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PORT OF TAURANGA ANNOUNCES ANNUAL RESULTS AS CONGESTION LINGERS

Financial results for the year to 30 June 2022

Port of Tauranga, New Zealand's largest port, today reported Group Net Profit After Tax of \$111.3 million on 25.6 million tonnes of trade amid ongoing supply chain disruption.

The increase in revenue reflected the strong diversity of cargoes, resilient operational performance and ongoing storage revenues due to continued vessel schedule disruption. Total ship visits also increased for the first time in four years, boosting marine services income.

Results summary

- Total trade was steady at 25.6 million tonnes (down from 25.7 million tonnes)
- Container volumes increased 3.4% to 1,241,061 TEUs¹ (from 1,200,831 TEUs)
- Group Net Profit After Tax increased 8.7% to \$111.3 million (up from \$102.4 million)
- Final dividend of 8.2 cents per share
- Total ordinary dividend of 14.7 cents per share (compared with 13.5 cents per share the previous year)
- Imports increased 3.0% to 9.7 million tonnes
- Exports decreased 2.5% to 15.9 million tonnes
- Subsidiary and Associate Companies' earnings decreased 16.2%.

Port of Tauranga Chair, Julia Hoare, says the results are pleasing, but also reveal an extremely challenging time for the Port.

"Supply chain disruption continues to have a massive impact on our ability to deliver an efficient service for importers and exporters. We have done our best to incentivise smooth cargo flows and the financial results reflect that," she says.

"Around 65% of all vessels continue to arrive off-schedule, there are still operational delays globally and in other parts of the New Zealand supply chain, and continued labour shortages remain challenging, impacting our ability to respond to increased demand.

"The situation is exacerbated by berth capacity at the container terminal. We could take more container ships if we had the extra berth we've been trying to get started for the past three and a half years."

¹ TEUs = twenty foot equivalent units, a standard measure of shipping containers





Port of Tauranga continues to seek a resource consent for the berth extension through the Environment Court.

Detailed planning and consultation began in early 2019. The Port applied unsuccessfully for consideration under the Government's Shovel Ready Covid-19 recovery scheme in 2020 to expedite the resource consent process. No Government funding was sought for the project. The Port was also unsuccessful in an application for Fast Track consenting in 2021. Port of Tauranga subsequently applied for direct referral to the Environment Court, which was accepted in December 2021. A delayed court hearing is proposed for early March 2023.

"It is incredibly frustrating after years of consultation and planning to be still 'on hold'. Had we not had these delays, we would be finishing construction now," says Ms Hoare.

"Our customers are facing the prospect of continued supply chain disruption and deteriorating service levels with little relief in sight.

"New Zealand relies heavily on international shipping and it is critical that the country expedites further capacity as soon as possible. Tauranga is the best and easiest option to achieve this quickly."

Port of Tauranga Chief Executive, Leonard Sampson, says the Port's diversity of cargoes and long-term freight agreements with key customers has given some certainty through extremely challenging times.

"Our team has really borne the brunt of the upheaval in the supply chain and I'm really proud of the way they have responded. Our service partners also deserve special thanks for their ongoing efforts and our customers deserve praise for their continued support and patience," he says.

"We are looking forward to a longer-term solution in the form of additional capacity at the container terminal, and soon at the Ruakura Inland Port that we are developing in Hamilton in partnership with Tainui Group Holdings."

The inland port, part of the Ruakura Superhub, is due to open in late 2022 and will connect Waikato importers and exporters with the "big ship" services calling only at Tauranga.

Cargo trends

Total trade remained stable at 25.6 million tonnes, compared with 25.7 million tonnes the previous year.

Imports increased 3.0% to 9.7 million tonnes, and exports decreased 2.5% to 15.9 million tonnes.

Log export volumes dropped by 4.4% to 6.1 million tonnes.

Dairy product exports (including transhipped cargo) decreased 5.5% in volume. Meat exports decreased 9.1%.

Kiwifruit exports continued to grow in volume, with direct exports up 8.8%. Total kiwifruit volumes, including transhipment, increased 7.9%.





Oil product imports decreased 4.9% in volume, while cement imports dropped by 10.5%.

Fertiliser imports increased by 5.5% in volume, while grain, protein and stock feed imports increased by 20.8%.

MetroPort container volumes increased 10.2%, reflecting the import cargo diverted to Tauranga to avoid delays in Auckland.

For the first time since 2018, ship visits increased, by 62 or 4.7% to 1,369. However, 26 fewer vessels called at the Tauranga Container Terminal. The volume exchanged per container vessel increased by 10.7% compared with the previous year.

Cruise ship vessels are scheduled to return to Tauranga in the middle of October after a two year hiatus due to the pandemic.

People and safety

Maritime NZ and WorkSafe undertook a joint audit of all ports in May. The agencies are expected to make a number of recommendations following the audit, including the adoption of a standardised approach to managing critical risks. Port of Tauranga is supportive of industry-wide collaboration to improve safety practices, with flexibility for the unique operating environments of each port.

We have strong worker engagement in safety and involvement in proactive risk management. We have reinforced our expectation of all port users that they raise any concerns and call out any unsafe practices. Port workers can, and do, halt operations if they feel conditions are unsafe for any reason. Productivity will never be put ahead of safe practice.

We have taken a multi-disciplinary approach to pavement problems at the container terminal caused by high traffic volumes, congestion and wet weather. The issue contributed to a number of minor soft tissue injuries among straddle drivers and led to an increase in the annual Total Recordable Injury Frequency Rate for combined Port of Tauranga employees and contractors.

Air and water quality improvements

Port of Tauranga takes its social licence and environmental performance very seriously and air and water quality improvement is a constant focus.

A major priority of the past few years has been dust reduction, including the installation of an additional 640 metres of wind fences, increased wharf sweeping and improved cargo handling procedures.

Dust performance indicators have shown a 5.6% reduction in the past year, and a 16.1% reduction since 2020².

The increased de-barking of export logs has the dual benefits of reducing dust and debris on site, and minimising fumigation requirements. The Port requires recapture technology to be used on 100% of log stack fumigations.

² As measured at the PM₁₀ monitoring station 'Mount Maunganui at Railyard South' during dry conditions at times when the Mount Maunganui Wharves are upwind of the monitor.





Port of Tauranga has an extensive stormwater quality monitoring programme, with regular testing for suspended solids, heavy metal toxicants and other contaminants.

Although the testing shows compliance with the conditions of the Port's stormwater resource consents on both sides of the harbour, we consider there's an opportunity to further improve water quality. We are pursuing additional stormwater treatment technology at the Mount Maunganui wharves.

Working with Tauranga Moana iwi and hapū

Port of Tauranga works both formally and informally with Maori organisations in the rohe, including the three iwi with mana whenua status – Ngāi Te Rangī, Ngāti Ranginui, and Ngāti Pūkenga.

One of the initiatives is the Ngā Mātarae Charitable Trust, founded seven years ago to fund projects to improve the health and wellbeing of the harbour. The Trust brings together the three iwi, the Port, the Mauao Trust and the Tauranga Moana Iwi Customary Fisheries Trust.

The Trust is funded through an annual grant from the Port. The funds are used to sponsor organisations and projects improve harbour health.

Projects funded by the Trust so far include:

- A pipi research project undertaken by Manaaki Te Awanui Charitable Trust, to restore and enhance coastal ecosystems
- Purchase of a research and monitoring vessel for Manaaki Te Awanui
- A wetland restoration and establishing an inanga spawning habitat in the Kopurererua stream, a tributary to Tauranga Harbour. The project aims to improve water quality and support larger populations of important native species.

Carbon emissions

Port of Tauranga seeks to reduce its carbon emissions across all areas of the business.

Ongoing congestion at the container terminal, causing increased straddle movements and diesel use, impacted our decarbonisation performance for the second year in a row. Total greenhouse gas emissions decreased 2.1% year-on-year, and carbon emission intensity (emissions per cargo tonne) also decreased slightly, by 0.6%.

Our opportunity to significantly reduce emissions in future lies in automation. We are progressing plans to install electric stacking cranes in the Tauranga Container Terminal to boost capacity without increasing emissions. Electric stacking cranes have around 75% fewer emissions than a comparable traditional diesel straddle carrier operation.

The trend to larger, more efficient vessels also has significant benefits for New Zealand's marine emissions profile, as they produce fewer emissions per container. Increased coastal shipping could also improve emissions profiles due to fewer emissions compared with land transport alternatives.





Changes to Board of Directors

The Board has welcomed two new Directors with significant industry experience. Dean Bracewell joined the Board in December 2021. He is the former Managing Director of Freightways, one of New Zealand's largest transport and logistics companies.

Brodie Stevens joined the Board in August 2022. He has extensive shipping sector experience and is the former Swire Shipping/China Navigation Company Country Manager.

The Board bid farewell to Chair David Pilkington, who retired on 31 July after 17 years on the Board, nine as Chair.

Ms Hoare says her predecessor left a lasting legacy. "Port of Tauranga has been proven to be strong and resilient in the face of the pandemic-related challenges and this is testament to David's leadership."

Outlook

We sincerely thank our customers, service partners and especially our people for their fortitude throughout the past year.

Port of Tauranga is hopeful that vessel schedule reliability will regain some consistency in the second half of the 2023 financial year. However, the pandemic hangover of high costs, increasing interest rates and reduced consumer demand is likely to temporarily impact some cargo volumes. Geopolitical pressures, including Russia's invasion of Ukraine and China's elimination strategy for Covid-19, will also continue to impact the global supply chain.

Port of Tauranga's Board and management team are confident that Port of Tauranga is well-positioned to face these challenges.

We will provide guidance for the 2023 financial year at our Annual Shareholders' Meeting on 28 October 2022.

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