

Chief Executive's Speech

Annual Meeting 2023

Friday, 27 October 2023 at 1pm

Chief Executive – Leonard Sampson

Thank you, Julia, and kia ora koutou

As Julia described, it was a year of two halves - as we moved away from the congestion that has plagued our operations whilst at the same time balancing the impacts of a downturn in import demand and sluggish global commodity prices.

Once again, our diversity of cargoes and long-term freight agreements with key customers have helped us remain resilient.

In March this year, New Zealand ports reinstated proforma berthing windows after more than two years of extreme congestion. Prior to March, more than two thirds of vessels arriving at Tauranga were off schedule - putting unprecedented pressure on our facilities at the container terminal. You can see from this graph the impact on storage volumes at the container terminal due to the lack of shipping reliability has been significant, with over 5,000 containers more than usual levels.

The improvements since March in schedule integrity are helping to return productivity to normal levels. Our crane rate (which is the moves per hour by crane) has over the past 3 months has averaged 30 moves per hour, after dipping to the low-20s during the peak of congestion.

Looking at cargo trends over the past year, total trade decreased 3.5% to 24.7 million tonnes, imports decreased 7% to 9.0 million tonnes, whilst export volumes decreased 1.5% to 15.7 million tonnes.

Container volumes for the year decreased 5.1% to 1.18 million TEU.

Log exports however, increased for the year 2.6% to 6.2 million tonnes, with an unexpected boost in the second half of the financial year due to an influx of cyclone-damaged trees that were harvested early.



Port of Tauranga

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Dairy exports, including transshipment cargo, increased 2.7%, whilst meat exports increased 3% in volume.

Kiwifruit exports were impacted by weather and fruit quality issues, decreasing 20.3% compared with the previous year. - However, the long-term outlook for the kiwifruit remains strong.

We welcomed 88 cruise ships over the last summer season, and the first cruise ship of this season arrived on October 18th. At present we have 112 cruise vessels booked over the next few months – close to our record 116 visits in the 2018-2019 season.

We are excited about the new business opportunities presented by the Ruakura Inland Port, our joint venture with Tainui Group Holdings.

The inland port – which is directly connected via rail to the Tauranga container terminal as well as MetroPort inland Port in Auckland, is part of the Ruakura Superhub, a giant logistics and commercial precinct near central Hamilton.

The Superhub's first tenants include Kmart, which has started importing containers through the inland port, with a new dairy cool store due to start exporting next month.

Our subsidiary company, Quality Marshalling, is operating the inland port on behalf of the joint venture entity.

The facility gives us some headroom whilst we pursue our plans to increase capacity at the Tauranga Container Terminal, with the construction of a new berth and introduction of terminal automation, both within the current footprint.

We are close to selecting a vendor for the automation project, which will also help us to improve safety, reduce fuel consumption and reduce greenhouse gas emissions.

We have completed an \$11 million dollar electricity infrastructure upgrade in anticipation of the development, the new technology involves fully-electric, rail-mounted gantry cranes, together with manned, hybrid straddles running between the container stack and ship-side.

I will now play a short video now that demonstrates how the berth extension and automation developments will work together.

Similar automation models are already in use in some of the world's most efficient container terminals, including Singapore, Shanghai, London, Antwerp, and Melbourne. I can reassure you that we will not be testing new or unproven technologies.

In the meantime, we are continuing to invest new equipment that is more fuel efficient, improves safety and increases productivity.

Last month we received four new hybrid straddle carriers, which are currently being commissioned. We already have three in the fleet which have proven to be around 25% more fuel efficient than our older diesel-electric models.

In May we took delivery of our new pilot launch, the *Troy Evans*, named after the late pilot and tug master who helped design her. Troy was an internationally recognised champion of marine safety, and the new launch contains a raft of new safety features.

We have recently dismantled the oldest container crane in our fleet, which was commissioned when the container terminal started in 1992, and in January next year we will start assembly of a new crane after it arrives from the Liebherr factory in Ireland.

From a safety perspective, Port of Tauranga continues to take a lead role in port sector safety, with involvement in both the Port Industry Association and Port Health and Safety Leadership Group.

Our own Pat Kirk, GM Health and Safety, is the current chair of the Port Industry Association and is part of the sector wide Leadership Group. Pat has been heavily involved in the development of industry-wide initiatives such as, the Fatigue Risk Management System, and draft Approved Code of Practice. Both initiatives have been developed in consultation with business, unions, and regulatory agencies - Maritime NZ and WorkSafe.

Port of Tauranga continues to take its environmental responsibilities very seriously, with a special focus on air and water quality in and around the port.

Dust generation from port activities complies with the National Environmental Standard for Air Quality – but that's not good enough for us. In the past few years, we have installed additional wind fences, increased wharf sweeping and improved traffic management and cargo handling systems. We've utilised water misting hoppers to handle dry cargo from bulk ships and strictly enforce wind limits on handling potentially dusty cargoes with newly installed alarm lights to alert stevedores when wind speeds have exceeded safe thresholds.

Pollution monitors on the port boundary show a significant improvement in air quality since 2019, and over the past year, we have increased funding for air quality monitoring within the Mount Maunganui industrial area which has helped to facilitate the Bay of Plenty Regional Council to introduce supplementary air sensors into nearby residential areas.

The Council is now posting real-time air quality indicators on its website with the 12 new sensors designed to detect particulate matter, including salt-laden air and as nitrogen dioxide, which is generated from petrol and diesel vehicles as well as vessels.

Port of Tauranga also has an extensive water quality monitoring programme as part of our stormwater resource consents. We test for suspended solids, heavy metal toxicants and other contaminants. All monitoring results are currently well within compliance of consent limits, as well as the Australia/New Zealand Conservation Council guidelines for marine water quality.

However, as with air quality, we are not content to just comply with consented conditions and in this regard, we are currently investigating new technologies to further improve stormwater quality, particularly on the older Mount Maunganui wharves.

As Julia mentioned, we have started preparations to report under the new, mandatory Climate Related Disclosures regime and increased frequency and intensity of major weather events are being factored into our infrastructure planning. It is likely that we will continue to see an increase in operational delays, as well as higher insurance premiums and other associated costs.

From an emissions perspective, our total greenhouse gas emissions for the year decreased 7.3% to just over 40,000 tonnes. This was primarily due to reduced cargo volumes. However, whilst total emissions reductions are a priority, we also closely monitor our emissions intensity – which is greenhouse gas emissions per cargo tonne. I am happy to report in this regard we reduced greenhouse gas emissions intensity by 3.8% over the past year.

Of course, our biggest opportunity to significantly reduce emissions in future lies in automation. The all-electric automatic stacking cranes produce significantly fewer emissions than an equivalent diesel straddle operation.

The trend to larger, more efficient vessels also has benefits for New Zealand's overall export emissions profile, as they produce fewer greenhouse gas emissions per container. This will continue to encourage New Zealand's shippers to aggregate cargo to the big ship services that currently only call at Port of Tauranga.

I'll now give a quick update on trade in the first quarter and our outlook for the financial year 2024.

As expected, we have continued to see global economic volatility, with total trade down 9.0% in the three months to 30 September compared with the same period last year.

Coastal shipping changes along with an early end to the kiwifruit season and slow start to the dairy export season have all been contributors.

Softening international commodity pricing and demand, has had an impact on some key exports as shippers have hit pause to instead focus on building inventory, or look for alternative export markets.

Our total container volumes for the period decreased 20.9% to just over 250,000 TEU, with the main impact from reduced transshipment volumes decreasing 31% as a result from changes in vessel rotations. Containerised imports are down 23% on the previous year reflecting weaker domestic consumption and significant increases rail costs. However, we do expect some recovery in the next few months, with the usual pre-Christmas boost to imports.

Based on the first quarter's results, we expect full-year earnings to be in the range of \$95 to \$107 million dollars.

As always, our strong diversity of cargoes, income streams, and our underlying operational efficiency, will continue to hold us in good stead. It is clear however that rising costs, softer international commodity prices and geopolitical conflicts will continue to create challenges for trade.

Before I wrap up, I'd like to thank our team members for their dedication, this photo was taken a few weeks ago when our staff and their families supported "The - Keep New Zealand Beautiful 2023 Clean Up" - by collecting over 150 kilograms of rubbish from the streets and beaches of Mount Maunganui.

I'd also like to thank our business partners for their continued support, especially in helping us to get projects, such as the Ruakura Inland Port up and running.

Thank you too, - to our customers, who remained patient and understanding through what we now call "the congestion years".

Finally, my appreciation to you, - as shareholders, - for your continued support.

Together we are connecting New Zealand and the World.

Ngā mihi nui kia koutou katoa.

Thank you.