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Office of the Ministers of Finance, Transport and Regional Economic Development  
Cabinet Economic Development Committee

### **Sapere's Report on the UNISCS Independent Working Group Findings and Officials' Work Programme to 2021**

#### **Proposal**

1. This paper informs Cabinet of the release of Sapere's<sup>1</sup> report (including working papers) on the Upper North Island Supply Chain Strategy (UNISCS) Independent Working Group's findings as well as the release of associated stakeholder and iwi engagement reports.
2. We also ask Cabinet to note a delay in the timescales for UNISCS Ministers<sup>2</sup> to report back, originally agreed for May 2020. This was caused by the impact of COVID-19 response and the reprioritisation of agencies' resources. We have directed officials to continue a work programme developing policy advice on the implications of Sapere's findings. This will assist Cabinet to make decisions on when the Ports of Auckland Ltd (POAL) should move, and where to. Due to continuing COVID-19 recovery priorities, we do not envisage officials being able to deliver policy advice for at least six months.

#### **Relation to government priorities**

3. The 2017 Coalition Agreement between New Zealand First and Labour, agreed to: *"commission a feasibility study on the options for moving the Ports of Auckland, including giving Northport serious consideration"*.

#### **Background**

4. On 9 December 2019, Cabinet received the Upper North Island Supply Chain Strategy (UNISCS) Independent Working Group's (the Working Group) report, and noted that the POAL is not viable as the Upper North Island's key import port in the long term.
5. Cabinet agreed that officials would undertake a further work programme to inform future decisions on the Upper North Island Supply Chain Strategy [CAB-19-MIN-0647]. In particular, Cabinet sought further advice on when POAL should move, and where to. This was limited to five options considered by the Working Group. Cabinet also agreed that the Infrastructure Commission provide advice on this work programme.
6. Cabinet also agreed that UNISCS Ministers would report back in May 2020. However, this report back date was not achieved due to COVID-19 and the reprioritising of agencies' resources. Specifically, key Ministry of Transport staff previously engaged in UNISCS work were leading work on the resilience of critical air and sea supply chains. Officials in Treasury continue to focus on the wider economic impacts of COVID-19 and the government's response.
7. Officials engaged economic consultancy Sapere to provide analytical input into areas of transport and traffic forecasting and modelling, port planning, engineering, and supply chain analysis and costing, building from the work undertaken by the

<sup>1</sup> Sapere are an economic consultancy engaged by officials to assist in the officials led UNISCS work programme.

<sup>2</sup> The UNISCS Ministers are the Ministers of Finance, Transport and Regional Economic Development.

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Independent Working Group. This work programme is now complete with receipt of Sapere's report plus two separate reports on stakeholder and Treaty partner engagement.

8. Alongside this, we have asked officials to advise on the nature of a policy programme in response to Sapere's findings, which could be initiated after the 2020 election. However, due to COVID-19 recovery work remaining a priority across agencies, we do not envisage officials being able to deliver this policy advice for at least six months.

### **Working Group conclusions**

9. The Working Group recommended a full move of Ports of Auckland's freight business to Northport within 10 to 15 years, driven primarily by:
  - 9.1. loss of social licence to operate and expand
  - 9.2. intolerable congestion beyond the port's gates
  - 9.3. the opportunity for harbour-side redevelopment in Auckland and regional economic development in Northland.

### **Summary of key findings from consultant's report**

10. Sapere's results are based on a 60-year timeframe (2080) rather than the 30-year timeframe (2050) considered by the Working Group. The Sapere report found:
  - 10.1. The Port of Auckland has around 30 years' capacity and the need to move it is therefore not considered to be as urgent as recommended by the Working Group. There is a ten-year period to make a decision, allowing for long lead times for infrastructure consenting and construction
  - 10.2. road congestion is not a reason to move the port as concluded by the Working Group. The port is a minor contributor to current congestion in Auckland and a move would not lessen this
  - 10.3. all the location scenarios would be difficult to engineer and consent, present very high costs and economic costs outweigh the economic benefit. This contrasts with the EY analysis, which underpinned the Working Group's conclusions. That analysis indicated a net positive economic benefit from a full shift to Northport
  - 10.4. the highest ranked option is Manukau Harbour, which is considered technically feasible although difficult to consent. The Working Group discounted this scenario as uninsurable. Sapere found that navigability of the harbour entrance and insurability of shipping to use the harbour are less of a concern than the Working Group identified, but this needs to be confirmed by a detailed feasibility study
  - 10.5. neither the Port of Tauranga nor Northport are likely to be able to create sufficient long-term capacity to provide for both their own freight growth as well as Auckland's. Sapere reached this conclusion using the same expert port engineers as used by the Working Group, but using a 60-year rather than

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a 30-year planning horizon, looking out as far as 2080 rather than 2050. In addition, a number of the supply chain actors, spoken to by Sapere's transportation specialists, rejected Northport as an option because they see it as too far from, and on the wrong side of, Auckland.

### *Perspective gained from cornerstone partner, Treaty partner and stakeholder engagement*

11. As part of this work programme, officials also engaged with cornerstone partners<sup>3</sup>, Treaty partners and other stakeholders. This process has highlighted that there is no consensus on a preferred relocation option, however, there were common themes on many points, including:
  - 11.1. a high level of interest in the five options, and the process by which the government will make a decision on its preferred option
  - 11.2. a desire to see that decision based on evidence, and grounded within the wider strategic context of ensuring a secure, efficient Upper North Island supply chain
  - 11.3. some support for consideration of "hybrid" options (i.e. those that retained a freight footprint in Auckland should the port move elsewhere). However, these were beyond officials' brief given by Cabinet.
12. Officials inform us that almost all of those engaged made it clear they want to be more deeply involved before a preferred relocation option is agreed. This was particularly the case for Auckland Council as owners of POAL, whose agreement would be needed to close the port. Iwi also see ongoing engagement as consistent with the Treaty partnership.

■ [REDACTED]

**Withheld to maintain the constitutional conventions which protect the confidentiality of advice tendered by Ministers and Officials** *There are significant differences between Sapere's and the Working Group's conclusions*

14. As noted above, there are significant differences between the Sapere technical assessment, and the conclusions of the Working Group and its economic advisers, EY. Because of resources being reprioritised to COVID-19 response, officials have not had sufficient time to critique these differences, and provide more thorough policy advice by May 2020 as originally expected.
15. However, the Sapere work has widened the evidence base and contributed new findings to inform the analysis of the five potential port options, particularly in terms of:
  - 15.1. capital costs for port, road and rail infrastructure. Sapere visited the ports and developed more detailed cost estimates
  - 15.2. supply chain operating cost impacts. Sapere has tested and revised EY's operating cost estimates

<sup>3</sup> The cornerstone partners consist of: Auckland Council, Bay of Plenty Regional Council, Northland Regional Council, Marsden Maritime Holdings Ltd., Ports of Auckland Ltd., Port of Tauranga Ltd. and Northport Ltd.

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- 15.3. the consentability of a new port/expansion at all port locations. Resource management planning experts were engaged to advise on the ability to consent the five options
- 15.4. specific traffic modelling to inform views on existing and future congestion, whereas the Working Group relied upon existing reports
- 15.5. extending the cornerstone and Treaty partner engagement initiated by the Working Group
- 15.6. detailed assessment of the financial impacts of land redevelopment on Auckland Council and the amenity benefits to ratepayers.

### **Further policy work is required before taking a decision on which option to take forward**

16. The formulation of officials' advice would benefit from the opportunity to develop a considered view on the balance of this evidence. Drawing on both reports, and their stakeholder engagement, officials will be able to better inform Cabinet about the benefits, costs, uncertainties and risks.
17. Given officials have not had the time to develop their policy advice, we recommend that Cabinet defer any decisions on which option to take forward until officials complete that work with a focus on key gaps.
18. Officials advise that their policy advice would include:
  - 18.1. conclusions on the balance of evidence where there are significant analytical differences between Sapere and the Working Group/EY. In particular this would include advice on the benefit cost analysis for each option, and the extent to which each addresses government objectives
  - 18.2. further insights on strategic competition, ownership and supply chain resilience issues. This would include assessment of the Australian model of competition within a potential "super port" variation on the options, rather than competition between ports under single or multiple ownership
  - 18.3. the management of risks, sequencing of decisions, opportunities for early investment and regulatory change, and next steps. The first step in taking an option forward would be to undertake a feasibility study
  - 18.4. the outcome of continued engagement with cornerstone and Treaty partners, as well as other stakeholders, and resulting recommendations.
19. Once the COVID-19 response and recovery work is complete, officials will have capacity to return to UNISCS work. Officials advise that, while they cannot predict workloads with any certainty at this stage, they will not be able to deliver this policy work for at least six months. We consider that, while this option entails a delay, it applies an appropriate level of analysis to a decision of national importance.

**New Zealand Infrastructure Commission perspective**

20. The New Zealand Infrastructure Commission, Te Waihanga (Infracom) have confirmed that they have engaged with officials throughout the development of the Sapere report.
21. Separate from UNISCS, Infracom advise they are undertaking a study to understand the policy settings that drive the efficient location of port operations. The study will cover governance, regulatory and financing issues along with major trends impacting the supply chain.
22. This will inform Infracom's 30-year infrastructure strategy, and could provide broader context as to the wider range of matters that impact port development and location decisions. Infracom, however, will not take a view on any particular port location.

**Communications**

23. We have agreed to publicly release the Sapere report (including the working papers which informed the Sapere report) and the two separate reports on stakeholder and Treaty partner engagement as soon as practicable after this Cabinet meeting.
24. Given the high degree of interest on this issue, officials will inform the cornerstone partners (particularly Auckland Council as owners of POAL), as well as Treaty partners and Future Proof Waikato, that the Sapere and associated stakeholder reports will be publicly released soon. Officials will also inform the Working Group.
25. Officials will work with our offices to develop a communications plan for the release of the reports, including providing a draft media statement and material to use in response to media queries. The plan will also include a proposed approach to informing stakeholders shortly before the public release.

**Legislative Implications**

26. There are no imminent legislative implications associated with this paper.

**Impact Analysis**

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

**Human Rights, Gender Implications and Disability Perspective**

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

**Proactive Release**

29. We recommend that this Cabinet paper be released alongside the public release of the Sapere report and the two stakeholder reports.

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**Recommendations**

30. The recommendations are that you:

- (a) **note** that Upper North Island Supply Chain Ministers propose to publicly release the following reports as soon as practicable:
- *Analysis of the recommendations of the Upper North Island Supply Chain Strategy Working Group Options for moving freight from the Port of Auckland, Sapere, 11 June 2020*
  - *Upper North Island Supply Chain Strategy: Report on Stakeholder Perspectives, MOT, 11 June 2020*
  - *Upper North Island Supply Chain Strategy: Report on Treaty Partner Perspectives, The Policy Shop, 11 June 2020*
- (b) **agree** to release this Cabinet paper alongside the reports listed in recommendation (a) Yes / No
- (c) **note** that officials will work with the offices of UNISCS Ministers on a communications plan for the release of these reports. This will include draft media material as well as a proposed approach to inform stakeholders, Treaty partners and the Working Group
- (d) **note** that, due to COVID-19 priorities, officials will not be able to deliver policy work to address outstanding issues required to support Ministers' decision-making on the Upper North Island Supply Chain Strategy for at least six months.

Authorised for lodgement

Hon Grant Robertson  
**Minister of Finance**

Hon Phil Twyford  
**Minister of Transport**

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