

## Port of Tauranga Limited Annual Meeting 19 October 2017

### Mark Cairns, Chief Executive

Kia ora koutou. Good afternoon Ladies and Gentlemen. I am privileged to be Chief Executive of New Zealand's largest, most productive, and fastest growing port. I am proud to present highlights from last financial year, and detail some of the areas we will be focusing on in the coming year.

New services and bigger ships have had a significant impact on cargo volumes. We have built the infrastructure and it is fair to say that we are extremely relieved that the big ships did in fact arrive.

Maersk launched an enhanced Triple Star service between South America, Tauranga and North Asia, utilising ships having between 9,500 and 11,300 TEU nominal capacities. The first large vessel, the 9,500 TEU *Aotea Maersk*, made its maiden visit a few weeks after our dredging project finished.

Hamburg Sud introduced a seasonal 7,500 TEU large ship express service direct from Tauranga to North Asia and Seatrade also launched its new Meridian service.

These new services culminated in us breaking through the million TEU mark in June this year – the first and only New Zealand port to do so.

Bigger ships are good news all round. They are more efficient, use less fuel and generate fewer carbon emissions. The economies of scale present significant benefits for shippers in an increasingly consolidated industry.

And we are seeing the trend to larger ships not only in container ships but also in bulk and cruise ships.

We will see the 347 metre *Ovation of the Seas* mega cruise ship again for three visits this season and we are also delighted to welcome the maiden call of the transcontinental *Queen Mary 2*, which will be making a two day stay in early March next year.

The benefits to the community of our dredging and berth extension projects are clear with the *Queen Mary 2* unable to berth in Auckland this season. Tourism expenditure in Tauranga was estimated at \$725 million last year and the cruise industry contributes significant amount of cash receipts into the region.

Now turning to cargo trends for the year. Total trade increased nearly 10.3% in volume over the year, to 22.2 million tonnes.

Export volumes grew 8% to 14.2 million tonnes and import volumes increased 13.7% to 8 million tonnes.



Much of this increase is due to the growth in total containers handled, with the trend to larger ships calling making Tauranga their only Australasian call resulting in a significant increase in the numbers of containers being transhipped over Tauranga, up by 31%, including transhipment to and from other New Zealand ports having quadrupled.

This trend has continued into this financial year with transhipment up 87% in the first quarter. We do need to be a bit careful with this number due to the timing of new services commencing in the first quarter last year, but you will note significant growth in transhipment from South Island ports and it graphically illustrates Port of Tauranga's consolidation as New Zealand's hub port.

This slide further demonstrates our hub port emergence, which presents Statistics New Zealand data showing the total growth in cargo by port over the last six years.

Export log volumes bounced back, growing 20.1% to 5.5 million tonnes.

Dairy exports increased 4.9% overall, whilst other fresh produce cargoes also performed well, including kiwifruit, with large increases in the amount of kiwifruit now being shipped by container.

We've continued to optimise our operations at the Tauranga Container Terminal to make the best utilisation of our space and equipment as we transfer increasingly larger vessel exchanges. With the addition of two new ship-to-shore cranes and 13 additional straddle carriers, we now have an unrivalled eight crane operation servicing three berths.

During the year, we constructed a new purpose built 22,000 square metre warehouse within the terminal for our long term partner Oji Fibre Solutions. This allowed the demolition of Shed 12 at the northern end of the terminal, which has provided another 820 ground slots close to the berth.

We have 190 hectares of land adjoining the harbour, with approximately 40 hectares of land still available for further growth within the container terminal. This will allow us to handle around 3 million TEUs without any further reclamation by the ultimate use of automated stacking cranes.

We've also got space to grow at MetroPort Christchurch. We are planning to build a 20,000 square metre warehouse in the coming year for our associate company Coda to provide logistics services on this site.

At MetroPort Auckland, we have worked with KiwiRail to upgrade the facilities and implement a vehicle booking system which has improved truck turnaround times by 20% over the year.

We are now receiving regular calls of Pure Car Carriers and we have approximately 5 hectares of land to provide for growth in car imports through Tauranga.

KiwiRail has been an invaluable business partner of the Port. Over the last two years, the number of trains running between Auckland and Tauranga has increased from 54 to 78 per week, with the number of containers transferred by rail increasing 64%. We have recently increased the number of trains to 86 per week, to handle the increasing volumes.

Rail is, and will continue to be, our first preference for moving cargo within the North Island as it has the lowest community and environmental impact. The first slide shows most of our growth has been handled on rail where the second slide shows the number of truck moves into and out of the port has remained relatively flat over the last few years.



Over the 2017 financial year, moving containers, bulk cargoes and forestry products by rail kept the equivalent of more than 460,000 truck movements off the road and reducing carbon dioxide emissions by 58,000 tonnes as compared with trucking this cargo.

Our Total Recordable Injury Frequency Rate remained steady at 5.6 per million hours worked, which is one of lowest rates in our industry. However, I still consider any injury, no matter how minor, one too many, and we will continue to 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 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.

Port of Tauranga directly employs around 200 people, but ten times that number work on the wharves or at associated businesses.

Despite their dispersion of location and employer, there is an impressive sense of camaraderie among port workers. We have tried to harness that collegiality in our efforts to recruit staff as a frontline biosecurity defence.

On that note, we were honoured to receive the inaugural Industry Award at the National Biosecurity Awards earlier in the year, for demonstrating leadership in support of National Biosecurity.

Our drive for operational excellence also extends to efficient energy use. We are having great success in generating electricity from our cranes as they lower containers. This generated electricity can then be utilised by other adjacent cranes lifting containers or back into the powered refrigerated containers stored in the terminal.

Our new diesel electric straddle carriers use 40% less fuel and we have installed energy-efficient LED lights which consume 40% less electricity than the previous sodium lights and have much better light spill properties.

There has been an increased focus on the use of methyl bromide at the port in recent times. New Zealand’s log exporters require fumigation for many export markets. Methyl bromide is the only approved fumigant for India-bound logs, and deck-stowed Chinese cargoes. The Environmental Protection Agency (EPA) who set the rules for the use of hazardous substances has given the forestry industry until 2020 to achieve full recapture of the methyl bromide used in fumigation. We’re working closely with the fumigation contractor, Genera, to ensure it complies with its resource consent and the EPA rules. Genera is currently exceeding the prescribed recapture requirements. In August, Genera recaptured 38% of the methyl bromide used on logs, and in September 27%, compared with the target of 20%.

Looking to the year ahead, we have had a very strong start to the year, with trade up 15% for the first quarter, as compared with the same period last year. Log volumes are up 13%, Containers are up 26%. Transhipped containers are up 87% demonstrating Port of Tauranga’s consolidation as New Zealand’s hub port. Group Net Profit After Tax is up 15% on the prior corresponding period.

We expect cargo and earnings growth to continue, and as previously mentioned we still have ample headroom to handle increasing volumes. Based on the first quarter’s performance,



notwithstanding any significant change to market conditions, we expect full year earnings in the range of \$88 million and \$92 million.

It just remains for me to thank our customers and partners. We've had the opportunity to celebrate a few milestones with them over the past 12 months and we look forward to acknowledging many more.

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.

