

APPENDIX C – ROLE OF PORTS

Port policy and strategy is beyond the influence of the Auckland Rail PBC yet has profound effects on the demand for, and timing of, rail freight services both within Auckland and nationally.

Accordingly, this PBC applies a scenario approach to reveal the extent of consequences of potential ports-driven futures on the rail network, recognising that the eventual outcome is likely to be somewhere in between.

The underlying freight demand projections in this PBC are based on the Ministry of Transport's 2017/18 freight demand model, which is continually updated⁵. The forecast has been overlaid with scenarios that consider different port futures and/or policy approaches that impact the rate of freight demand growth and modal share conversion from road to rail.

A key differentiator between scenarios is the long-term role of Ports of Auckland in New Zealand's supply chain.

The PBC port scenarios provide a “triangulation” of different futures. The real world is most likely to be somewhere in between. Scenarios B (PoAL closed) and D (PoAL uncapped) arguably represent the broadest extent of outcomes. Scenario B1 (PoAL volumes capped at today's limits) could represent either an interim or final outcome in respect of the Auckland port, though it should be noted that this scenario assumes no growth across the full 30-year period at Northport which is unlikely. PoAL growth beyond current capacity is more challenging due to the physical and environmental constraints of its site and local government decisions around highest and best use choices. Equally if it is to grow, consistent with PoAL signalled demand, better access for freight would be required on the Eastern line.

In a scenario in which PoAL were capped or closed, containerised freight (much of which is bound for Auckland) would need to be moved by rail freight or road. The hypothesis is that with access to rail capacity, freight would reasonably be expected to gravitate to rail where there is a material cost differential. Rail freight would be highly competitive versus road freight Auckland-Tauranga and Auckland-Whangarei (especially if the Northport rail spur is built).

As New Zealand's biggest population, Auckland is the primary destination for imports. For these reasons the scenarios forecast a material change in freight port flows if a decision is taken to cap or close the Ports of Auckland. At the time the forecasts were developed this was estimated to occur by 2032. Modelling was completed in 10-year increments which represent waypoints. Without provision for additional capacity for modelled demand, freight would spill to road until such time as capacity can be provided.

In the short-term there is upside freight demand potential. For example:

- the third main line infrastructure investment will create rail growth opportunities in 2024 from POAL Wiri Hub.
- The transport relief package for road users put in place by government to ameliorate the cost of living ended on 1 July 2023. This package effectively subsidised road freight.

⁵ 4 This model built upon the Ministry of Transport 2017/2018 model and has continued to be updated with new information including consideration of the Auckland Port Relocation Study

- Road and rail currently compete for volumes to Palmerston North in the FMCG sector with the cost of connection to rail heads and service delivery requirements making road a viable option. GPS signals, changes to road user charges (RUCs) and decarbonisation goals from the FMCG sector will create modal shift opportunities in the near term.

There is also downside potential in the short term. For example:

- the provision of increasing High Productive Motor Vehicle and overweight permits act as a drag on rail's ability to grow modal share.
- In terms of geographical distribution of rail share, it is expected that Ruakura will play an important role in the next 5 years and increasing land values will attract some logistic operators south of Auckland. This could potentially take some pressure off capacity constraints for rail freight, but would increase pressure on roads as freight is trucked the remaining distance to Auckland, and in doing so increase pressure to convert cars to rail travel to avoid the increases in congestion that would otherwise result..

Overall, the PBC focus is on the long term, providing for a resilient network. Lack of certainty around the future of Ports of Auckland fundamentally affects the ability to plan with certainty and for commercial operators (e.g., the Ports) to commit to invest. Until central government (and local government) can confirm its intention to rule out any of these scenarios or move away from a competitive port strategy, there is a case that the 30-year plan should apply the most likely outcome (currently assumed to be B1) and understand what it will take to be resilient in the long-term should other scenarios eventuate.

If a decision is made not to plan for the rail infrastructure required to complement port strategy, then:

- that rail addressable market will pass to road, assuming the capacity is available on the roads to accommodate the trucks, and all other things equal, this would lead to relatively higher costs in terms of logistics, emissions, poorer air quality and congestion costs and poorer safety outcomes.