

Port of Tauranga Limited Annual Meeting 17 October 2018

Mark Cairns, Chief Executive

Thank you David. Kia ora koutou. I am Mark Cairns, privileged to be your Chief Executive of New Zealand's largest, fastest growing and most productive port. Thank you all for your attendance this afternoon to hear about the highlights of the last financial year as well as our plans for the coming year.

As the Chairman has outlined, we had an outstanding year, with our hub port strategy really starting to pay off in terms of cargo throughput, as well as diversity in the types of cargo we handle. Transshipment now represents a quarter of our container volumes. While the revenue per container is lower, the benefit is that there are no road or rail movements outside of the port gate and the containers spend a shorter time tying up ground slots in the terminal.

Our expansion over recent years has provided community benefits also, with larger cruise ships such as the *Ovation of the Seas* and the *Queen Mary 2* visiting Tauranga. Neither of these vessels can safely berth in Auckland due to their size.

I have been asked by a shareholder to extend a vote of thanks to the staff who made the visit of the *Queen Mary 2* possible, giving locals and visitors a rare glimpse of one of the most iconic trans-Atlantic ocean liners in the world.

She also commented on the orderliness and tidy appearance of the wharves, the cheerfulness of the security personnel and the water cannon farewell from our tug crews. Thank you, Elizabeth, for your kind comments.

Tourism Bay of Plenty estimate that the 113 cruise ships already booked for this season (an increase of 36% on last year) will contribute more than \$90 million and 1,200 jobs to the Regional Economy.

Now to give you a bit more detail on trade trends for the past year:

Imports increased 13.7% to nine million tonnes and exports increased 8.2% to 15.4 million tonnes for the year ended June. Ship visits increased 5.8% to 1,747.

Log exports are still performing strongly, increasing 14.3% in volume to 6.3 million tonnes. Sawm timber exports also increased 10.3% in volume. Forestry products are still fetching record prices internationally.

Dairy product exports increased 4% overall to 2.3 million tonnes. Imports of stockfeed supplements for the dairy industry increased 18.2%, while fertiliser imports increased 16.5%, showing a strong underlying agricultural sector.

Other primary produce sectors also performed strongly, including frozen meat and apple exports, increasing 11.3% and 20.9% respectively.



In the construction sector, cement imports increased 18.9%, while steel exports increased 25%.

Oil product imports increased 9.3%, reflecting the positive regional economy, and other bulk liquid imports increased 39.9% in volumes.

Cars and other vehicles continue to be a growth area for us, albeit off a small base.

The kiwifruit sector is also performing strongly, although not necessarily seen in our figures this year, as the season profile is changing with an increase in the gold kiwifruit harvest. There is a rapidly increasing trend to containerisation, with a 27% increase in kiwifruit being shipped in refrigerated containers, rather than as palletised cargo shipped in conventional reefer vessels.

This has put pressure on the availability of power points at the container terminal. We have increased the number of reefer connection points to 2,634. These are supplemented in the peak season with 12 generators, each supplying power to 35 containers.

We believe we have the largest reefer capacity in Australasia and we are installing a further 200 plugs to reduce the diesel generator requirement for next season.

We remain New Zealand's largest container port and have been able to maintain our market-leading productivity rates at the terminal, with a ship rate of 87.4 moves per hour on average, well above the reported national average of 75.0 moves per hour and nearly 60% ahead of the Australian rate of 55.5 moves per hour.

Port of Tauranga has 208 permanent staff, and our Total Recordable Injury Frequency Rate improved to 5.5 per million hours worked, which is one of lowest rates in our industry. We incurred one Lost Time Injury during the year and I still consider that is one too many. We insist that safety remains our number one priority. We value human life above all else and expect that all of our port colleagues will go home to loved ones at the end of their shifts in the same condition that they entered the port gate. I am also pleased to report that the Total Recordable Injury Frequency Rate for our contractors reduced by 69% for the year, to 9.3 incidents per million hours worked.

We have launched a wellbeing programme for our employees that is quickly gaining popularity amongst staff.

As David mentioned, we want to be as successful in our environmental performance as we have been in our health and safety outcomes.

We have just received our certification under the Certified Emissions Measurement and Reduction Scheme - CEMARS for short. This gives us the platform to accurately measure our carbon emissions and set future targets for reducing our carbon emissions.

Our biggest source of carbon emissions is our diesel consumption.

We are transitioning our straddle carrier fleet to diesel electric models, and our cranes generate electricity on lowering container. This can be fed to other cranes nearby or back into the container storage yards. Future expansion in the terminal will be with rail mounted gantries and we will be specifying these as electric rather than diesel powered.

We are also replacing our vehicle fleet with electric or hybrid models where possible, such as this all-electric Hyundai Ioniq car added to the pool a few months ago.



We're hopeful that suitable vehicles become more widely available when it comes to renewing our operational vehicles. Unfortunately electric tugs are not available yet.

In addition to reducing emissions and improving energy efficiency, we have increased our vigilance in maintaining air and water quality.

We employed our first Environmental Manager nine months ago, and we are already seeing the impact on the compliance and monitoring of the multiple companies operating on the wharves.

Stormwater management is a current priority. We have increased sweeping of the log yards and installed stormwater screening chambers to ensure dust and debris is prevented from entering the harbour.

Our long-running resource consent application for stormwater discharges at the Mount Maunganui wharves is currently being heard by an independent commissioner and we are hopeful of resolution within the year.

We are supporting forestry industry efforts to reduce the amount of fumigation required by de-barking logs prior to arrival at the wharves. This also helps with the sweeping operations, as there is less bark shed onto the berths or storage areas through log handling. We were very pleased to hear the news that Kaingaroa Timberlands, one of our largest log exporters, is building a large scale de-barking plant at its rail exchange at Murupara. It should be operational by the middle of next year and will greatly reduce the amount of fumigation required at the wharf.

Fumigation at Port of Tauranga is carried out by Genera, according to the various codes of practice prescribed by authorities such as the Environmental Protection Agency and the Bay of Plenty Regional Council.

Port of Tauranga also has our own strict protocols around exclusion zones and notifications.

The Environmental Protection Authority has set a 2020 deadline for 100% recapture of methyl bromide used in fumigation and Genera is so far meeting the milestones towards this goal.

Looking to the future, we are now working out what we need to do to accommodate the next stage of cargo growth.

We will continue to increase container terminal capacity by relocating and reorganising buildings and activities where it is efficient to do so.

We are progressing plans to extend the container terminal berth south of the existing wharf and have ordered a ninth container crane for delivery in 2020.

We have also engaged the services of global experts, the TBA Group headquartered in the Netherlands, to review our future capacity planning options for the container terminal.

This is an artists' impression of our future development which will provide plenty of room to grow with a capacity of nearly three million TEUs, without the need for any expensive and unwelcome reclamation works.



I remain immensely proud of our Port People, who provide the Company with our greatest source of competitive advantage. Our people work around the clock, in all weather, and thrive on the challenges presented to them. They embrace our culture of continually striving to do things better and demonstrating an enduring “can-do” attitude to doing business with our customers.

Special mention must be made of our Mechanical & Electrical team, who lost their workplace in the fire that destroyed the workshop at the container terminal in August.

The cause of the fire was found to be the charging of electric drill lithium batteries.

It was obviously a devastating experience for those who worked there, as well as the wider team. I have been very impressed by individuals’ resilience and the support they have offered each other in dealing with the aftermath and very quickly getting on with the job at hand.

We have established a temporary workshop just outside the terminal gates and are working with our insurers on replacing the parts and equipment lost in the fire.

I’d now like to talk about the trends we are seeing so far in the 2019 financial year.

We are in the fortunate position of having a diverse range of cargoes and income streams to provide some protection from volatility in commodity cycles.

There are some significant production facilities in the pipeline in the eastern Bay of Plenty, as well as some potential new factories in the Tauranga area.

We are working with importers and exporters on how they can best utilise Tauranga’s transport links to the intermodal freight hubs available in the Waikato and Auckland, as well as the new business park at Rangiuuru, to create highly efficient supply chains.

Recently there has been a thorough independent report by Middlebank Consulting Group on the cost effectiveness of using Tauranga as a logistics hub. The report was commissioned by the local Regional Economic Development Agency, Priority One.

The report assessed furniture, electronics and apparel being imported from Asia. It found that Tauranga was cheaper by about 5% over Auckland as a distribution hub, primarily as a result of the infrastructure and efficiency at the port and its transport connections to other regions.

When it came to vehicles, Tauranga was a slightly more cost-effective gateway for vehicles destined for locations south of Auckland.

This report confirms what importers and exporters in this region have known for a long time. Our cargo handling expertise, rail and road transport connections and international shipping options give companies a competitive edge.

I note that GDP figures remain positive, with the June quarter showing better than expected growth of 1%. Port of Tauranga’s first quarter’s figures have; cargo volumes up 8% on the prior corresponding period, containers up 1%, tranships up 11%, logs up 15%, and Earnings up 5%.

At this point, we expect cargo and earnings growth to continue. Based on the first quarter’s performance, notwithstanding any significant change to market conditions, we expect full year earnings in the range of \$96 million and \$101 million. We are focusing our efforts ensuring that we have infrastructure and facilities in place to cater for the increase in cargo volumes we expect over the next five years.



It just remains for me to thank our customers and partners. We will continue to strive for success as New Zealand's Port for the Future and delivering benefits to all our stakeholders, both here in the Bay of Plenty and well beyond, with 41% of New Zealand's exports passing across our quays. Tens of thousands of New Zealanders rely on us for direct and indirect employment with Port of Tauranga impacting 43% of the Region's GDP.

Nga mihi nui kia koutou katoa. Thank you Ladies and Gentlemen. I will now hand back to David.

