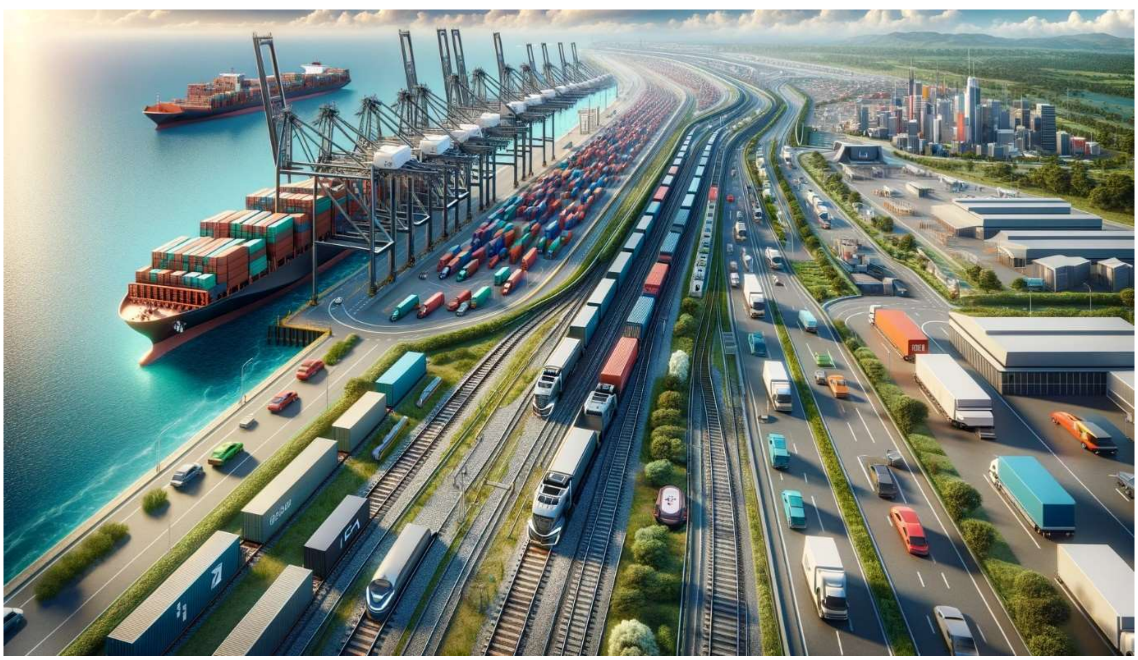
National Road Carriers Association (NRC) submission on

Draft Auckland Long Term Plan 2024-2034



About National Road Carriers Association

National Road Carriers Association (NRC) is New Zealand's progressive nationwide organisation representing 1500 supply chain company members, who collectively operate over 16,000 trucks throughout New Zealand. NRC advocates on behalf of members and works with central and local government on road transport infrastructure and regulations.

NRC members are committed to providing an efficient, productive, resilient, safe and value for money service that supports the wider economy. To achieve this, trucking operators need a safe, efficient, and sustainable operating environment that enables the efficient and safe movement of goods. Our members primarily operate road freight however a number also operate air, sea and rail freight services.

Some 54% of NRC's membership comprises single vehicle operators and 89% employ 10 or fewer, including many who are located and/or service customers in Auckland and neighbouring regions Waikato, Bay of Plenty and Northland and expect their views to be highlighted in this submission.

GENERAL COMMENTS

The Auckland Council's Long-Term Plan (LTP) 2024-2034 consultation document outlines the strategic approach, challenges, options, and trade-offs for the council's operations and investments over the next decade. This document is crucial for decision-making and public consultation, as it sets the direction for the city's development, financial planning, and service delivery.

NRC views freight as the backbone of the Auckland economy. Auckland's freight distribution role and economic growth and prosperity prospects are inextricably linked so long-term planning for transport is critical. Research forecasts indicate freight volumes in the Upper North Island (and Auckland in particular) will double by 2035.

Note that 63.25 million tonnes of road freight currently originates in Auckland and this is projected to increase to 108.63 million tonnes by 2046 – an increase of 72%, and that around 80% of the freight moved remains within Auckland

The LTP addresses several key areas:

NRC recognises Auckland Council's various challenges such as adapting to economic fluctuations, managing rising costs of asset ownership, responding to storm events, paying for growth, and operating within a limited funding system. NRC believes the LTP will require various strategies including asset sales, government funding, sustainable debt usage, rates adjustments, and capital investment choices to fund a sustainable freight transport network.

NRC supports the proposal to strengthen Auckland's physical and financial resilience, including a mix of capital investments and operational spending, with specific allocations for freight transport.

NRC proposes that of the three scenarios presented in the LTP the "Pay More, Get More" scenario is the best for the freight industry. 94% of all freight moves throughout NZ by road and, if productivity is to be improved, NRC believes all options need to be considered. In our view, as the Auckland transport system powers about 36% of national GDP, a fair share of the additional money required should come from Central Government,

NRC believes Council must measure its performance. We note the LTP includes a framework for assessing this performance against community outcomes set out in the Auckland Plan 2050. Similarly, as an Association representing the road freight sector, we need the Council to focus on transparency, accountability, and effective service delivery for the freight industry.

Port of Auckland

Auckland Council asks the question do we change the way the port is run by leasing the operations, while maintaining ownership of the land and wharves? This is a decision that cannot be taken in isolation, the port is a major node in the wider freight and supply chain. The LTP does not evidence sufficient analysis of the impacts to the wider freight and logistics networks such as road and rail.

The Port of Auckland handles 43% of the nation's containerised imports, and 12% of bulk imports (Ministry of Transport 2023). It is a significant player in exports. 93% of these goods are delivered by road, into and out of the port. Running the port efficiently, and in a way that is efficient for the wider supply chain is critical for the New Zealand economy.

Auckland Council has a difficult task. It must balance the immediate fiscal challenge and impact to rate payers, with the longer-term implications to the New Zealand economy. Both are intertwined, both critical, and the Council is obligated to seriously consider the implications for both.

The Port of Auckland is a natural monopoly. When it comes to providing access to one third of the country's population in greater Auckland, POAL faces limited competition. Northport, with limited capacity to grow is 143km away. The Port of Tauranga, also with limited operating capacity is 230km away.

The LTP proposes an option to grant an operating lease of the Port of Auckland to an external party for around 35 years. This is positioned as the most favourable for rate payers, in the short term, but it is less clear if this is the case in the 35-year life of the lease.

Auckland Council needs to be careful that in its haste to address an immediate-term rate payer impact, it doesn't introduce longer term harm by allowing monopoly rents to be extracted over 35 years.

Page 63 of LTP presents the 6 ownership objectives for the POAL. Should an operating lease be granted to an external party, the following objectives remain relevant regardless of who operates the port, and must be retained for the benefit of current and future Aucklanders and New Zealanders:

- Secure the POAL's development as a strategic community asset and an enabler of economic growth.
- Support the regional economy through stimulating trade, volume and employment growth, local business procurement and optimising the North Island logistics chain.
- Enhance Council oversight of Port's strategic direction and long-term planning.

The LTP goes on to talk about what some of the lease terms might include to support the 6 ownership objectives.

"The council would seek to ensure the port's operations continue to operate in the public interest through the terms of the lease agreement and by ensuring they comply with regulations."

One important lease term raised is "*Regulation of port prices and access."* (p.64). It is imperative that any operating lease granted to an external party to run a monopoly or near monopoly strategic asset such as the port must have sufficient safeguards on pricing. Ports are not regulated monopolies under the Commerce Act. Therefore, it would be up to the council in the lease terms to require adequate price controls. These need to be delicately balanced so that the operator can make a fair return for their investment.

National Road Carriers considers two of the four options for management of the Port the most favourable:

- Option 1 – Port operating lease granted and proceeds returned to the Auckland Future Fund
- Option 3 – POAL continues to operate the port (as set out in the enhanced status quo option 2.) with returns not delivered to the Auckland Future Fund

Option 1 is considered favourable, subject to the safeguards outlined above, for the following reasons:

- Leasing to an established, global port operator provides access to expertise and systems otherwise not easily accessible to an independently run port.
- Similarly, it would provide cost-effective access to port assets such as straddles, cranes, stackers due to global procurement economies of scale, which are simply not available to a small port operator.
- Leasing out the port provides an opportunity for pools of capital such as super funds to invest in a blue-chip return port, providing access to funds that the debt-ridden Auckland Council as port owner simply cannot access. (However, NRC notes that there is no reason a public-private partnership to access capital could not be entered under option 3).
- It provides for an upfront cash injection of an estimated $300m, helping reduce required rate payments.

Option 3 is considered favourable on the following grounds:

- The current Port of Auckland management is projecting revenue and profit growth over the next 9 years (with only an $86m difference to option 1, assuming the Council secures the $2.1b upfront lease prepayment)
- It provides greater local control of a strategic economic asset without locking into a 35 year lease which restricts options to respond to macro level disruptions such as economic, geo-political maritime disruption, climate change obligations, pandemics and so on.
- Auckland Council has more ability to achieve the 6 objectives outlined in the LTP, and can exercise greater regulatory oversight if economic harm is occurring due to abuse of a monopoly position.

It is not at all clear that Auckland Council will achieve it's estimated $2.1b prepayment. No supporting evidence is provided. It would not take much of a reduction in this prepayment to remove the $86m advantage option 1 has over option 3 over the 9-year period.

The LTP also raises the following potential lease term:

- Strategic investment in rail and port road infrastructure with a plan to take trucks off our busy roads, particularly during the day.

National Road Carriers recommends careful multi-modal network planning to achieve such an objective. Given 93% of goods travel by truck, and in fact 99% of goods travel the last mile by truck, this is very easy to get wrong. By example, a department store retailer with 70% of its footprint in the greater Auckland area could rail imports from the Port of Auckland to the Ruakura inland port, only to have 70% of them return by truck up the southern motorway. Freight and supply chain operations are economic rational players, and therefore already undertake the most efficient route. Efforts to alter these flows need to be carefully planned by experts using traffic and network modelling, at a multi-modal level that considers both road, rail and shipping freight movements in the freight system. With facilities and urban planning that allows each mode to operate efficiently/maximise productivity and compliantly.

The LTP also recommends the transfer of land around the Marsden and Cook Wharves to Council ownership, and possible inclusion of the Bledisloe wharf.

NRC is not convinced the case for these options has been adequately made. No assessment of the impact to bulk imports and exports appears to have been made. To which port will they go? How? Does that leave importers exposed to the whims of bulk shipping lines who may elect not to transfer to other ports? Or lose the option to move between bulk and containerised freight dependent on the international freight market conditions, which will in turn increase our cost of living and international competitiveness.

This is important to consider - because New Zealand is dependent on imported raw ingredients and components for our manufacturing industries. An example of this is grain imports. Imported grain is highly regulated because of the bio security risks and can only travel by road. Currently flour mills have the option to import grain in containers or bulk ships. It is a cost driven decision that if the options are removed could have a direct impact on cost of bread and Weetbix. During a cost-of-living crisis, these impacts need to be thought through as the impacts will be long-term rather than short term.

Mayor Brown rightly espouses an approach of it ain't broke don't fix it. But the intent to shift these wharves to public use risks contradicting this. The estimated $110m cost to do so, with the loss of productivity, is not sensible. Potential uses appear to centre around returning to public land. Public land of course does not provide any economic return, and Auckland is already blessed with amongst the largest amount of public land of any city in the world, including waterfront access.

The Bledisloe wharf also remains critical for 300,000 cars imported each year. With the transition to electric vehicles, adequate access to the Auckland population is critical. Without the Bledisloe wharf, cars will have to be driven from elsewhere to Auckland, by truck. Again careful planning is needed before this decision is made.

In summary, National Road Carriers urges Auckland Council to adequately consider the risks and opportunities associated with Port of Auckland operations. They are wider than the council appears to consider. While there is no denying there is a fiscal hole to be urgently addressed to balance the council books, there is only one shot to get this right when it comes to a 35 year lease. Due diligence for the sake of future Aucklanders and New Zealanders is critical.

Investments in transport infrastructure

The LTP outlines significant investments in transport infrastructure. From NRC's perspective all improvements to the road networks, development of rapid transit networks, and enhancement of key transportation corridors will benefit the freight sector by reducing congestion, improving route efficiency, and potentially shortening travel times for freight movement.

Resilience and maintenance

Resilience of the transport infrastructure to the impact of natural events and ensuring proper maintenance of existing assets is a requirement NRC has been requesting for many years. This is crucial for the freight sector as it relies on the consistent availability and reliability of our transport networks. NRC is a strong advocate for a 50-year plan for roading infrastructure.

Public transport investment

NRC supports investment in public transport and alternative transport modes. Improvements in public transport can benefit freight transportation by reducing the number of private vehicles on the road, resulting in less congestion.

NRC agrees that addressing Auckland's worsening congestion challenge centres calls for a step-change to provide Auckland with modern (first world) public transport infrastructure and services, as well as a world-class road network. A public transport option that reduces the number of single-occupant commute vehicles on motorways and arterial roads will free up road space for commercial and freight traffic which has no option but to use the road network to move around Auckland.

Road safety and management

The LTP discusses initiatives for road safety and traffic management, like dynamic lanes and improved road safety measures. These could influence the operational efficiency and safety of freight transportation.

Impact of economic and cultural development on freight

NRC believes the LTP's focus on city and local development, as well as economic and cultural development, could lead to an increased demand for freight services as new businesses and cultural events often require logistics support.

Regulatory changes and policies

NRC requests that any regulatory changes or policy updates that come as part of the LTP's implementation that could affect the freight sector including changes in road usage policies, transport regulations, or environmental guidelines affecting freight operations, please be addressed with the freight industry prior to the changes being made.

Potential rate changes and funding mechanisms

NRC advises that any potential rate changes and funding mechanisms stated in the LTP will require the freight Industry to look at the implementation to advise on the impact to the overall business environment in Auckland, regarding the costs associated with freight and logistics services. If Council is offering a choice between a rates-based or a toll-based package, NRC would choose tolling but not before rationalisation of existing transport tariff mechanism. In particular, the freight sector is already paying a form of “toll” through the RUC system.

Reducing congestion

NRC believes Auckland needs to move quickly to introduce a permanent demand management ‘tool’ designed to ease congestion and raise new revenue. NRC’s preference is a congestion tax on the motorway and key arterial networks using existing technology. An uptake of Public Private Partnerships (PPPs) supported by sustainable revenue streams is a key step needed for moving Auckland closer to delivering solutions to its key transport challenges.

The LTP needs to more accurately reflect Auckland’s transport crisis that needs to be more rapidly addressed, whether through NZTA or AT. Currently we see nothing new aimed at reducing congestion.

Closing comments

The draft LTP is a comprehensive document offering a strategic roadmap for Auckland's future, presenting a balance between financial sustainability, service delivery, and growth support. It underscores the need for public engagement in shaping the city's direction.

NRC thanks the Council for the opportunity to contribute to public consultation and decision-making. It is encouraging to see Council looking for public feedback on the various proposals and options in the LTP, something we believe has been lacking in the past for the freight industry.

NRC requests a finalised plan:

- Focused on delivering these projects that show measurable KPIs by council to the transport sector.
- Which stakeholders can be confident will be delivered on and contribute towards a modern, world class ‘fit for purpose’ integrated transport system.
- That the freight sector can get behind and support.

Our suggestions and recommendations are made with the positive intent of continuous improvements to the Auckland transport system, and especially those parts of the network of direct relevance to improved freight sector performance.

Contact

Justin Tighe - Umbers
Chief Executive Officer
National Road Carriers Association
PO Box 12 100
Penrose
Auckland
Phone: 09 6362951
Email: justin@natroad.co.nz