

UNISCS Ministers meeting, 2 March 2020

Reason for this briefing	This briefing reports back on Ministers' request for an assessment of whether there is sufficient evidence to rule out one or more options for the future location of Ports of Auckland as part of the Upper North Island Supply Chain Strategy (UNISCS) work programme. Updates on the engagement process and implementation pathways are also provided.
Action required	Confirm officials will continue with the work programme as currently scoped.
Deadline	Monday 2 March 2020.
Reason for deadline	UNISCS Ministers are meeting at 10:30am, Monday, 2 March 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	██████████
Jane Frances	Oversight Group Member, Provincial Development Unit – Ministry of Business, Innovation and Employment	██████████
Matthew Gilbert	Acting Director, Commercial, Infrastructure and Urban Growth – The Treasury	██████████

MINISTER'S COMMENTS:

Date:	27 February 2020	Briefing number:	OC200127 (MoT) T2020/419 (TSY) BR 2474 19-20 (PDU)
Attention:	Hon Grant Robertson (Minister of Finance) Hon Phil Twyford (Minister of Transport) Hon Shane Jones (Minister for Regional Economic Development)	Security level:	In-Confidence

Ministerial office actions

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| <input type="checkbox"/> <i>Noted</i> | <input type="checkbox"/> <i>Seen</i> | <input type="checkbox"/> <i>Approved</i> |
| <input type="checkbox"/> <i>Needs change</i> | <input type="checkbox"/> <i>Referred to</i> | |
| <input type="checkbox"/> <i>Withdrawn</i> | <input type="checkbox"/> <i>Not seen by Minister</i> | <input type="checkbox"/> <i>Overtaken by events</i> |

Executive Summary

1. UNISCS Ministers met on 28 January 2020, and directed officials to undertake an early high-level assessment of the five options for moving the Port of Auckland against the project's objectives, to determine whether any could be ruled out early.
2. We have now undertaken this preliminary assessment. This has not identified any "showstopper" issues with any of the options at this stage. Instead, it showed that there are areas of potential risk and uncertainty with all five options, which we outline in this briefing.
3. At this stage in the project, we are unable to know with certainty the significance of these risks, whether they can be overcome through mitigation, and/or whether they are outweighed by the benefits. The scheduled work programme is designed to reduce these uncertainties by late April 2020. In the meantime, our advice is that there is insufficient evidence to rule out any scenario at this stage.
4. We acknowledge that Ministers may decide to take one or more options off the table at this stage. This will remove the ability to compare the full set of options informed by a full assessment of costs, benefits and risks, which we expect to be available by late April 2020.
5. In addition, if the decision is taken to remove any options, we recommend that decision be communicated at an early stage with cornerstone partners, who have governance and ownership interests in the outcome of this project.
6. This briefing also provides an update on stakeholder and iwi engagement, noting that:
 - 6.1. engagement with cornerstone partners has been received positively, with stakeholders welcoming the work we are currently undertaking. Key messages from stakeholders include that they want to be involved and want to see a robust and evidence based process.
 - 6.2. an iwi engagement specialist has been appointed to the project team, recognising of the importance of the Crown's partnership with iwi.
7. We have been giving particular thought to implementation pathways to ensure any port relocation is successful, and what tools may be required to enable this (facilitation, investment, regulation and legislation). Work to provide Ministers with advice on implementation is taking place in parallel with analysis on the location and timing of a move and will become more focused and specific once an option is selected.

Purpose of this briefing

8. The purpose of this briefing is to report back on your request for a preliminary assessment of whether there is a sufficient evidence base to rule out any of the port move options examined by the UNISCS Working Group (the Working Group).
9. This briefing also provides an update on the overall project and engagement process. We will provide the draft stakeholder engagement and communication plan and iwi engagement strategy shortly.

Background

10. UNISCS Ministers met on 28 January 2020 to discuss progress on the UNISCS work programme to May 2020. Feedback was that you collectively wanted to see rapid progress in the work being undertaken by officials.
11. To enable this, Ministers asked officials to do a preliminary assessment of the five port move options¹ against the objectives outlined in OC200017, with a particular view to assess whether any of the options could be eliminated now with the evidence available. Appendix 1 outlines the objectives.
12. Since the previous meeting of UNISCS Ministers, the Government has announced its \$6.8 billion transport infrastructure package. This includes a number of investments in Northland, Auckland and Tauranga. As these investments are now funded, these will form part of the base case and will not need to be attributed to any of the move scenarios.
13. In the case of Northland, these investments also respond to the regions' low levels of transport connectivity contributing to high levels of deprivation. There may be merits in continuing transport investment in Northland in the short to medium term to address these wider objectives, but this would require commissioning separate work to the current UNISCS work programme.

Assessment undertaken to date

14. The Ministry of Transport (the Ministry), The Treasury, the Provincial Development Unit (PDU), The New Zealand Infrastructure Commission, Sapere and Ernst & Young (EY) met on 13 February 2020 to undertake an assessment of the scenarios performed against objectives.
15. The assessment was based on currently available evidence, including any emerging analysis from the UNISCS work programme, and informed opinion from EY from the analysis they undertook for the UNISCS Working Group study and their wider experience in this area. This exercise reinforced the gaps in the existing analysis and the importance of the current UNISCS work programme to reduce uncertainty for Ministers when making decisions.

We are yet to identify any options which can be discarded

16. The assessment focused on potential issues that could merit the early removal of one or more option. We note that all options have potential benefits, costs, risks and uncertainties, which are being evaluated together in accordance with the mandate we received from Cabinet to inform our final advice to Ministers in April 2020.
17. The assessment has not identified any "showstopper" issues with any of the options at this stage (based on all currently available information and analysis). Instead, it showed that there are areas of potentially significant risk and uncertainty with all of the five options.
18. At this stage in the project, we do not know with certainty the significance of these risks, whether they can be overcome through mitigation, or whether they are outweighed by the benefits. The scheduled work programme is designed to reduce these uncertainties by late April 2020 by digging deeper into both the costs and the benefits of the different options.

¹ The five options are: a full move to Northport, Tauranga, Manukau or the Firth of Thames, or an increase in capacity at both Northport and Tauranga.

We recommend continuing the current work programme

19. We recommend that the current work programme continues as currently scoped. This will provide further evidence and clarity on the viability of each scenario. If any showstopper issues arise before May 2020, we will bring these to your attention immediately. Further, we will have the opportunity to discuss developments with you through our upcoming meetings.
20. We have identified a number of issues that are cross-cutting, which we are focusing on in our current work programme. These include:
 - 20.1. **Consenting and RMA constraints**, which will be challenging for all move scenarios, with consents potentially taking a number of years to achieve. The significance of this impact depends on the timeframe in which the Port of Auckland needs to move, and may be particularly challenging for the two new port scenarios (Manukau Harbour and Firth of Thames). These options could require empowering legislation. How the timing for the move is affected by capacity constraints will be informed by the analysis being undertaken in the base case as part of our work programme.
 - 20.2. **Iwi interests and concerns** for all move scenarios, which will also have a large influence on the consenting process given customary land ownership (e.g. Waimango Point, Matakana Island), outstanding Treaty claims and Marine and Coastal Area Takutai Moana claims. Each site presents complexity given no single tribal group can claim exclusivity in any of the identified areas.
 - 20.3. **The market response** and the extent to which the independent, commercially-driven decision-making of shippers affects the viability of each move scenario. Despite what choices the Government make, it is ultimately the decision of international cargo lines and freight forwarders as to which port they send their goods. Different freight types (cars, containers, break-bulk) also require different transport solutions to be cost-effective. Auckland's freight task may not all move to a single location voluntarily.
21. In addition to these cross-cutting issues, below are the potential key risks specific to each option and how the work programme is looking to address these. This assessment is focused only on the potential risks for the purpose of identifying factors that might remove an option. Our work programme will assess the potential mitigating factors and benefits of each option.

Northport expansion – the Working Group's preferred scenario

Key potential risks identified to date	Focus of work programme
The additional distance to the Auckland market has the potential to significantly increase both supply chain costs and emissions compared to the current port location. A high rail mode share may lessen emission impacts. We note the UNISCS Working Group report's recommendations were based on a rail mode share of 70 percent, an assumption which has been widely challenged, along with uncertain end-to-end supply chain costs.	We are seeking to quantify these impacts, and reduce uncertainty particularly in the estimated share of freight that would travel by rail.
The additional freight travelling through Northland to Auckland has the potential to cause road and rail congestion. Stakeholders have raised a particular concern about potential competition between freight and passengers on the constrained Auckland rail system. Mitigation through additional infrastructure investment is possible (e.g., a new proposed Southdown-Avondale rail link) but the cost estimates we have seen vary greatly.	We are seeking greater certainty on the congestion impacts and the costs of mitigation

Northport would involve the greatest distance of all the options between the main import port (Northport) and export port (Tauranga), potentially increasing the distance and cost of relocating empty containers. The supply chain may reconfigure over time to reduce these costs.	We are seeking to understand these costs, and how the market may respond.
Shippers and shipping lines may move supply routes from Auckland to Tauranga rather than to Northland.	We are seeking to understand how the market will respond.

Port of Tauranga expansion

Key potential risks identified to date	Focus of additional work
The additional distance to the Auckland market has the potential to significantly increase both supply chain costs and emissions compared to the current port location.	We are seeking to quantify these impacts.
The additional freight travelling from Tauranga to Auckland has the potential to cause road and rail congestion. In particular, major new investment on the road and rail route across the Kaimai Range may be required.	We are seeking greater certainty on the congestion impacts and the costs of mitigation
Tauranga's expansion would effectively create one major port for the Upper North Island area, with Northport unlikely to be able to compete. This may cause significant resilience and competition concerns. The costs of making a one-port system more resilient may be very high. It may be possible to regulate to tackle adverse competition effects	We are undertaking basic assessments of resilience and competition.

Manukau Harbour – new port (greenfield site)

Key potential risks identified to date	Focus of additional work
The Manukau Harbour port's location on the West side of the peninsula represents a potentially significant risk, as most shipping lines currently operate down the East side of the country. It is not clear whether shipping lines would divert this way, or instead use Tauranga or other ports on the East.	We are performing market soundings with the major international shipping lines to understand whether this would impact Manukau's commercial viability.
The Working Group concluded that entry conditions to Manukau are difficult due to a shifting bar, and that consequently the maritime insurance industry would not support large container shipping through the harbour. This issue was examined as part of the Port Future Study in 2016, commissioned by Auckland Council, by eCoast, a marine consultancy. That assessment concluded a port at Manukau Harbour was feasible, requiring initial dredging of the channel and ongoing costs for channel maintenance. This work was peer reviewed, which was supportive of this assessment.	We have commissioned further work from eCoast to reassess the extent to which the Manukau bar is a potential issue, and therefore whether shipping insurance is likely to be possible.

<p>Manukau will likely present particular challenges from a consenting and iwi interest perspective, with outstanding Treaty claims and multiple competing interests. Even if overcome, these could take many years to be resolved. The significance of this impact depends on the urgency of the move from Auckland.</p>	<p>Iwi engagement and additional analysis will provide more certainty.</p> <p>Analysis will establish when the Port of Auckland needs to move due to capacity constraints.</p>
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Firth of Thames – new port (greenfield site)

Key potential risks identified to date	Focus of additional work
<p>The Working Group reported the Firth of Thames as having a high capital cost, with new road and rail links required. Compared with the other new port option, Manukau, which is located at an existing industrial location, the Firth of Thames options would require extensive infrastructure development. This would include electricity, water and sewerage services.</p>	<p>We are seeking to quantify capital costs and to understand the long-term supply chain benefits.</p>
<p>The Firth of Thames potentially presents the greatest challenge from a consenting and iwi perspective, including land held in customary Māori title, outstanding Treaty claims (to the Firth of Thames as part of the wider Tikapa Moana-Hauraki Gulf), claims for ownership of the foreshore and seabed, and areas of high ecological value. Again, these could take many years to be resolved. The significance of this impact depends on the timing of the move from Auckland.</p>	<p>Iwi engagement and additional analysis will provide more certainty.</p> <p>Analysis will establish when the Ports of Auckland will need to move in terms of capacity constraints.</p>

While not identified as a key risk, there is uncertainty around how the market would respond to having the Firth of Thames and the Port of Tauranga located within such close proximity of each other and what this might mean for the viability of both sites. Market soundings are underway and include exploration of whether these two ports could effectively co-exist.

An increase in capacity at Northport and Tauranga

Key potential risks identified to date	Focus of additional work
<p>The additional distance to the Auckland market has the potential to significantly increase both supply chain costs and emissions compared to the current port location. These impacts may be lessened by a high rail mode share.</p>	<p>We are seeking to quantify these impacts.</p>
<p>Other potential impacts (e.g. the cost of empty container movements, resilience impacts, required infrastructure investments) depend on the split of freight between these two ports.</p>	<p>We are seeking to understand the possible market equilibrium between Northport and Tauranga to understand these impacts.</p>

Keeping cornerstone partners informed

22. We acknowledge that Ministers may decide to take one or more option off the table at this stage. This will remove the ability to compare the costs, benefits and risks of the full range of options. In addition, if any options were removed, we recommend that decision be communicated at an early stage with cornerstone partners, who have governance and ownership interests in the outcome of this project and support a robust evidence based approach to decision making.

General project update – good progress is being made on the UNISCS work programme

23. Overall, the project is on track and good progress is being made on the traffic modelling and infrastructure work streams. As a result of the three port visits during 12-14 February 2020, we are being provided access to key information about current capacity and capital plans from each of the three ports.

Stakeholder engagement and communications

24. Stakeholder engagement to date includes a meeting between Minister Twyford (with officials) and many of the Mayors, Chairs and Chief Executives from the Upper North Island Strategic Alliance (UNISA). Those present responded positively to this engagement, and showed a strong interest in the project, as well as a desire to be involved. This has been consistent across all meetings with the cornerstone partners who have offered their assistance and data sharing where possible.
25. Officials presented to the Auckland Council Planning Committee on 11 February. Auckland Mayor Phil Goff and the Chair of the Council's Planning Committee, Chris Darby, subsequently wrote to Ministers on 19 February. While noting that the briefing was useful, they reiterated their desire to ensure any decisions are informed by objective evidence and have asked to meet with Ministers to discuss their concern about the project's timeframes. Despite these concerns, Auckland Council is taking a very collaborative approach, sharing expertise and data with officials.
26. We are meeting with Infrastructure Victoria Chief Executive Michel Masson on Friday 28 February 2020 to discuss the organisation's 2017 assessment of Victoria's port strategy. This considered a new port to supplement or replace the existing Port of Melbourne.

Māori engagement strategy

27. Recognising the importance of the Crown's partnership with Māori, Mike Dreaver, an iwi engagement specialist, has been appointed to the project team. Mike has extensive experience working with, and for, iwi on a range of matters, including six years as a Chief Crown Negotiator for Treaty settlements in the Tikapa Moana/Firth of Thames and Manukau Harbour areas.
28. We recognise that engaging with iwi alongside the cornerstone partners, is critical to the project's success given customary land ownership (e.g. Waimango Point), outstanding Treaty claims and Marine and Coastal Area Takutai Moana claims. Some of these claims are contentious and require a careful approach to any engagement.
29. Ministers have received a letter from the Patuharakeke Trust Board noting that they believe they would be the most affected party in the event of a relocation to Northport, and expressing their concerns with the process to date. A draft response has been prepared for Ministers' consideration, including introducing the UNISCS iwi engagement specialist.

Implementation pathways

[REDACTED]

[REDACTED]

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

32. In the meantime, officials are considering the levers and tools that government might need to use to implement the decision to move the Port of Auckland. The use of these levers and tools would be highly dependent on proposed location, and the position of the cornerstone partners who have ownership rights over the three current ports. In addition, there are other key players in the system whose stance may materially affect the implementation of the government's preferred option. These include:

- Shipping lines and freight owners – who have ultimate choice over which ports to use for imports and exports
- Owners of land that may be required for port expansion, a new port, and/or new landside infrastructure
- Any iwi with Treaty claims over land affected by the proposal
- Potential investors in any privately-owned facility or infrastructure
- Councils, iwi, local communities and others who may oppose proposals through the resource management process, and potentially mount legal challenge to the award of any consent.

33. Against this backdrop, levers that government may need to consider to ensure its decision to move the Port of Auckland can be successfully implemented include:

- Facilitation - convening parties together and negotiating funding arrangements, ownership options and delivery vehicles, including the consideration of joint ventures between existing and/or new partners, any roadblocks that will need to be overcome to support such joint ventures (e.g. requirements of Port directors that may lead to different priorities from Port owners) and actions that the Crown could take to support owners in making progress towards joint ventures. We note that there may be Commerce Act considerations in such a process.
- Investment, funding and financing, including
 - Crown investment in Crown-owned infrastructure such as rail and state highways
 - Crown investment (and potentially Crown equity) in commercial ventures, or partnerships with commercial providers (e.g. Public-private-partnerships)
 - other funding and financing tools to incentivise the outcomes the government is seeking
- Regulation, both by use of existing powers, and/or the creation of new legislative powers (for example, through special legislation), which may be required to overcome issues such as consenting or competition constraints.

34. Work to provide Ministers with advice on implementation is taking place in parallel with analysis on the location and timing of a move. However, as the levers are influenced by the

decisions made by Ministers and the positions of each of the cornerstone partners, our advice on the tools over the coming months will be relatively high-level.

35. At this stage that advice will consider the tools that may need to be used, but does not extend to negotiating with cornerstone partners or other stakeholders on behalf of government, for which we do not have a mandate.

Project timeline

36. We intend to deliver the draft final report and draft Cabinet paper by late April 2020 to ensure that Ministers have sufficient time to consider the analysis and recommendations. 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.
37. The final date is slightly 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 recess weeks impacts the time available to complete the analysis.

Recommendations

38. The recommendations are that you:

- (a) **note** that officials did not identify any “showstopper” issues with any of the options at this stage
- (b) **confirm** that officials continue the analysis on all options Yes / No
- (c) **note** the advice in this briefing concerning the views we have received to date from cornerstone partners and iwi
- (d) **note** that the draft stakeholder engagement and communications plan and iwi engagement strategy will be provided to your offices shortly
- (e) **note** that officials are considering the tools at the Government’s disposal to enable and implement Cabinet’s preferred option
- (f) **agree** 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

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Hon Shane Jones
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DATE:

Appendix 1 – Objectives for UNISCS work programme to May 2020

The last briefing we provided to UNISCS Ministers (OC200017 refers) for their meeting on 28 January 2020 outlined a number of objectives for Ministers to consider when making a final decision. We used these objectives as the basis to determine whether an option could be ruled out now with the evidence available. The eight objectives are listed below:

- 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.