

## Briefing to support UNISCS Ministers' meeting on 28 January 2020

<b>Reason for this briefing</b>	The purpose of this briefing is to support a meeting between UNISCS Ministers on 28 January 2020, following Cabinet consideration of the Working Group's final report on 9 December 2019.
<b>Action required</b>	Note the contents of the briefing and consider the proposed approach.
<b>Deadline</b>	28 January 2020.
<b>Reason for deadline</b>	UNISCS Ministers are meeting on 28 January 2020.

**Contact for telephone discussion (if required)** Withheld to protect the privacy of Natural Persons

Name	Position	Telephone
Nick Brown	Deputy Chief Executive, System Performance and Governance, Ministry of Transport	██████████
Matthew Gilbert	Acting Director, Commercial, Infrastructure and Urban Growth – The Treasury	██████████
Jane Frances	Steering Group Member, Provincial Development Unit – Ministry of Business, Innovation and Employment	██████████

### MINISTER'S COMMENTS:

<b>Date:</b>	24 January 2020	<b>Briefing number:</b>	OC200017 BR 2098 19-20 T2020/120
<b>Attention:</b>	Hon Grant Robertson (Minister of Finance)  Hon Phil Twyford (Minister of Transport)  Hon Shane Jones (Minister for Regional Economic Development)  CC. Rt Hon Winston Peters (Deputy Prime Minister)	<b>Security level:</b>	In-confidence

## Purpose of report

1. Following Cabinet consideration of the Upper North Island Supply Chain Strategy (UNISCS) Working Group's final report on 9 December 2019, this briefing provides information to support the meeting between UNISCS Ministers from 3:00pm to 3:30pm on 28 January 2020, and provides:
  - an outline of stakeholder engagement issues and approach
  - our approach to undertaking analysis and the nature of the advice that Ministers will receive
  - the project timeline.

2.

[REDACTED]

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

3. Cabinet considered the Upper North Island Supply Chain Strategy (UNISCS) Working Group's final report on 9 December 2019.

*The Working Group recommended shifting Ports of Auckland Limited's freight operation to Northport*

4. The Working Group concluded that the Ports of Auckland Limited (POAL) freight operation in central Auckland is not viable as the Upper North Island's key import port in the long term and that capacity will need to shift elsewhere. The Working Group recommended shifting POAL's freight capacity to Northport at Marsden Point in Tai Tokerau/Northland.

*Cabinet agreed that further work is needed including an assessment of all scenarios considered by the Working Group*

5. The analysis and recommendations raised a number of questions from both officials and stakeholders [OC190930-T2019/3021 and OC190814-T2019/2523 refer]. Cabinet agreed to a further work programme, led by officials, to inform future decisions on the Upper North Island Supply Chain Strategy.
6. Cabinet noted 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. In addition, Cabinet also agreed that the Infrastructure Commission be asked to provide advice on these options, and the eight work areas which make up the ongoing work programme.

*UNISCS Ministers will continue to lead the work*

7. In addition, Cabinet also:
  - noted that the Minister of Finance, the Minister of Transport and the Minister for Regional Economic Development will continue to be lead Ministers responsible for the work programme to May 2020
  - agreed that the Ministry of Transport initiate engagement, relevant to the further work being undertaken, with cornerstone partners, comprising Auckland Council, Ports of Auckland, Bay of Plenty Regional Council, Port of Tauranga, Northland Regional Council, Northport Limited, and Marsden Maritime Holdings Limited

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

- [REDACTED]

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

### Stakeholder engagement is in progress

9. Stakeholder engagement is underway and over the last two weeks Ministry of Transport Deputy Chief Executive Nick Brown has been meeting cornerstone partners, comprising Chief Executives of the three ports and their owners (primarily Auckland Council, Bay of Plenty Regional Council, Northland Regional Council and Marsden Maritime Holdings Ltd).
10. We intend to continue to engage with these agencies through the project period to ensure they understand our process, and have the opportunity to input both their views and information.

### *Early indication of stakeholder issues raised to date*

11. Various issues have emerged from our meetings with stakeholders to date. A non-exhaustive list of issues is provided below:
  - The importance of taking a strategic supply chain approach – in particular:
    - forecasting future demand, and using this as an input into how much port capacity will be needed across the Upper North Island to accommodate this freight over the long term
    - understanding freight demand at a granular level – origins and destinations, and the different dynamics in markets such as containerised imports, containerised exports, cars, and bulk goods (such as cement, coal, and logs)
    - considering the costs of moving empty containers to balance imports and exports
    - the market power of international shipping lines and shippers, and uncertainty in how the market might respond to a port move
    - maintaining an efficient supply chain during the process of transition
    - the importance of resilience and competition considerations
  - The desire to understand the impact of any proposal on a wide set of objectives, including socio-economic factors/regional development, climate change and urban realm/congestion management as well as supply chain efficiency
  - The importance of ports' social licence to operate, of iwi engagement, and the "consentability" of various options
  - The importance of road and rail links to ports, and the view that Northland's contribution to the Upper North Island supply chain is currently constrained compared to the other two ports
  - A strong desire to be involved and willingness to share information that they have.

*Auckland Council officials note that future meetings will benefit from elected councillor engagement*

12. In meeting with Auckland Council officials last week, they noted our future meetings with them would benefit from including elected councillors where appropriate. The importance of engaging with elected councillors and Mayors has been highlighted by the other councils also. We seek a mandate from Ministers to do so.
13. In particular, we have been invited to attend the Upper North Island Strategic Alliance (UNISA) meeting in Auckland on 31 January 2020. This meeting represents an excellent opportunity to provide a joint briefing to all the city, regional and district council Mayors and Chairs for the Upper North Island. Separately, we have been invited to address a closed (public excluded) session of the Auckland Council Planning Committee on 11 February 2020. Subject to agreement by Ministers, we would like to attend these meetings, and will report back any key points to Ministers.
14. Officials have begun engaging on the work programme with the Infrastructure Commission, which will remain an independent party, as agreed by Cabinet. We have agreed to share information with the Commission throughout the process to aid their work.
15. We are developing a communications and engagement strategy, which will also consider how we engage and communicate more widely. A draft of that strategy will be shared with your offices.
16. As part of this, we propose to initiate engagement with iwi in Northland, Auckland, Tauranga and the Firth of Thames, to keep them informed of what we are doing, build trust in our process, and understand their views. Recognising the significance of iwi, we are engaging expert advice to assist.

#### **Approach to assessment and nature of advice to Ministers**

17. Cabinet has noted that the Ports of Auckland is not viable as the Upper North Island's key import port in the long term. Key issues that need to be taken into account include where a move might be to and the timescales/transition period. We are conscious that certain functions, such as cruise ships, are likely to want to remain in or near Auckland CBD. Further, we recognise that companies will make their own choices about where to send their freight, so final outcomes may see a split in freight between Tauranga, Northport, and any new port.
18. Cabinet also noted 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 [CAB-19-MIN-0647 refers].
19. The options being considered against the base case of remaining in Auckland are:
  - full move to Northport (as recommended by the 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.

20. We consider that the assessment of scenarios for a move of POAL freight operations should be based on analysis of quantified and unquantified costs, benefits, opportunities and risks, plus any technical or other factors that might make any option non-viable.
21. A Cost Benefit Analysis (CBA) of the options will be a central element of our assessment, consistent with Treasury's Better Business Cases framework, the Living Standards Framework and, where appropriate, following the Waka Kotahi NZ Transport Agency (NZTA) Economic Evaluation Model (the EEM). This will also draw on recent work undertaken to revise the EEM.
22. The CBA will include Benefit-Cost Ratios (BCRs) derived from the costs and benefits that can be monetised. Where costs and benefits cannot be monetised, we will provide quantitative and/or qualitative assessments, and outline levels of uncertainty and areas of risk. We will also provide a narrative of how each scenario performs against a number of objectives, including, but not limited to:
  - effect on supply chain efficiency, competition and resilience
  - impact on congestion
  - regional and social economic development effects
  - benefits to Auckland City of alternative use of the POAL land
  - environmental costs and benefits
  - total infrastructure costs, including who bears the costs in line with the beneficiary pays principle
  - recognising iwi interests and supporting their economic participation
  - transport safety costs and benefits.
23. We seek your feedback on the approach outlined above, including the objectives for the analysis.
24. Our advice to Ministers will set out:
  - the findings of the CBA and assessment of each port option
  - any findings and advice on other aspects of the Upper North Island Supply Chain, including additional Crown and other investment required to realise the benefits of the port options, and any infrastructure investments that would improve supply chain or transport outcomes under all options
  - timing considerations around future decisions and investment in the Upper North Island Supply Chain
  - consideration of next steps following assessment of the port options.

*Time constraints on the analysis*

25. There is a very limited timeframe (two to three months) for this analysis. The eight work streams (discussed in further detail below) will therefore focus on a desktop analysis, supported by stakeholder engagement. Our goal is to reduce the level of uncertainty.
26. At this point in our process it is unclear whether any options can be discounted at an early stage or whether the analysis will arrive at a preferred option. Should our analysis indicate good reasons for ruling out any option(s), we will report back to Ministers during the process.

### *Information security, confidentiality and conflicts of interest*

27. We are conscious that two of the cornerstone partners are publicly listed companies, so any final recommendations could potentially impact on share prices. We have made clear to all officials, contractors, and consultants involved in the project the need to protect information, and to declare any potential conflicts of interest from the outset. We are also aware that the Commerce Act places some restrictions on the sharing of commercial information between competing parties, i.e. the three ports.

### **Areas for analysis**

#### *Officials have developed eight work streams to deliver this work*

28. To address the areas of work agreed by Cabinet, we have developed the following interdependent work streams. These work streams will feed into an overarching analysis of the costs, benefits and risks of options. They are:
- *Freight modelling* including current and forecast demand, imports/exports, the movement of empty containers, current and potential future destinations, value and type of freight movements, and mode share between road, rail and coastal shipping
  - *Traffic analysis* for Auckland and Tauranga
  - *Infrastructure analysis* needs and costs with ports, landside, transport, and any other infrastructure
  - *Land use* including consenting, environment, and iwi/Treaty considerations
  - *Land valuation*
  - *Commercial values and incentives* such as costs and funding including Crown share, capacity, feasibility, transition management, commercial preferences or requirements
  - *Regional economic and social development* such as what benefits and costs are expected and which sectors or regions will be affected
  - *Legal and regulatory* including competition considerations and acceptability under a range of potentially relevant legislation.
29. The project plan will also include specific consideration of stakeholder and iwi engagement. Officials from the Ministry of Transport, the Provincial Development Unit, and The Treasury form the *Oversight Group* governing the work programme. This reflects the three UNISCS Ministers responsible for this work. Officials will jointly brief Ministers through respective weekly reports.

#### *Project timeline*

30. We intend to deliver our work to Ministers for consideration in mid-late April 2020. Following discussion and direction from Ministers, we would expect to draft a Cabinet paper for the Cabinet Economic Development Committee (DEV) on 25 May 2020 and Cabinet on 2 June 2020.
31. The final date is later than directed by Cabinet, so we seek your agreement on this. While we have sought to provide advice by the end of May 2020, the timing of Parliamentary recess weeks impacts on the time available to complete the analysis.

*Next steps*

32. We recommend meeting with Ministers at the end of February and March to provide periodic progress updates as our analysis develops and to enable Ministers to provide direction on any issues that may arise through the work.

**Recommendations**

33. The recommendations are that you:

- |                                                                                                                                                                                                                         |          |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| a) <b>agree</b> to our proposed approach to preparing advice                                                                                                                                                            | Yes / No |
| b) <b>provide</b> feedback on what, if any, additional objectives should be included in the analysis when considering options                                                                                           |          |
| c) <b>note</b> that stakeholder engagement is in progress                                                                                                                                                               |          |
| d) <b>agree</b> to officials meeting with local government elected members, where necessary, to assist a thorough analysis of the options and stakeholder views                                                         | Yes / No |
| e) <b>note</b> that, subject to (d) above, officials will attend the Upper North Island Strategy Alliance (UNISA) Mayors and Chairs meeting on 31 January 2020, and the Auckland Planning Committee on 11 February 2020 | Yes / No |
| f) <b>agree</b> to the dates proposed for delivering this work to UNISCS Ministers in mid-late April 2020 for consideration by Cabinet Economic Development Committee (DEV) on 25 May 2020 and Cabinet on 2 June 2020   | Yes / No |
| g) <b>agree</b> to meet with officials at the end of February and March to discuss progress and provide direction on the work.                                                                                          | Yes / No |

Dieter Katz  
**Acting Manager,  
National Infrastructure  
Unit  
The Treasury**

Erin Wynne  
**Director, Rail  
Transformation  
Ministry of Transport**

Robert Pigou  
**Head of the Provincial  
Development Unit  
Ministry for Business, Innovation  
and Employment**

Hon Grant Robertson  
**Minister of Finance**

Hon Phil Twyford  
**Minister of Transport**

Hon Shane Jones  
**Minister for Regional Economic  
Development**