

Summary: Future Scenarios for the Port of Auckland

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The Committee for Auckland engaged Covec to review the main national benefits and costs of alternative scenarios regarding the future of the cargo port on the Auckland CBD waterfront. The cargo port currently occupies around 77 hectares of land in the CBD. We considered two alternative scenarios:

Transformation: Release of the cargo port land in the CBD for alternative uses, such as for public, residential and commercial activities. This would require use of other ports and infrastructure to handle cargo. Possibilities include use of existing spare capacity and expanded facilities at Tauranga and Northport, combined with greater use of land transport to and from Auckland, and/or construction of a new port.

Expansion: A significant increase in the activities and footprint of the cargo port. This is based on plans previously proposed by Ports of Auckland and involves an expansion of the port's footprint by approximately 25 hectares. This would also involve heavier use of road and rail transport infrastructure within Auckland.

Benefits and costs of port transformation

The main **benefits** of the transformation scenario relative to the no change scenario are:

- **Reallocation of port land to higher value uses:** The Council valuation of the port's land in its current use is around \$380 per square metre, but a conservative estimate of its value in alternative use is around \$1,250 per square metre on average, based on valuations of nearby properties.¹ This reflects the true opportunity cost of the port assets, and means that current returns being earned on these assets are very low.
- **Reduction in negative spill-overs:** Moving cargo handling activities outside Auckland's densely populated CBD is likely to reduce negative effects associated with noise, visual amenity, light pollution, air and water pollution, and transport activity to and from the port.
- **Increased port productivity:** The cargo port at Auckland operates at relatively low productivity compared to Tauranga and compared to other ports internationally.

The main **costs** of the transformation scenario relative to no change are:

- **Port remediation and transformation costs:** There may be costs associated with remediating the port land and transforming it to alternative uses. The costs of construction of expanded facilities and/or a new port elsewhere are also important.
- **Additional use of road and rail transport:** It is likely that greater use of land transport would be required to move freight between Auckland and ports elsewhere in the North Island, relative to the no change scenario. Existing transport

¹ Valuations obtained from <http://maps.aucklandcouncil.govt.nz/aucklandcouncilviewer/>

infrastructure has significant spare capacity, however additional investment may be required and importers and exporters may face additional costs.

Benefits and costs of port expansion

The main potential **benefit** of the expansion scenario relative to the no change scenario is less use of road and rail transport to move freight between Auckland and other North Island ports, resulting in cost savings for importers and exporters. Jobs would be created in Auckland, but these would just be transferred from other regions.

Offsetting the benefits are the following **costs**:

- **Port expansion costs:** Expanding the port will be costly. To some extent this will offset expansion costs at other ports in the upper North Island, however expanding Auckland's port is likely to be more expensive than other ports due to the high cost of reclaimed land.
- **Additional transport infrastructure in Auckland:** Investment in road and rail infrastructure to and from the downtown port is likely to be required, including an estimated \$1 billion for a motorway extension and \$500 million for a new rail line, which may be scaled back or deferred if the port were not expanded.
- **Increased spill-over costs:** Expansion of the port will also lead to greater negative effects associated with noise, visual amenity and light, air and water pollution, and transport activity in the densely populated CBD.
- **Reduced port productivity:** For the same reasons as discussed above, substitution of cargo handling activity from other ports to Auckland could result in lower productivity and inefficient use of resources.

Comparison of scenarios

The transformation scenario has potentially significant benefits as well as significant costs. Further work is needed to determine if the benefits exceed the costs. In contrast, it seems unlikely that the benefits of the expansion scenario will exceed the costs, from a national perspective. The following table summarises the expected national costs and benefits of the transformation and expansion scenarios relative to no change.

Table 1 Comparison of expected costs and benefits relative to the no change scenario.

Source	Transformation	Expansion
Use of port land	Benefit	Cost
Transformation and remediation	Cost	No change
Spillover effects	Benefit	Cost
Use of capital and labour resources at ports	Benefit	Cost
Use of road and rail infrastructure	Cost	Ambiguous
International shipping costs and transport time	Ambiguous	Ambiguous

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