

## Memorandum

19 December 2019

**To:** Planning Committee and Local Board Chairs

**Subject:** Upper North Island Supply Chain Strategy:  
Final report released 12 December 2019

**From:** Megan Tyler, Chief of Strategy

**Contact information:** [megan.tyler@aucklandcouncil.govt.nz](mailto:megan.tyler@aucklandcouncil.govt.nz)

### Purpose

1. Provide the recommendations from the Upper North Island Supply Chain Strategy (UNISCS) Working Group's final report
2. Provide a summary of council staff preliminary views of the final report and the advice to government from Treasury and Ministry of Transport officials that accompanied the report.
3. Summarise Government's next steps now that the UNISCS Working Group's work is complete.

### Summary

4. The UNISCS final report recommends moving Ports of Auckland Limited operations from the Auckland Waitematā waterfront to Northport in Northland
5. The UNISCS group recommend legislative intervention to action this recommendation if a commercial agreement cannot be made before 1 December 2020.
6. The UNISCS final report completes the Working Group's work.
7. Cabinet has asked for more work to be done on both the Northport option and the other options considered by the Working Group.
8. That work will be reported to Cabinet in May 2020.

### Context

9. On 9 December 2019 Cabinet received the final report from the independent Upper North Island Supply Chain Strategy Working Group. The Working Group's final recommendations are attached. No decisions were sought on the future of the Upper North Island Supply Chain.
10. The delivery of the third and final report to Cabinet ends the UNISCS Working Group's work.
11. On 12 December 2019 Cabinet proactively released the UNISCS final report, and accompanying advice on the second and third reports provided by Treasury and the Ministry of Transport independent of the UNISCS Working Group. All reports are available online [here](#).

### Discussion

#### Auckland Council advice and involvement

12. Auckland Council's involvement in the UNISCS process has been limited. In 2017 the Mayor wrote to the Minister for Regional Economic Development with some suggestions on the scope of the study. The Chair of the Working Group presented to a November 2018 meeting of the Upper North Island Strategic Alliance that the Mayor attended; and the Mayor, Deputy Mayor, Planning Committee Chair and Independent Māori Statutory Board Chair also met with the

Working Group in December 2018. The Mayor and others communicated the need for a robust, transparent and evidence-based process that acknowledged Auckland Council ownership of Ports of Auckland Limited (PoAL) on behalf of Aucklanders. The Working Group also met with PoAL and Auckland Transport in late 2018.

13. Council's requests for the detail or evidence used in the Working Group's analysis have not been met.
14. Council staff provided Councillors and Local Board Chairs with a memo following the release of the UNISCS second report on 23 October 2019. That memo raised several questions and concerns about the analysis underpinning the UNISCS preferred option of moving PoAL operations to Northport in Northland.
15. Overall, staff were not satisfied that the second report's analysis and subsequent conclusions could be used to justify the scale of investment suggested by the UNISCS group. The urgency and criticality with which the North Port option is promoted by the Working Group lacks established basis in fact.

### **The UNISCS final report**

16. The third and final report essentially summarises the UNISCS position and recommendations (Attachment 1).
17. In summary, the UNISCS group's recommendations are:
  - Relocate PoAL operations from the Auckland Waitematā waterfront to Northport in Northland
  - A transition should begin immediately and be fully completed by no later than 2034, fifteen years hence, with a stretch target of 2029
  - Port owners and port companies should be encouraged to reach a commercial agreement to give effect to the recommendation
  - If port owners cannot do so before the 1 December 2020, Government should legislate to give effect to the recommendation.
18. The third report does not address concerns council staff had with the second report. Neither does it expand on the analysis used as the evidence base for the Working Group's preferred option.
19. The Working Group commissioned a consortium led by Ernst and Young to complete economic and other analysis. The assumptions and modelling that underpin that analysis have not been made available to council.
20. We note that "Treasury requested to be given the full analysis undertaken by EY in order to better understand what assumptions were made. However, the Chair of the Working Group refused the request on the basis the report stands for itself"<sup>1</sup>
21. Council staff agree with advice from Treasury and Ministry of Transport officials that "the methodology behind the analysis is not sufficiently clear and makes it difficult to reach a view on whether the UNISCS Working Group's findings are supported by a strong evidence base".
22. Overall, it is the opinion of staff that there is insufficient detail or analysis to be able to determine the feasibility or rationale for the recommendations made by the Working Party.

### **Cabinet considerations and next steps**

23. Cabinet considered the report on 9 December and proactively released the paper, official's advice and the Working Group's report on 12 December 2019. The cabinet paper's

---

<sup>1</sup> Cabinet paper: Upper North Island Supply Chain Strategy Final Report

recommendations are attached as Attachment 3 and are different to the recommendations of the Working Group.

24. In summary, Cabinet has asked for more work to be done on both the Northport option and the other options considered by the Working Group. In particular, the focus will be on four workstreams:
  1. Logistics and supply chain analysis
  2. Transport analysis
  3. Land use planning and wider economic benefits analysis
  4. Legislative
25. The further analysis requested by Government pertains to the broader set of options for the Upper North Island Supply Chain and is not limited to the UNISCS group's preferred option.
26. Government indicate that there will be early and open engagement with port owners and port companies, in recognition that central government do not hold all the decision-making rights pertaining to supply chain issues. Auckland Council and PoAL are named as 'cornerstone' partners in the cabinet paper.
27. Staff support this and welcome collaboration with Government officials now that the UNISCS group has completed its work. Council staff look forward to engaging with Government officials as they progress a robust, transparent process of evidence-building.

### Next steps

28. Government will progress the identified workstreams of analyses.
29. Auckland Council staff are in communication with Ministry of Transport and Treasury officials to coordinate engagement and any assistance we can provide to that process. We expect to be able to provide an update in February on the progress of this work.
30. The four workstreams are expected to report back to Cabinet in May 2020.

### Attachments

#### **Attachment 1: The UNISCS final report's recommendations to Government**

1. Ports of Auckland's CBD freight operation is no longer economically or environmentally viable, and is constrained by landside infrastructure failure. It is in the interests of taxpayers and ratepayers that it be progressively closed and the land it currently occupies be progressively rezoned for higher and better uses.
2. Northport should be developed to take over much or all of Auckland's existing and projected future freight business.
3. Port of Tauranga's existing expansion plans should proceed to accommodate growth.
4. Auckland's cruise ship terminal should be modernised and the Waitematā become a commuter, tourism and recreation harbour.
5. The new two-port configuration should be supported by a rejuvenated North Auckland rail line and spur to Northport, and a new inland freight hub in northwest Auckland to complement and be connected to Metroport in the south.
6. This transition should begin immediately and be fully completed by no later than 2034, fifteen years hence, with a stretch target of 2029.
7. The Government should adopt our strategy as policy immediately and announce a clear timetable for the government infrastructure projects necessary to support it.
8. The Government should give the ports and their owners until 1 December 2020 to reach commercial agreement on how the strategy is to be implemented.

9. The Government should announce a backstop that, if commercial agreement is not reached by 1 December 2020, it will introduce legislation to Parliament to reform the Port Companies Act 1988 and take all other necessary steps to make our recommendations happen.
10. The Government should establish a project implementation capacity to facilitate the commercial negotiations and deliver the strategy. This should be based in Auckland and be led and staffed by people with extensive experience in difficult multi-billion-dollar commercial negotiations and managing major engineering and infrastructure projects, and with proven track records in meeting deadlines and budgets.

## **Attachment 2: Key considerations for Auckland**

1. Auckland Council, on behalf of Aucklanders, owns PoAL outright.
2. PoAL pay an annual dividend to Auckland Council.
3. We have seen no evidence that Ports of Auckland's CBD freight operation is no longer economically viable as stated by the UNISCS group.
4. It is important to minimise the potential impact of the uncertainty caused by this review on the commercial operations of PoAL as this will impact on future dividends for Auckland Council and the value of the PoAL asset.
5. PoAL and Auckland Council understand that land-side infrastructure capacity is likely to constrain growth of freight throughput in the next 30yrs.
6. PoAL have a 30yr Masterplan, seen by Council, that provides for 30yrs of growth without enlarging the port's footprint.
7. Auckland Council wishes to ensure that national investment is prudent and directed towards opportunities that will provide the greatest national benefit. Once an investment is made, and given the overall funding available nationally is constrained, there is an opportunity cost. Because any investment directed by an Upper North Island Supply Chain Strategy will be substantive, this emphasizes the need for it to be good value for money as it potentially will crowd out other national investments, some of which could be more directly beneficial for Auckland.

## **Attachment 3: Cabinet Recommendations**

overleaf

## IN CONFIDENCE

### Legislative Implications

48. There are no imminent legislative implications associated with this paper, however one of the work streams proposed in this paper is intended to address the regulatory and legislative issues and risks that might emerge depending upon Cabinet's future decisions on the Working Groups report.

### Impact Analysis

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

### Human Rights, Gender Implications and Disability Perspective

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

### Publicity

51. The Working Group has provided us with its final report. We recommend its report is publicly released following consideration by Cabinet. We also recommend in early engagement with cornerstone partners begin in parallel.

### Proactive Release

52. We recommend that this paper is released alongside the public release of the Working Group's final report.

### Recommendations

We recommend that the Committee:

1. **note** the Working Group's final report on the Upper North Island Supply Chain Strategy is attached to this paper;
2. **note** that the Ports of Auckland is not viable as the upper North Island's key import port in the long term;
3. **note** that the Working Group recommends the transition to an alternative port arrangement be completed no later than 2034, fifteen years hence, with a stretch target of 2029;
4. **agree** to release the Upper North Island Supply Chain Strategy Working Group's final report;
5. **agree** to a work programme to inform future decisions on the upper North Island supply chain strategy, with Ministers reporting back to Cabinet in May 2020, comprising:
  - 52.1. Logistics and supply chain analysis
  - 52.2. Transport analysis

**IN CONFIDENCE**

52.3. Land use planning and wider economic analysis

52.4. Legislative and regulatory considerations

52.5. Funding and finance

52.6. Governance and commercial considerations

52.7. Stakeholder engagement and communications;

- 6. **note** that, as part of the work programme, officials will assess the Working Group's recommended Northport scenario and other scenarios looked at by the Working Group;
- 7. **note** that the Minister of Finance, the Minister of Transport and the Minister of Regional Economic Development will continue to be the lead Ministers responsible for the work programme to May 2020;
- 8. **agree** that Ministers initiate engagement with cornerstone partners, comprising, Auckland Council, Ports of Auckland, Bay of Plenty Regional Council, Port of Tauranga, Northland Regional Council, Northport Ltd and Marsden Maritime Holdings Ltd; **Withheld to maintain the constitutional conventions which protect the confidentiality of advice tendered by Ministers and Officials.**

█ [Redacted]

- 10. **note** that funding for this work may be funded from MOT baselines, a Between-Budget Contingency or a combination of both;
- 11. **authorise** the Minister of Finance and Minister of Transport to make joint decisions on the immediate funding for the work programme (including whether that funding should be met from the Ministry of Transport baseline, Between-Budget Contingency or a combination of both and establishing and amending the necessary appropriations) up to a maximum of \$2 million in the 2019/20 financial year; and

█ [Redacted]

**Withheld as information will soon be made publicly available.**

Authorised for lodgement

Hon Phil Twyford

Hon Shane Jones