

PORT OF TAURANGA LIMITED ANNUAL MEETING 2021

Friday 29 October 2021, at 1 pm

Chair – David Pilkington

I will now present a summary of the Group's performance for the year to June 2021.

As New Zealand's largest port, Port of Tauranga has had a vital role to play in keeping cargo moving throughout the global disruption and local upheavals caused by the Covid-19 pandemic. Erratic consumer demand, interrupted production cycles and scarce shipping availability have all contributed. Closer to home, some of our peers have had unique challenges and the whole sector has experienced an acute labour shortage driven by a multitude of factors.

I'm pleased to report that the Company has withstood these pressures very well, achieving an outstanding result despite the well-documented challenges. I cannot overstate it when I say our people and our service providers have done a truly incredible job.

Our Subsidiary and Associate Companies had a stellar year, delivering a 46% increase in earnings in the face of rising costs and an uncertain outlook.

Group Net Profit After Tax increased to \$102.4 million, up 15.4% from an adjusted \$88.7 million the previous year.

Parent revenue increased 8.9% to \$323.5 million. Marine revenue decreased due to a 13.7% drop in ship visits, including more than a hundred missing cruise ship visits due to the pandemic.

This was made up by increased revenue from log and container storage. Temporary surcharges for long-stay containers were introduced to discourage inefficient cargo flows and relieve cargo congestion, and this helped recover some of the additional labour, rail and other congestion-related costs incurred. Operating expenses increased 15.3% to \$161.1 million for the year.

The Board declared a final interim dividend of 7.5 cents per share to bring the total dividend to 13.5 cents per share, up from 12.4 cents per share last year.



As you will be aware, last year we suspended the special dividend scheme in favour of accelerating capital expenditure to build capacity.

Unfortunately our progress in this regard has been frustratingly slow due to the red tape involved in the resource consenting process.

We require Resource Consent for our proposed Stella Passage Project, which has been outlined in detail in the Regional Coastal Environment Plan since 1991 and involves extending berths to the south of the existing wharves.

The \$68.5 million first stage at the container terminal will create an estimated 368 jobs through the construction phase, and more than 81 permanent jobs after completion.

This is a project of national significance, in that it will bring urgently needed capacity and resilience to New Zealand's supply chain and go a long way to reduce the pressure on Ports of Auckland congestion and operating issues.

No Government funding is being sought for this project, however in the hope that we might expedite the resource consenting process, we applied last year for consideration under the Government's "shovel ready" and "fast track" consenting programmes aimed at helping the economy recover from the Covid-19 pandemic.

Unfortunately we were turned down for both. It was suggested by Government Ministers that we seek direct referral to the Environment Court as a means of accelerating the process. This has recently been agreed by the Regional Council consenting authority and we now wait – once more – for a Court date.

Throughout, we have had extensive dialogue with local iwi and hapu and we are confident we can avoid or mitigate any potential cultural or environmental impacts from the development. This project is simply essential if New Zealand exporters are to preserve access to international markets in future.

It is particularly pertinent that the recently released draft 30 year Infrastructure Strategy from the NZ Infrastructure Commission noted that approval for key infrastructure projects was subject to more widespread appeal than virtually all other OECD countries. I urge the Government in the proposed overhaul of the RMA legislation to address this.

In the meantime, we are pursuing our plans to automate container storage at the terminal to increase our capacity within the current land footprint.

Our automation project will utilise well-proven technology that has been in use for many years at some of the world's most efficient ports.

The future freight handling capacity of inland freight hubs will also help us increase our capacity. Our joint venture inland port with Tainui Group Holdings at Ruakura is under development, with opening scheduled for the middle of 2022.

Our cornerstone shareholder, Quayside Holdings, is also developing the 148-hectare Rangiuru Business Park less than half an hour's drive from the port, at the junction of the Eastern, Western and Southern Bay of Plenty.

It will be an important addition to the region's supply chain infrastructure.

The Government has indicated that it plans to address the Upper North Island supply chain as part of a national freight strategy. The Infrastructure Commission has listed this as a priority in its draft infrastructure strategy provided to the Minister a couple of weeks ago.

The Government has commissioned another report on the future location of Ports of Auckland in its current location – I believe the 25th study on the topic – and the Minister has said there will be a decision by the 2023 election.

It has long been our view that a container port can keep operating on a smaller Auckland site while cargo growth can be absorbed by both Northport and Port of Tauranga.

Northport has outlined its own vision for growth involving dry dock facilities and a container terminal linked by rail to Auckland.

We farewelled our long-serving Chief Executive, Mark Cairns, at the end of June. Mark spent 16 years at the helm of Port of Tauranga and during his tenure we saw cargo volumes double and container volumes treble.

Port of Tauranga, under Mark's guidance, grew from a regional bulk export port to New Zealand's international cargo hub and most successful port. He built strong relationships with customers and suppliers, achieving the highest port productivity rates in Australasia while maintaining an industry-leading safety record.

Mark also built up a strong team and the Board was delighted to be able to appoint an internal candidate as Mark's successor. Leonard has been with us for nearly eight years as Commercial Manager and Chief Operating Officer. Before that, he worked at KiwiRail, Carter Holt Harvey and Mainfreight.

Together with long-serving and new members of the Senior Management Team, Leonard will continue Port of Tauranga's future focus, and preserve our strong relationships with customers and suppliers.

I will now hand over to Leonard now to take us through the operational highlights of the year.