

UPPER NORTH ISLAND SUPPLY CHAIN STRATEGY: SUMMARY OF SUBMISSIONS

INTRODUCTION

The Government is conducting a comprehensive Upper North Island logistics and freight review to ensure New Zealand's supply chain is fit for purpose in the longer-term. The review will guide the development and delivery of a freight and logistics strategy for the Upper North Island with the goal of creating a robust supply chain that delivers to New Zealand's interest over the next 30 years.

Cabinet agreed a Terms of Reference¹ for this review and we are the independent working group appointed to lead this work. We will advise on the priorities for investment in rail, roads and other supporting infrastructure. We will also advise on the feasibility of moving the location of the Ports of Auckland, with serious consideration to be given to Northport. We will consider a range of impacts including transport, land use and urban planning, as well as national and regional economic growth.

During our discovery phase, we identified a number of key stakeholders as holding relevant experience. In December 2018, we began a period of formal engagement by seeking stakeholders' information and views on particular focus areas as outlined below:

1. What are the strengths of the Upper North Island's (UNI's) current 3-port freight system?
2. What are the weaknesses of the UNI's current 3-port freight system?
3. What opportunities exist to improve the UNI freight system over the next 10, 25 and 50 years?
4. What are the main threats to the UNI freight system over the next 10, 25 and 50 years?
5. Do you think the ownership structures of the 3 UNI ports are providing optimal freight outcomes for NZ Inc? If not, why not, and what would you change?
6. If you could redesign the UNI freight system from scratch:
 - a. How many ports would you have?
 - b. Where would you locate them?
 - c. What would their roles be?
 - d. Who would own them?
 - e. Who would operate them?
7. What feedback do you have on the questions implied by our current Terms of Reference for the review?

There were two opportunities for stakeholders to provide input. Stakeholders were invited to meet with us directly and/or to provide us with written input by 1 February 2019.

We would like to thank all who provided feedback.

PURPOSE OF THIS DOCUMENT

This document provides a record of the themes from the submissions on the Upper North Island Supply Chain Strategy. This document sets out the number of submissions received, from which groups, and a summary of the feedback received. This document does not intend to serve as a record of all feedback received.

Some quotes have been taken from submissions that we believe represent the

¹ https://www.transport.govt.nz/assets/Uploads/Our-Work/Documents/cc9d34704a/UNI-Cabinet-Paper-and-Terms-of-Reference_no-redactions.pdf

themes that emerged from the submissions, but these have not been attributed to the individuals or organisations who made the submission.

SUBMISSIONS RECEIVED

We met with 29 stakeholders and received 14 written submissions. There was some overlap in that some stakeholders met with us and provided a written submission.

Some meetings and written input occurred outside of the formal engagement period and these have been included in this document.

Stakeholders were from a range of interest groups including ports, port company shareholders, the road freight industry, the shipping industry, cargo interests, commercial interests and other interested parties.

We have viewed the international freight activity grouped as container cargo, new and used cars together with high and heavy machinery and bulk and breakbulk cargos including forestry. This helped inform our stakeholder selection and focus of discussions.

A full list of stakeholders is provided in Appendix 1.

SUMMARY OF KEY THEMES

Overall direction

Overall, there was strong support from submitters for the development of an Upper North Island Supply Chain Strategy that takes a long-term view with a clear implementation pathway.

Submitters were clear that decisions about the supply chain should represent long-term strategic issues of regional and national importance and those decisions should be made in the best interests of New Zealand.

“The future of freight in the Upper North Island is an issue of regional and national importance. Decisions about the location and operation of ports and associated infrastructure, as well as the logistics operations coupled to them, represent long-term strategic issues for New Zealand. They must be made in the best interests of not only the city but the region and the country as a whole.”

There was strong support for the review to be grounded in robust evidence and full analysis of all viable alternative options, including the options identified for further exploration from the Port Future Study².

There was also support for previous freight and supply chain studies, and strategies and plans that have been developed in recent years across the Upper North Island, to be utilised as important background information and evidence to inform the review and strategy development.

Some submitters suggested there should be a greater focus on national issues as decisions affecting the Upper North Island have major implications on the New Zealand supply chain as a whole. Similarly, some submitters acknowledged the specific focus on Ports of Auckland and highlighted the importance of the future of the port being looked at within a whole of the Upper North Island strategic approach. This was to ensure that any

² <http://www.portfuturestudy.co.nz/>

recommendations and/or actions deliver effective integrated solutions for the regions and New Zealand.

Some submitters outlined the importance of considering emerging trends and developments such as afforestation, new freight hubs, kiwifruit development, expansion and containerisation.

Some emphasised the importance of considering a broad range of impacts such as settlement and land use patterns, climate change, tax and labour legislation, technology and consumer trends. Some thought the strategy could support broader objectives such as lowering New Zealand's emissions.

Overall, submitters were appreciative of the opportunity to provide feedback and expressed a desire for a transparent, objective and inclusiveness process.

Strengths of the current 3-port system

The Upper North Island is well served by the current 3 port-system

Many submitters noted the Upper North Island is well served by the Ports of Auckland, Port of Tauranga and Northport. Collectively these ports are seen by many as meeting the demands of the majority of New Zealand's sea freight needs and providing for resilience.

"The 3-port system delivers a reasonably comprehensive solution to the New Zealand freight task..."

"The UNI is well-serviced by the 3 efficient port companies operating in or near the key coastal population centres of the UNI... Collectively – though not always collaboratively – they are meeting the demands of the majority of New Zealand's sea freight task."

In particular, the importance of Port of Tauranga and Ports of Auckland in the current system was highlighted by many in terms of their role in handling a large component of the New Zealand freight task. Many submitters noted these two ports are supported by good infrastructure and are investing to ensure they are capable of managing freight growth.

Some submitters also noted the ports are well served by inland hubs which provide advantages in exploiting cost efficiencies.

The current ports provide healthy competition and allow for choice

Many submitters noted the current three ports provides options for exports and importers and provides for genuine and healthy competition. Submitters noted the current structure sees robust competition between the ports, especially Auckland and Tauranga on containerised cargo.

"Tauranga and Auckland compete with each other to drive increased throughput, service and attract international carriers & services"

The locations of the ports was noted as a strength

Some submitters considered the geographical coverage of the current ports provides ease of access to and from the regions. Some also considered the close proximity of current ports to their market as a strength.

"a clear competitive advantage of both ports [Ports of Auckland and Port of Tauranga] is that they are located close to their core customers"

However, some also provided examples of counter intuitive freight movements occurring within the current system whereby the nearest port was not being used for export.

It became apparent through our discussions with stakeholders that they were generally agnostic about where freight entered or exited the country as long as it was able to flow efficiently and cost effectively. Submitters were clear that the whole system had to work, including a functioning rail system with inland ports and high quality operation and coordination.

Weaknesses of the current 3-port system

Northport is not considered a viable competitor

Some submitters said Northport is not a viable competitor in the current 3-port system. The main reasons included its lack of port infrastructure and lack of supporting road and rail transport links connecting it to other regions.

“Northport doesn’t compete with Auckland or Tauranga. The location of Northport limits the ability to participate in large volumes similar to Auckland and Tauranga because of the freight network to get to Northport and that the volume has to travel past (through) Auckland or Tauranga to get to Northport.”

“Northport is largely missing out because, plainly, both rail and road access is inefficient and the distance (more than 120 km) from the greater Auckland market makes the port uncompetitive for exporters/importers (and international shipping companies)”

There is a lack of cooperation between the ports

While many submitters noted healthy competition is a strength of the current port system, submitters also commented that one of the weaknesses of the system is that the ports compete with each other rather than work together.

There was a view from some submitters that the current port system could not be described as a “3-port system”. Instead, it is the development of three separate port sites that are competing for cargo.

“It is somewhat a misnomer to refer to the 3 ports as a “system”, insofar as the term suggests cooperation. We believe there is a general lack of collaboration between the ports that undermines their overall contribution to an efficient supply chain”

“...we do not currently have a ‘three-port system’ but rather three independently operating ports competing on a basis that mainly benefits international shipping companies and results in a waste of resources from a national perspective”

There are some inefficiencies in the supply chain

Submitters noted there is currently an imbalance of imports and exports between the Ports of Auckland and Port of Tauranga. This results in the inefficient movement of empty containers with Auckland being import dominant and Tauranga export dominant.

“Imbalance of imports and exports at each of the two big ports, resulting in inefficiencies with empty containers and full containers coming into one port and going out from another.”

There was also a view that one weakness of the current 3-port system is the duplication of existing and planned assets. Some commented there are “*too many ports trying to be the same thing.*”

Some parts of the network are congested

Submitters expressed concerns over the levels of congestion in the network, particularly surrounding Ports of Auckland and the wider Auckland region. Population growth in Auckland has resulted in intensified congestion at the already saturated bottleneck.

“There are some bottlenecks, congestion issues and inefficiencies in the landside logistic chains, which will become more pronounced and costly as the freight task increases.”

“Auckland’s port road access is congested, and the port itself is working hard to put more cargo on rail – a growing proportion of the city’s container trade is going via Tauranga and Southdown freight terminal but there are significant road and rail infrastructure constraints in Southdown areas as well”

Some submitters also expressed concerns that if Northport handled some of Auckland’s freight task, then a large portion of cargo would have to travel through an already congested Auckland supply chain (both road and rail).

There has been inadequate investment in infrastructure

There was a strong view amongst submitters that the Upper North Island port system must be supported by road and a fully functioning rail network. However, many noted investment in road and rail infrastructure between ports has lagged.

“Inadequate investment in transportation infrastructure connecting the three-ports – being coastal shipping, road and rail – has undermined the ability of all the ports to act as an effective three-port system, which limits the efficient movement of freight between the ports and their respective markets.”

There was particular concern about the lack of rail infrastructure connecting Northport. There is currently a lack of transport options to Northport and there would be an added pressure on the roads.

“The largest issue we can see with the port moving North is that North Port is not currently rail-served.”

“The rail and road access to Northport is inadequate – Both upgrades are \$500m+ projects, and the idea of shifting Auckland trade through Northport makes no sense until this basic infrastructure investment, along with commercial and social considerations are addressed.”

There are concerns around ports social licence to operate in their urban environment

Some submitters acknowledged the disconnect between busy commercial ports and community aspirations in relation to noise, environment, recreational values, and tourism, with a concern this tension will only increase in the future. This is particularly an issue with the Ports of Auckland, but some considered this is also becoming an issue with the Port of Tauranga.

“Both Ports of Auckland and Port of Tauranga are grappling with increasing traffic congestion and low levels of social licence to operate in their urban environments”

Submitters conveyed that Auckland in particular is under pressure to increase its cruise, tourism and commuter activity together with an increasing demand to develop an iconic waterfront.

Levels of uncertainty

Some submitters expressed concern with the current levels of uncertainty around investment infrastructure and the future configuration of the supply chain.

“those working within the supply chain have already invested heavily and they need certainty with respect to future investments.”

Many submitters welcomed a strategy with a clear implementation pathway to help address these concerns as well as uncertainties caused by factors such as future freight demand.

“A clear implementation pathway with agreed trigger-points for decision-making will need to be developed. Given the long timeframes for making major changes and uncertainty about factors like freight demand growth, such a pathway becomes critical to providing clarity in the face of uncertainty.”

Opportunities to improve the Upper North Island freight system

Improved internal transport network

Almost all submitters emphasised the need to significantly improve the road and rail network. There was both general feedback on ensuring connectivity between the ports and ports to/from the regions and examples of specific parts of the network that could be improved.

“The upper north island port system must be supported by strong road and rail networks. The ability of the inland transport system to handle UNI freight to ports must be a key driver when considering the location of port operations. It is important that the review takes this into account together with their contribution towards national and regional economic development.”

In particular, there was strong support by submitters for a fully functioning rail network and connectivity to Northport.

“..the spur to Marsden point should be constructed as soon as practicable...”

Some submitters also considered the opportunity to make greater use of inland logistics hubs to improve efficiencies of freight movements and reduce supply chain costs.

While there was high levels of support for improved infrastructure across the network, some reflected that there are trade-offs. Some commented that there needs to be consideration of wider investment as there are many other high priority road and infrastructure projects that need to be undertaken.

Increased collaboration across the supply chain

Some submitters commented that greater collaboration between the three Upper North Island ports could enable ports to have greater influence over shipping company decisions, opportunities for cost efficiencies and greater specialisation of cargo handled by each port to maximise the particular strengths of each port.

To make greater use of coastal shipping

Many submitters suggested that coastal shipping brings many benefits to the network and could play a bigger role in the freight task. Its importance has been seen in recent events where roads, rail and port infrastructure has been disrupted.

Some submitters commented that growth in coastal shipping could take pressure off the already saturated road and rail network. They were generally supportive of additional coastal shipping capacity and view it as being able to lead to a more cost-effective and environmentally sustainable transportation system.

To make greater use of the availability of industrial land

Some submitters noted the availability of industrial land as an opportunity to cater for future portside operation and expansion.

“...Northport has considerable room to extend its berthface and its extensive industrial-zoned hinterland is a significant UNI asset that can be better utilised in future to help manage the freight task.”

Some submitters considered there are opportunities to improve efficiency in the supply chain such as through the greater use of automation.

Main threats to the Upper North Island freight system

Overcapitalisation and stranded assets

Some submitters noted a concern that over-capitalisation of new capacity could lead to the underutilisation of existing capacity. There were concerns about existing assets becoming stranded in the event of a reconfigured supply chain.

Disruptions to the supply chain

Many submitters noted disruptions to the supply chain through natural disasters such as earthquakes presents a threat to the supply chain. Submitters therefore highlighted the importance of ensuring resilience in the system.

Other submitters noted the potential for other disruptions such as technological changes and alternative energy.

Other threats raised by some submitters included:

- uncertainty levels may lead to deferral of investment decisions or investing in existing infrastructure that may not be needed in the longer term
- intensified congestion and bottlenecks due to a growing population and freight volumes
- growing pressures on social licence
- a lack of availability of trucks and truck drivers
- concerns of safety due to increased freight movements
- the possibility of New Zealand becoming a hub to Australia rather than having direct calls with final destinations
- consolidation of vessel services resulting in less frequent options into market
- cost of maintaining transport network infrastructure to ensure connectivity between the ports and ports to/from the regions

Ownership of the three Upper North Island ports

Submitters had mixed views on whether the current ownership structures of the three Upper North Island ports are providing optimal freight outcomes for New Zealand.

Some submitters did not have a firm view or chose not to comment, while others considered the current ownership structures are not providing optimal outcomes for New Zealand.

While some submitters expressed concern with the current ownership structures, many were neutral as to who should own the ports. Many viewed an ownership model similar to that of Port of Tauranga with its mixed shareholding as being optimal.

Some commented the mixed ownership model of both public and private ownership ensures commercial disciplines from the private sector as well as the community ownership and long-term infrastructural planning benefits from the public sector.

Councils in particular noted the importance of dividend income generated by port operations for its ratepayers and generally viewed the ideal model as one that provided the best returns for the community.

Some submitters commented that while ownership structure is important, it should not be the primary focus and issues could be addressed through other means such as collaboration management techniques.

Redesigning the Upper North Island network from scratch

There were a range of views on how the Upper North Island network might be redesigned from scratch. There were mixed views on the optimal number of ports and the differentiation that each should be undertaking.

Some submitters saw no compelling reason for a full redesign and preferred an approach of retaining all existing three ports but with some changes to their roles and improvements in the network to support them.

Other submitters supported the build of a new mega-port with supporting infrastructure and inland logistics hubs, with the existing ports acting as 'satellite ports.'

Overall, while there were a range of views on where the ports could be located, the roles they could play and who might own and operate them, submitters were generally agnostic to port location and neutral to the solution as long as it worked. Above all else many submitters valued a system that was efficient, reliable and cost effective. There was also wide acknowledgment of the importance of the inland port network, and the need for resilient, scalable connectivity with sea ports.

NEXT STEPS

This summary of submissions is being released alongside our interim report to enable interested persons to read our report with full knowledge of the themes from the engagement process.

The feedback from this engagement will be used to inform the remainder of our review.

We intend to deliver a further report in June 2019 to provide a fuller update on our progress and evaluation of different options.

Our final report with our conclusions and recommended actions to be taken over the next five years and beyond will be delivered in September 2019.

APPENDIX ONE – STAKEHOLDERS

The stakeholders who provided feedback throughout the process are listed below. This includes those we have met with or received written input from outside of our formal engagement.

Ports	Ports of Auckland Port of Tauranga Northport
Port company shareholders	Auckland Council Bay of Plenty Regional Council Marsden Maritime Holdings Ltd. Northland Regional Council
Road freight industry	Road Transport Forum Toll Transport Investments Ltd.
Shipping industry	NZ Shippers Council NZ Shipping Federation Pacifica/Swire Shipping International Container Lines Committee Oje Fibre Solutions Lodestar Armacup Shipping
Commercial interests	Auckland Chambers of Commerce Auckland Waterfront Consortium
Cargo interests	Custom Brokers and Freight Forwarders Imported Motor Vehicle Industry Association Motor Industry Association Fonterra/Kotahi CODA Talleys/Open Country/AFFCO PTS Group Dolphin Shipping Juken New Zealand Ian Craig, Kiwifruit industry representative Avocado New Zealand
Interested parties	Tainui Group Holdings Ltd Waikato Regional Council Auckland Transport Urban Auckland Mahurangi East Residents and Ratepayers Association Richard Pearson, CK Hutchinson Group