

PORT OF TAURANGA ANNUAL MEETING 2022

Friday 28 October 2022, at 1.00pm

Chair – Julia Hoare

It is now my pleasure to present a summary of the Group's performance for the year to June 2022.

Port of Tauranga continues to play a critical role in New Zealand's economic recovery from the Covid-19 pandemic. Widespread disruption still affects the international supply chain and delays continue at other ports, resulting in ongoing congestion at our container terminal.

Vessels are still arriving off window. Only six out of 16 weekly services are showing up on time at the moment – the ones that call first at Tauranga.

There has been a silver lining to the disruption, with increased storage revenues, but it has put an enormous strain on our team and our service providers.

We are hopeful a return to schedule reliability early in 2023 will allow us to return to pro forma windows, enabling better resource planning and smoother cargo flows around the country.

In the meantime, our team members, our service providers and our customers deserve our appreciation for their diligence, patience and support as we strive to return to peak efficiency.

I am pleased to report that our company has performed well under these trying circumstances, achieving another year of our excellent results.

Group Net Profit After Tax increased 8.7 per cent to \$111.3 million, driven by solid bulk trade and container volumes, and increased storage revenue.

Costs also rose substantially, with operating expenses increasing approximately 13 per cent to \$192 million, mostly due to higher rail, fuel and labour costs.

The Board declared a final interim dividend of 8.2 cents per share, to bring the total dividend to 14.7 cents per share, up from 13.5 cents per share the previous year.

We continue to pursue capacity-building developments that will also improve the resilience of the Upper North Island supply chain.

Since 2020, we have been trying to obtain a resource consent to extend our Sulphur Point container wharves to create another berth. We are also engaged with potential vendors for an automation solution that will increase container storage capacity and efficiency in the terminal.

Our frustration with the delayed resource consent process is well documented.



Detailed planning and consultation began in early 2019. You can see the proposed construction zones shaded in blue on the satellite picture on screen.

In May 2020, the Port applied unsuccessfully for consideration under the Government's Shovel Ready scheme to expedite the consent process. No Government funding was sought for the project.

The Port was also unsuccessful in a subsequent application for Fast Track consenting in 2021. Government Ministers instead recommended direct referral to the Environment Court.

The Environment Court hearing to consider the resource consent application was scheduled for July this year, but it was postponed after some parties contracted Covid-19. The application is now due to be heard in the first few weeks of March 2023, some nine months later.

While we have been navigating this seemingly endless maze, the cost of construction continues to rise, with an estimated \$20 million already added to the \$68.5 million construction cost for the Sulphur Point extension. Had we been successful with our application under the shovel ready scheme, we would be finishing construction now.

The development is critical to New Zealand Inc. Without it, the Port and the country will face capacity constraints within a few years. Leaders of some of the country's biggest exporters say they are concerned, including Zespri, Kotahi, Oji Fibre Solutions, the New Zealand Cargo Owners Council and Export NZ.

Concurrently, we are pursuing our plans to automate new container storage areas at the terminal to increase our capacity within the current 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.

The Ruakura Inland Port near central Hamilton is under development, with opening scheduled for early 2023. You can see the paved inland port in the forefront of the aerial photo on screen.

This rail-connected hub is being developed in a 50/50 joint venture with Tainui Group Holdings and is part of Tainui's Ruakura Superhub development.

Inland ports play a crucial role in our vision for a more integrated and efficient Upper North Island supply chain.

There have been numerous reports and reviews of aspects of the freight network – some 26 at last count – and the Ministry of Transport is currently drafting a national supply chain strategy.



Our preference has always been for commercial pragmatism and fact-based analysis to lead solutions, rather than any politically-motivated or interest-driven proposals.

Our vision involves enhancing existing assets, while investing in supporting infrastructure such as new rail connections and coastal shipping.

Progress has already been made on increasing coastal shipping, with Pacifica introducing a second vessel on its New Zealand coastal service, offering additional capacity out of Timaru and Northport. Maersk has also modified its former trans-Tasman and Fiji service to create a dedicated New Zealand service with two vessels.

An integrated, efficient, resilient, and cost-effective supply chain can be achieved with the help of Government. We are looking for the removal of regulatory and legislative barriers, and investment in transport networks.

It is our belief that current legislation and policy does not encourage nor facilitate investment, even when it is environmentally sound and nationally significant. The consenting process is complex, time-consuming, and costly. It hinders the adoption of new technology, with its economic and environmental benefits, ensures we are always playing catch up with capacity, and stops existing assets from being used to their full potential.

We will continue to press government to address these issues.

We have been working on a Board refresh, ensuring we have the right individuals with the right skills to take your company into the future. We had some big boots to fill with the departure of David Pilkington, who retired in July after 17 years on the Board and nine as Chair. Our thanks to David.

To prepare for David's departure, Dean Bracewell joined the Board in December. Dean is the former Managing Director of Freightways, one of New Zealand's largest transport and logistics companies.

Today we are also saying farewell to Kim Ellis, who retires from the Board after nine years. Thank you, Kim, for your outstanding contribution and service.

In preparation for Kim's departure, Brodie Stevens joined the Board in August. Brodie has extensive shipping sector experience and is the former Swire Shipping/China Navigation Company Country Manager.

Both Brodie and Dean will introduce themselves later in the meeting.

To allow for a smooth transition through the refresh, we temporarily increased the Board to eight members, instead of the usual seven.

NZX listing rules allowed us to temporarily increase the Directors' fees pool, to accommodate for this increase in the number of Directors.



We are not seeking any increase in the pool this year. However, in 2023, we intend to do a benchmarking exercise and come back to you with our recommendations on the appropriateness of the director fee levels.

As this is my first Annual Meeting as Chair, I'd just like to take the opportunity to thank my fellow Directors and the management team for their support over the past few months. It is an absolute privilege to have this role. It's a great company and I'm really looking forward to where we take it next.

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

Ngā mihi nui

