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Port of Tauranga Reports Improved Profits Despite Widespread Disruption to Cargo Volumes and Operations

Port seeks consent for an additional berth to help alleviate Upper North Island supply chain congestion

Port of Tauranga, New Zealand's largest port and international freight gateway, today reported increased profitability for the first six months of the 2021 financial year, despite volatile cargo volumes and congestion issues being experienced at Ports of Auckland.

Group Net Profit After Tax for the six months to December 2020 was \$49.4 million, a 2.3% increase on the same period the previous year, despite a 1.3% decrease in total trade volumes, to 13.1 million tonnes. Container numbers decreased 4.6% compared with the previous corresponding period, to 612,988 TEUs¹.

Highlights and Challenges

For the six months to 31 December 2020:

- Group Net Profit After Tax increased 2.3% to \$49.4 million
- Total trade decreased 1.3% to nearly 13.1 million tonnes, down from 13.3 million tonnes the previous year
- Container volumes decreased 4.6% to 612,988 TEUs
- Transshipment of containers also decreased, by 5.1% in TEUs
- Subsidiary and Associate Company earnings increased 22.3%
- Imports increased 5.0% to 4.9 million tonnes
- Exports decreased 4.8% to 8.2 million tonnes
- Log export volumes were 2.1% lower than in the same period last financial year, at nearly 3.3 million tonnes
- Dairy exports were down 10.8% to 1.1 million tonnes
- Interim dividend of 6.0 cents, the same as last year

Port of Tauranga Limited Chair, David Pilkington, said the mid-year financial results were very pleasing considering the volatility in cargo volumes over the period and reflected the stability offered by the diverse companies in the group.

¹ TEUs = twenty foot equivalent units, a standard measure of shipping containers
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“We have managed to maintain income throughout a challenging six months. Port of Tauranga handled near record volumes of containers in the months of October and December. However, lower-than-previous demand from June to August, and vessel delays in November, dragged down the year-to-date container volumes,” he said.

“It’s a similar story when we look at overall cargo tonnes. Volumes decreased 1.3% for the six month period, yet volumes in December 2020 were 15.1% higher than the same month in 2019.”

Mr Pilkington said severe vessel delays out of Auckland since September had significant flow-on impacts on Port of Tauranga.

“We have done our best to accommodate diverted import and export cargoes from Auckland. However, we have had to limit our assistance as we have been constrained by the lack of availability of additional rolling stock and train drivers for the rail link between Tauranga and Auckland.”

The average cargo exchange per container vessel was 21% higher in December 2020 compared with December 2019, due to the cargo bypassing Auckland.

Late arriving vessels have been slow to pick up exports, exacerbating container yard congestion.

Port of Tauranga Chief Executive, Mark Cairns, says the January 1 introduction of penalties for shippers rolling cargo or leaving their containers on the wharf for excessive time has provided some relief from yard congestion. The peak export season is now in full swing.

“We need all parts of the supply chain to do their bit and we are very grateful for the cooperation of importers and exporters in improving terminal productivity. Unfortunately, the threat of congestion remains and is unlikely to dissipate until Ports of Auckland sorts out its operational problems,” said Mr Cairns.

“We accommodated a container vessel at our Mount Maunganui bulk cargo wharves in December to try and alleviate the pre-Christmas stress for retailers. New Zealand’s ability to absorb the worldwide disruption caused by Covid-19 has been severely constrained.”

Port of Tauranga has applied for the Covid-19 recovery fast-track resource consenting process for its proposed berth extension at the Tauranga Container Terminal. The fourth berth will be created by converting 220 metres of cargo storage land to the south of the existing wharves.

The \$68.5 million project will create an estimated 368 jobs through the construction phase and more than 81 permanent jobs after completion. No Government funding is sought for the project and it is frustrating that the consent process takes so long.

Mr Cairns said the project could help ease congestion in the Upper North Island supply chain, especially with the prospect of the Ruakura Super-hub and inland port at Hamilton coming on stream. The inland port, being developed in partnership by Port of Tauranga and Tainui Group Holdings, is due to open in 2022.

Financial results

Revenue increased 3% to \$159.5 million due to greater income from the container terminal and strong performances from Subsidiaries and Associates, which saw a 22.3% increase in earnings.

Overall costs increased 5.2%. Net Profit After Tax increased 2.3% to \$49.4 million.



During the period, Port of Tauranga completed the acquisition of Kotahi Logistics' 50% shareholding in Timaru Container Terminal. The terminal is now being operated by Port of Tauranga's subsidiary, Quality Marshalling.

Cargo trends

Log exports in the six months to December 2020 decreased by 2.1%. There is strong demand from China as it recovers from Covid-19 and the outlook is positive for the second half of the financial year. Sawn timber and wood panel exports decreased 16.8% in volume. Pulp and paper exports decreased 9.3% in volume.

Dairy exports decreased 10.8% for the period but volumes look positive for the second half of the financial year.

Transhipped containers declined 5.1% measured by TEUs, consistent with the overall decrease in containerised cargo.

Kiwifruit volumes were up 5.4%, while meat product exports increased 1.6%.

Oil product imports increased 12.1% in volume.

Fertiliser imports were down 17.1% in volume due to lower demand from the farming sector. Protein and feed imports increased 7.4% in volume. Grain imports remained steady.

Ship visits declined by 15.3% to 661 for the six month period. Although there were vessel diversions from Auckland, there were also delays and cancellations and no cruise ship visits (compared with 34 the previous corresponding period).

Outlook

The outlook for the second half of the financial year remains uncertain.

"We are confident we are managing any congestion challenges at our locations. However, the situation in other parts of the supply chain is far from resolved," said Mr Cairns.

"Covid-19 precautions continue to have a big impact on our costs, as we continue to prioritise the safety of our team members and the community. There is still much uncertainty as to what the second six months of the year will bring, but we are confident we are in a strong position to tackle any challenges." Port of Tauranga expects full year earnings to be between \$94 million and \$100 million.

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<http://www.port-tauranga.co.nz/category/current-news/>

