

Upper North Island Supply Chain Strategy: Report on Stakeholder Perspectives

Summary

The work to further assess the Upper North Island Supply Chain Strategy (UNISCS) Independent Working Group's options for relocating the Ports of Auckland's freight functions included significant engagement with stakeholders and Treaty partners. The engagement with Treaty partners is the subject of a separate report. This report focuses on general engagement, particularly with the Cornerstone Partners: the companies and councils with an ownership interest in the three upper North Island ports.

Among these stakeholders there was no shared view on a preferred option.

Nor was there clear agreement that these functions needed to move at all.

There was however wide agreement on some points, including:

- A strong desire for engagement with Ministers before any final decisions on a preferred relocation option
- A belief that any such decision should have a robust evidence base, and be grounded within the wider strategic context of ensuring a secure, efficient Upper North Island supply chain
- Concern about the short amount of time available for this work
- Disappointment in aspects of the Upper North Island Supply Chain Strategy Working Group's process
- Some interest in "hybrid" options that were not part of officials' brief.

Introduction and Background

On 9 December 2019, Cabinet agreed that officials would undertake a work programme to further assess the Upper North Island Supply Chain Strategy (UNISCS) Independent Working Group's options for relocating the Ports of Auckland's freight functions.

The five options officials considered were: a full move to either Northport (as recommended by the Working Group), Tauranga, Manukau or the Firth of Thames, or a shared increase in capacity at both Northport and Port of Tauranga.

Between January and May 2020 this work included significant engagement with stakeholders and Treaty partners.

The need to engage with Treaty partners was considered critical, given customary land ownership issues, outstanding Treaty claims and Marine and Coastal Area Takutai Moana claims, some of which are contentious. For this reason an iwi engagement specialist from The Policy Shop, was appointed to the project team, in addition to a communications and engagement specialist contracted to the Ministry of Transport.

It is recommended that this report be read in conjunction with The Policy Shop's summary of engagement with Treaty Partners (*Upper North Island Supply Chain Strategy: Draft Report on Treaty Partner Perspectives 30 May 2020*) and the final report by independent consultants Sapere (*Analysis of the recommendations of the UNISCS Working Group, and options for moving the Port of Auckland*), which was informed by their engagement with supply chain and infrastructure interests. Together the three documents provide a rich picture of the perspectives of the organisations, groups and individuals whose views and expertise have informed our work on this issue.

The UNISCS work progressed well and a Cabinet report back by the UNICIS Ministers (the Ministers of Finance, Transport and Regional Development) was on track for early June 2020. However as a result of Covid-19 this report back was delayed as officials previously dedicated to this project were

required for response-related work. The Level 4 Covid-19 lockdown also strongly curtailed stakeholder engagement.

This report on stakeholder perspectives is provided to inform Ministers' decisions in response to the Independent Working Group recommendations.

Methodology

A general communications and stakeholder engagement strategy was developed, along with a strategy specifically for engagement with Treaty partners.

Broadly, these plans had three objectives:

- Build and sustain awareness and understanding of our approach
- Build trust and confidence in our process, as well as awareness of our timeframe and mandate and
- Encourage stakeholders and Treaty partners to share their views, expertise and data, to inform our work.

While it was not exclusive, our focus was primarily on those stakeholders with ownership interests in the three upper North Island ports (Northport, the Ports of Auckland and the Port of Tauranga). These ports and port owners had a deep interest in the outcome of our work, as well as the data, expertise and experience to inform our analysis. Collectively these organisations are referred to here as the Cornerstone Partners: Northland Regional Council, Northport Ltd (the Northport operating company), Marsden Maritime Holdings Ltd (the Northport land owner), Auckland Council, Ports of Auckland, Bay of Plenty Regional Council, Port of Tauranga and Quayside Holdings.

Our engagement approach was broadly uniform across all stakeholders. Early in the project (January 2020), Ministry of Transport, Deputy Chief Executive Nick Brown met with each of the Cornerstone Partners' Chief Executives. At a second round of meetings in March 2020 a standard presentation was used as the basis for the discussions.

That presentation, initially developed to be presented at the Auckland Council's Planning Committee in February 2020, was adapted as needed for engagement with stakeholder and Treaty partners until the third week of March 2020. At that point Covid-19 caused those engagement conversations to all but cease because of the level four lockdown and the need for UNISCS officials to focus on Covid-19 response work.

The presentation focused on the Cabinet mandate, our approach to the work we were doing as a result and our timeframes. The messaging was consistent with our key communication messages to media and wider stakeholders. Broadly they included:

- Cabinet had agreed that the Port of Auckland was not viable as the Upper North Island's key import port in the long term

- A report back to Cabinet was required in late May 2020
- Five relocation options were under consideration
- We had been asked to consider not if there should be a move, but rather where and when
- We were taking a robust, evidence-based approach to these questions, including wanting to hear the views of the Cornerstone Partners and others.

The emphasis of these presentations was on an open discussion in order to build trust and understanding. Managing expectations was also an important part of the engagement process, particularly regarding the extent of engagement possible in the time available.

Engagement Beyond the Cornerstone Partners

Upper North Island Strategic Alliance (UNISA)

The Upper North Island Strategic Alliance (UNISA) focuses on inter-regional and inter-metropolitan issues. Members consists of Northland, Waikato and Bay of Plenty Regional Councils, Auckland Council, Whangarei District Council and Hamilton and Tauranga City Councils. Meetings bring together the Mayors and Chairs of these councils, as well as the Chief Executives. There are also regular meetings of key technical staff from these councils.

The group wrote to Ministers in January 2020 welcoming the Government's agreement to early and open engagement with port owners and port companies. They also reiterated that it is crucial for their views, as delivery partners, to be heard and included in any decision-making.

Later in January 2020 Hon Phil Twyford discussed the UNISCS work at a UNISA meeting attended by most of these Mayors, Chairs and Chief Executives. Consistent with officials' meetings with the individual councils, the response to this engagement was very positive. Those present showed a strong interest in the project, as well as a desire to be involved.

While this was the only formal discussion of our work with UNISA, we provided informal updates to the UNISA Secretariat (Phil Heatley) throughout the process.

NZ Infrastructure Commission – Te Waihanga

We also kept the Infrastructure Commission updated on our progress throughout the project, including sharing the project plan and the draft material and involving them in workshops at key points. The Commission will remain an independent consulted party, as directed by Cabinet.

Future Proof

Future Proof represents the districts and city of the Waikato region and considers how to manage growth in the region in a coordinated way. Its partners include the Hamilton City Council, Waipa District Council and Waikato District Council as well as Waikato Regional Council, and tāngata whenua.

In December 2019, the group wrote to Ministers expressing concerns about the Working Group's second report and requesting direct consultation before Cabinet makes any formal response to the Working Group recommendations.

Nick Brown met with some of the group in March 2020 (the numbers who could attend were restricted because of Covid-19). In a subsequent letter to him they:

- noted the significant investment the Waikato region makes in the upper North Island supply chain, and the impacts on the region of any decision on the port issue
- asked that the economic analysis present a base case for impacts on the region or include the costs of any necessary rail and road improvements needed in the region
- noted that there was no clear upper North Island road and rail infrastructure investment plan
- argued that engagement with Tainui Group Holdings Ltd and Waikato Tainui was critical, especially in terms of the inland port at Ruakura under development. They also encouraged us to consult with Ngāti Whātua, on their aspirations for the Ports of Auckland land and
- advised they thought that it was unlikely that there would be sufficient capital available from land sales to fund any new port initiatives.

NZ Defence Force

At the same time our work was underway the Ministry of Defence has been considering Whangarei Harbour as an alternative site for the naval facilities currently at Devonport. For this reason we met three times with the NZ Defence Force. MBIE's Provincial Development Unit was also considering a dry dock at Northport, to help stimulate economic development in the region.

Conflicting views were expressed by stakeholders and others familiar with Northport as to whether there was capacity, either at Northport or its immediate environs within Whangarei Harbour, to accommodate the naval base and the Ports of Auckland freight operations, as well as a dry dock.

Commerce Commission

Our two discussions with the Commerce Commission focused on understanding how we could ensure we did not inadvertently breach the cartel provisions of the Commerce Act, or cause the ports to do so. The Commission noted that that if we were to bring the port companies together we needed to ensure that nothing was discussed among these competitors that they would not normally share publicly.

Infrastructure Victoria

In 2017 Infrastructure Victoria reviewed that state's port strategy, including considering a new port to supplement or replace the existing Port of Melbourne.

In a discussion with New Zealand officials and consultants, Chief Executive Michel Masson stressed the need to consider any port location within the wider context of supply chain efficiency (and a national freight strategy).

He cautioned against lengthening the supply chain. He also noted the need to consider the scale of port operations and the importance of gaining social licence for the preferred option.

Complexities

While focusing on a relatively narrow number of stakeholders simplified our engagement process, it was not without its complexities.

Many of these stakeholders wore multiple hats including port owner, land owner, part-owner of other ports, strategic planning authority, transport operator, co-investor and territorial local authority or regional authority.

In addition, because two of the Cornerstone Partners are publicly listed companies we were aware our work could potentially impact share prices making it even more important that all five relocation options were presented equitably.

Stakeholders' feedback on the process has been positive, and many provided access to key information. For the three ports this information included current capacity and capital plans, and the ports also each hosted a fact-finding visit or calls by officials and consultants, including port engineers. Auckland Council (and Auckland Transport) were particularly helpful in this regard, sharing expertise and valuable data, and actively participating in the analytical work, despite having reservations about the process.

General Themes

Stakeholders had questions and concerns about the viability of particular options – for example about the distance from Auckland markets and the suitability of the connecting road and rail link, and some stakeholders understandably promoted their particular port.

However there was no shared view on which of the five relocation options was preferable.

There was also no clear consensus that these functions needed to move at all. In discussions with stakeholders, officials noted that the Government's view was that the Ports of Auckland was not viable as the Upper North Island's key import port in the long-term and our role was to start from

that premise. Nonetheless, some stakeholders wanted the analysis to consider the status-quo option.

A similar view was expressed by some of those present at a meeting of the Auckland Business Forum attended by Ministry of Transport Chief Executive Peter Mersi.

It is worthwhile to note that while the status quo was not considered as a sixth option a counterfactual comparison of having the important functions stay as Auckland was considered as part of developing the base case needed for the Cost Benefit Analysis.

Despite the lack of consensus on the fundamental questions of where these functions should move to, or even whether they should move, the Cornerstone Partners and other stakeholders there was a high level of agreement on a range of connected matters:

- As noted above, stakeholders responded very positively to engagement and showed a strong interest in the project, as well as the future process. As a result officials and our consultants received a wealth of data and expertise to inform our work.
- While officials have made it clear with stakeholders that we could not share our draft findings before any Cabinet decision, the Cornerstone Partners indicated a strong desire to engage with Ministers before that time.
- Nearly all the Councils and ports would have liked greater engagement with the Upper North Island Supply Chain Strategy Working Group, and many expressed reservations about the Group's process. These stakeholders were sceptical of the Group's conclusions and wanted to see the evidence base that informed those conclusions.
- There was strong support for officials' commitment to a robust and evidence-based process. In some cases this was a direct reaction to the Working Group report, while for other stakeholders it was a reflection of the significance of the issue. Regardless of the motivation, the message to officials was consistent: any decisions needed to be informed by objective evidence.
- Most stakeholders also emphasised the need to not lose sight of the wider strategic issue: ensuring a secure, efficient Upper North Island supply chain. The importance of road and rail links to ports was frequently mentioned in this regard, with some stakeholders arguing that Northland's contribution to the Upper North Island supply chain was currently constrained compared to Tauranga and Auckland.

Mayors and Chairs at the UNISA meeting also mentioned this point, arguing that the Government's focus should be on determining the combination and sequencing of decisions, ownership and investments that were needed to provide maximum value to NZ Inc. long-term (including consideration of regional rail and road networks).

- Concern for social deprivation in Northland, expressed by Northland officials.
- Many stakeholders expressed concern about the short timeframe before the May 2020 report back, because of the amount of analysis needed, and also to allow engagement with a wide range of stakeholders as well as Treaty partners

A particular concern for councils was the time required to establish a formal position they could then reflect back to the Government . Auckland Council asked to meet with Ministers to discuss their concerns about the timeframe but this meeting has not yet been arranged.

- On the point of wider engagement, organisations such as Future Proof Waikato and Auckland Council stressed the importance of engaging with iwi.
- The five relocation options considered by officials all involved a complete relocation of Auckland’s freight functions (i.e. containers and cars as well as bulk goods such as concrete). However some stakeholders wanted “hybrid” options considered. One such suggestion was to retain those functions at Auckland, but with a reduced capacity/footprint. Another suggestion was a split of functions - for instance with containers remaining at Auckland, imports of cars shifting to the Port of Tauranga and imports of bulk goods (such as cement) going to Northport.
- While we did not specifically ask stakeholders about how many ports they thought were needed across the upper North Island, many of those that raised this matter supported a three port solution.

Considerations for Future Engagement

- It is recommended that consideration be given to further engagement with the Cornerstone Partners as well as those upper North Island councils that are not part of that group. All of the councils that officials met with expressed a strong desire to engage with Ministers before any final decision is made on the relocation options. Irrespective of which option is chosen, the trust, confidence and buy-in of these councils (as well as the port companies) will be key to a successful transition.

If Ministers agree to further engagement, the UNISA meetings may be useful in this regard. Between now and the election UNISA is scheduled to meet on 24 July and 7 August 2020. Engagement with the port companies would need to be done separately (and in a manner that does not risk breaching Commerce Act requirements or share market considerations).

[REDACTED]

Withheld to maintain the constitutional conventions which protect the confidentiality of advice tendered by Ministers and Officials

- While the focus on a relatively narrow group of stakeholders has been appropriate to date , it is important to note that there are many organisations that we have not yet engaged with. Some examples include: key environmental groups, The Prime Minister’s Business Advisory Council, Infrastructure New Zealand, the maritime unions and The New Zealand Initiative.

Appendix One: Schedule of Meetings

This table records the key meetings with Cornerstone Partners and other key stakeholders across the Upper North Island. Note that in addition to the meetings listed there were various informal conversations. In the later stages these were held via Skype because of Covid-19. (Note: meetings with Treaty partners are recorded in a separate report prepared by The Policy Shop.)

Date	Stakeholders	Officials and Consultants Present
Individual meetings January 2020, and March 2020	Stephen Town, Chief Executive Auckland Council Malcom Nicholson, Chief Executive Northland Regional Council Louise Miller, Chief Executive Kaipara District Council Rob Forlong, Chief Executive Whangarei District Council Shaun Clarke, Chief Executive Far North District Council Felix Richter, Chief Executive Marsden Maritime Holdings Jon Moore, Chief Executive Northport Mark Cairns, Chief Executive Port of Tauranga Marty Grenfell, Chief Executive Tauranga City Council Tenby Powell, Tauranga Mayor Fiona McTavish, Chief Executive Bay of Plenty Regional Council Scott Hamilton, Chief Executive Quayside Holdings	MOT Deputy Chief Executive Nick Brown
31 January	Upper North Island Strategic Alliance meeting with Minister Twyford	Minister, officials from MOT and Treasury, Sapere
11 February	Auckland Council Planning Committee	Nick Brown, other MOT officials, Ben Wells (Treasury), Sapere
17 February	Visits to Northport, Auckland and Tauranga ports	MOT Officials, Sapere
19 March	Future Proof Waikato	Nick Brown
8 January, 15 March 2020	Commerce Commission	Nick Brown, David Stimpson (MOT)
13 December 2019, 15 January, 9 March 2020	Infrastructure Commission Chief Executive Jon Grayson, Senior Advisor Dan Cameron	MOT and Treasury officials

Date	Stakeholders	Officials and Consultants Present
14 January, 27 February 2020	NZ Defence Force	MOT, PDU and Treasury officials
2 March 2020	Infrastructure Victoria Chief Executive Michel Masson	MOT, PDU and Treasury officials, Sapere