined in Council plans and strategies including the Auckland Plan and the Long Term Plan.

The SOI explicitly provides for ACIL's governance of its subsidiaries to be responsive to the Council's delivery of all relevant Auckland Plan outcomes. The SOI also states that ACIL and its subsidiaries will have regard to Council's environmental, social and governance considerations. We therefore expect ACIL to provide POAL with guidance in regard to Auckland Council's wider objectives.

I also note that POAL's SCI states that:

Any significant proposed capital expenditure which is not included within, or is inconsistent with, the 5 year strategic plan, or which impacts the Port's footprint and its connection to Auckland, will be discussed with the Shareholder.

It would be council's expectation that during any discussions with POAL regarding changes to the Port's footprint, ACIL would consult with Auckland Council as to our view of the proposed changes, and to convey those views to POAL. This is consistent with ACIL's SOI, which states that ACIL will work collaboratively across the council group to deliver Council's strategies.

In short, Council expects ACIL to have a pro-active role in advising its subsidiaries of Council's objectives, and encouraging those subsidiaries to contribute to the achievement of those objectives.

Proposed wharf extensions

In regard to the consented wharf extensions, Council would appreciate information regarding the works. In particular, could you please advise:


1. What options or alternatives were considered as part of the business case, including whether the option of building one extension was considered
2. Whether the business case for the extensions is dependent on the proposed reclamation between the extensions; and
3. What is the necessity for undertaking the construction of the wharf extensions now.

If the construction of the wharf extensions are not time critical, I would request that ACIL encourages POAL to hold off doing any further work in regards to the wharf extension until the stage 2 port study has been completed.

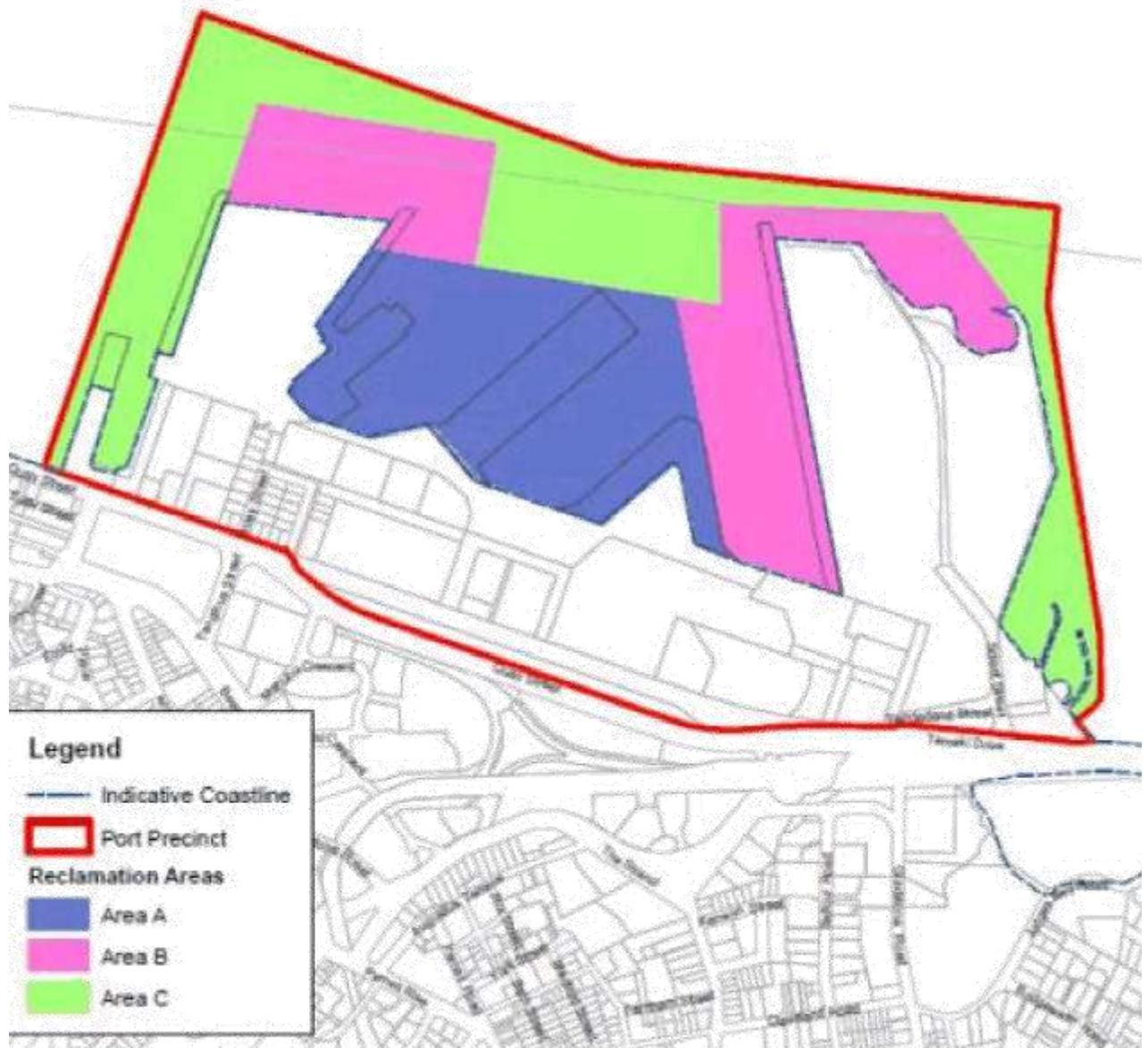
Finally, it is my view that POAL has not engaged sufficiently with key stakeholders, or the public at large, in relation to the proposed wharf extensions. POAL, like any business, relies on the support of its key stakeholders, as well as the public. Public goodwill is important for the long term sustainability of POAL as a business. Therefore, Council's expectation is that ACIL will ensure that POAL has a stakeholder management plan in place, so that these issues are addressed better in the future.

I would be happy to discuss further any of the issues raised in this letter.

Yours sincerely


Stephen Town
Chief Executive

TE: New Precinct Plan as at 19.02.15



Port Precinct Plan 4 : Reclamation Areas

