

## PORT OF TAURANGA ANNUAL MEETING 2022

Friday 28 October 2022, at 1.00pm

### Chief Executive – Leonard Sampson

Thank you, Julia, and kia ora koutou.

As Julia described, it was a challenging year but one in which our people and partners once again stepped up to keep essential cargo moving for New Zealand.

We have done our best to incentivise smooth cargo flows over the year, and our results reflect an increase in storage revenues. The container terminal is still operating with around 50% more containers in the yard – than prior to the impacts of Covid and subsequent shipping congestion.

Our ability to increase throughput is constrained by vessels continuing to arrive off schedule, labour shortages, and berth capacity at the container terminal. We could take more container ships if we had the additional berth that we have been trying to consent for the past three and a half years.

Our automation project will unlock additional capacity within our current footprint. It will also help us improve safety, reduce fuel consumption and carbon emissions.

Our existing container terminal has the annual capacity to accommodate up to 1.4 million twenty-foot equivalent units or TEU. With automation and the new berth, we will have the ability to grow to nearly double that volume.

We have already completed an \$11-million-dollar electricity upgrade in anticipation of the development.

The concept involves fully-electric, rail-mounted gantry cranes, with manned, hybrid straddles running between the container yard and ship-side.

Similar models are already in use in container terminals around the world including Brisbane, Melbourne, London, Antwerp, Shanghai, and Singapore along with many more.

It is great to be here in person today. Since our virtual annual meeting last year, our team has been on a Covid rollercoaster ride, dealing with cases on board visiting vessels, the Delta variant outbreak and extended lockdowns, as well as the introduction and subsequent removal of the Government-mandated vaccinations and testing for border workers.



Throughout the Omicron outbreak, illness and isolation requirements exacerbated labour shortages in many work groups, including straddle drivers and stevedores on the port.

Our workforce's very high vaccination rates, face mask use, testing and work group separation has helped avoid serious illness and widespread disruption to date.

We will never put productivity ahead of safety. Port workers can, and do, halt operations if they feel conditions are unsafe for any reason. I have reiterated this message to both our team members and our service providers we work with.

Nationally, we are supporting an industry-wide collaboration on improving safety practices. Our General Manager of Health and Safety, Pat Kirk, has been instrumental in the development of an industry-wide fatigue risk management system being launched in the next month.

Following the tragic fatalities at Ports of Auckland and Lyttelton earlier this year, Maritime NZ and WorkSafe undertook a joint audit of all New Zealand ports in May of this year. Whilst the specific report for our company did not raise any concerns, we welcome a sector wide approach to improving health and safety outcomes and managing critical risk across all ports in New Zealand.

Looking at cargo trends over the past year, total trade remained steady at 25.6 million tonnes for the year, compared with 25.7 million tonnes the previous year. Imports increased 3.0% to 9.7 million tonnes, while exports decreased 2.5% to 15.9 million tonnes.

Container volumes increased 3.4% to 1.24 million TEU.

Log export volumes dropped by 4.4% to 6.1 million tonnes due to international pricing, and the extended China lockdowns.

Dairy exports decreased 5.5% in volume, with Kiwifruit exports continuing to grow, up 8.8% for the year.

For the first time since 2018, total ship visits increased by 4.7%, to 1,369.

However, despite increased container volumes for the year, 26 fewer container vessels called at the Tauranga Container Terminal, with the average container exchange per vessel increasing by 10.7%.

It is interesting to note, that whilst container volumes have remained steady over the past 3 years – we still have 22% less or 172 fewer container vessels calling at Tauranga than in 2019.



Cruise ships have returned to the Bay of Plenty for the first time since March 2020. The *Majestic Princess* arrived on 15 October as the first of 103 passenger vessels expected this season. By way of comparison, we welcomed 116 cruise ships in the 2018/2019 season, and 106 in the shortened 2019/2020 season.

In a few months' time we will take delivery of our new pilot launch, which will be named after our late pilot and tug master *Troy Evans*. The launch design was one of the last projects that Troy worked on before he passed away at the end of December following a long battle with Parkinson's.

Troy was a much-loved husband, father, workmate and friend, and was part of the Port of Tauranga team for over 10 years. He worked on many special projects, including the design and purchase of our two tug boats in 2015, and was also internationally recognised for his safer piloting initiatives.

Our wellbeing programme, ShipShape, has been helpful in supporting our people throughout the challenges of the past few years. Pleasingly in 2022 the employee-led programme has been able to reinstate events to boost both mental and physical, as well as financial wellbeing.

At Port of Tauranga, we take our social licence and environmental performance very seriously. Air and water quality, in particular, is a constant focus.

Over the past 12 months we have installed an additional 640 metres of wind fencing - bringing the total to 1.4 kilometres.

We have also continued to increase wharf sweeping and improve bulk cargo handling procedures.

Dust monitor indicators have shown a 5.6% reduction in the past year, and a 16.1% reduction since 2020.

Whilst we are currently complying with national standards, we will continue to seek ways to decrease dust generation. In this regard we are pleased to be working closely with the Bay of Plenty Regional Council over the next 12 months to increase the number of air quality monitors across both the port operations, but also the surrounding Mount Maunganui area.

With regard to the marine area, we currently have an extensive water quality monitoring programme, with regular testing for suspended solids, heavy metal toxicants and other contaminants.



Although the testing meets the conditions of our stormwater resource consents on both sides of the harbour, we are not content.

We consider there is an opportunity to further improve water quality and we're looking at ways we can utilise new technology, particularly on the older Mount Maunganui wharves.

Through the Ngā Mātarae Trust, we support several projects to improve the health and wellbeing of the harbour. The Trust has representation from the Port, the three local iwi, the Mauao Trust and the Tauranga Moana Iwi Customary Fisheries Trust. It is funded through an annual grant from the Port.

Projects to date include a pipi research project and the purchase of a research and monitoring vessel for Manaaki Te Awanui Trust (pictured here), along with a wetland restoration project.

An issue that has long been of concern to local residents is fumigation, specifically the use of the ozone-depleting fumigant methyl bromide. From 1 January this year, Port of Tauranga has required all methyl bromide fumigations to utilise recapture technology. In addition, the Environmental Protection Agency has also introduced stricter rules around fumigation activity.

Debarking logs off-site greatly reduces the amount of pre-shipment fumigation required, with the added bonus of avoiding log debris on the wharves. We are pleased to see a second de-barker is currently being commissioned by log exporters in the Waikato.

Turning to our decarbonisation strategy – total greenhouse gas emissions reduced by 2.1% for the year, with carbon emission intensity, which is a measure of emissions per tonne of cargo, decreased by 0.6%.

Further gains were impeded by congestion in the container terminal for the second year in a row, resulting in increased straddle movements and diesel usage. Our opportunity to significantly reduce our emissions in future lies in electrification. For example, the automated stacking cranes that we will install in the container terminal are 100% electric and will produce 75% fewer emissions than a comparable diesel straddle carrier operation.

There are also substantial benefits for New Zealand's overall emissions profile from the use of larger vessels calling at the Port of Tauranga. By far the largest proportion of carbon emissions in the container supply chain, relates to the "blue water" or ocean-going part of the cargo journey.



Coastal shipping also supports connecting smaller regional ports to larger, more fuel-efficient vessels in Tauranga, resulting in overall fewer emissions per container.

Together with the use of rail, Port of Tauranga offers a lower carbon alternative for New Zealand shippers seeking to reduce emissions.

Currently around a third of all of our container volumes are transhipped from one vessel to another, meaning they never leave the port gate. Of the remaining port volume, just under half or 9 million tonnes of this cargo comes in or out of the port via rail.

As a result, since 2014 we have managed to absorb a 35% increase in total tonnage, including a 55% or 430,000 TEU increase in container volumes – without adding to road traffic.

Our total vehicle movement data, in and out of the port, shows a 1.7% decrease in total port traffic since 2014.

It is interesting to note, however, that over the same period the population in Tauranga/Western Bay region has increased by around 30%.

I'm pleased to share that over the past year, we have added a significant community partnership to our sponsorship portfolio. The new Port of Tauranga Rescue Centre in Mount Maunganui serves as a hub for the 19 surf life saving clubs in the eastern region and will act as a rescue coordination point for any major beach and surf rescues.

We have also just renewed our naming rights sponsorship of the Port of Tauranga National Jazz Festival, returning for its 60<sup>th</sup> year next Easter.

I will now provide a quick update on trade in the first quarter and our outlook.

In the first quarter, total trade was down 7 % on the previous year to 6.4 million tonnes, reflecting a weaker log market, and a challenging end to the kiwifruit season.

Container volumes for the period were up slightly, with a 1.8 % increase, helped with dairy volumes in the first quarter that were up 7%.

Based on the first quarter's results, and notwithstanding any significant changes to market conditions, we expect full-year earnings to be in the range of 115 to 120 million dollars.



The results over the last year reflect our strong diversity of cargoes and resilient operational performance. We expect these factors, along with our long-term freight agreements with key partners, to continue to provide stability.

In the short-term, we remain hopeful of a return to fixed container vessel schedules in New Zealand. However, we will not be able to achieve this alone, and will require all New Zealand ports to return to normal container operations and productivity. We are eager to see this happen in early 2023.

Global economic conditions and commodity prices continue to be of concern. There is uncertainty around the impacts of Russia's invasion of Ukraine along with the global recovery from the Covid pandemic, and current high inflation environment.

That being said, we believe Port of Tauranga remains well-positioned to face these challenges.

It now just remains for me to thank our dedicated team, supportive business partners and understanding customers for their contributions to Port of Tauranga's ongoing success.

Thank you - to our committed shareholders for your continued support as we navigate the uncertain waters ahead.

Together we will ensure that we continue to connect New Zealand and the world.

Ngā mihi nui kia koutou katoa.

Thank you.

