

SPEECH TRANSCRIPT

Jens Madsen, Managing Director

Ports of Auckland Christmas Function

Thursday 13 November 2008 at the Royal New Zealand Yacht Squadron

Tēnā koutou, tēnā koutou, tēnā koutou katoa.

A warm welcome to:

- our friends from Ngati Whatua o Orakei
- our customers, business partners and suppliers
- Mike Lee, Chair of Auckland Regional Council
- Nikki Kaye, newly elected National MP for Auckland Central
- Keith Locke, Auckland-based list MP for the Green Party
- and to the many Auckland City and Auckland Regional Councillors that I see here this evening.

Ladies and gentlemen, thank you for joining us.

I have had the pleasure of leading Ports of Auckland for just over a year now.

Of course, for an organisation that has been here in one form or another for 137 years - that is not a very long time.

Take a look at these images of the Port from long ago...

As you can see, both Auckland and the Port have changed dramatically since then!

Of course, the changes have not just been technological.

We have also moved to the East – freeing up, since 1989, more than 70 hectares of land for non-port use.

And, as we set out in our new Port Development Plan, released earlier this year, we do anticipate and hope to free up more land in the future – including Queen's Wharf – while at the same time, always safeguarding the interests of all of our customers and the Port itself.

We want to be part of the solution – not the problem – and to find the right balance for Auckland and its port for the future.

We do need to get the mix right. In the current economic environment, there are some massive challenges ahead – not just for Ports and for Auckland, but for all of New Zealand.

You can see here, some of the changes in the global shipping industry over the last 15 years.

Enormous pressure on the cost of freight has driven some significant financial losses and rationalisation among the major shipping lines.

This has created a trend toward hubbing – fewer port calls, larger vessels.

To illustrate this, trans-shipments – where cargo is loaded from one ship to another – have grown more than 150% at Ports of Auckland since 2005 – and the pace of growth is further increasing.

We are seeing a trend toward fewer port calls by larger ships, not only within the container sector, but certainly also within the car carrying sector. Just today, the world's largest car carrier, Wallenius Wilhelmsen's *Aniara* – a 'new build' on her maiden voyage, able to carry 8000 cars, berthed here in Auckland .

There's been significant media interest in the *Aniara*, which has been great to see.

Hubbing also creates opportunities for coastal feeder networks – and it's great to see a New Zealand shipping company, Pacifica , taking up the challenge with the launch of their new coastal service, and the vessel Spirit of Endurance, which was here at the Port just yesterday. Well done to Rod Grout and his team.

We look forward to more coastal services starting up with the encouragement of the Government's SeaChange strategy.

This is an important strategy, because hubbing creates both opportunities and risks for New Zealand in the long run.

The major risk is that the international shipping lines choose to hub off Brisbane or Melbourne – where the Australian Government is investing many hundreds of millions of dollars – instead of New Zealand .

Ultimately, for our exporters, this would mean either paying more, or taking a longer route to get to market - more "food miles".

For consumers, this would mean more expensive imported goods, electronics, clothing and consumables.

And for New Zealand , this could mean an eventual drop in economic growth and living standards.

These outcomes are unacceptable.

For this reason New Zealand must be able to foot it with the Australian ports and attract new shipping business.

We need to create our own destiny and make, as a country, sensible investment decisions.

Certainly, there is a need for consolidation within the New Zealand port sector.

But it's not necessarily a question of one port versus another.

For New Zealand 's sake we need to move above the infighting and the distractions.

We do not have much time.

We must work constructively on how to get the best out of our existing investments.

This is about ensuring that New Zealand remains a competitive and attractive location from which to do business. And it is also about eliminating the waste in the current supply chain that has accumulated over the years.

It's about having a sensible approach to investment – that puts NZ Inc and overall economic growth first.

Our vision is to be the best port in Australasia , with world class performance.

We have some natural advantages here in Auckland . We have existing scale... we are by far the country's largest port by dollar value of total exports and imports handled. We are also by far the country's largest container port by volume, and we have the most extensive infrastructure and technology of any New Zealand port.

We are also close to the Greater Auckland Region – the country's fastest growing region and largest population, manufacturing and warehousing base.

Finally, we have a naturally deep harbour channel that does not require further dredging to cater for the new generation of larger ships.

But of course this is not enough. We also need to be smart.

Here in Auckland , we have our challenges. We have higher labour costs than elsewhere. We must work faster, more efficiently and more productively.

And we must take a leadership role in meeting the challenges posed by climate change.

We are working hard to lift our game.

Over the last year we have achieved across the board improvements in key productivity measures.

We are handling significantly higher cargo volumes – September was an 18 month high – and are still turning our ships and trucks around more quickly than before.

We have also put new strategies in place to lift capacity here at the Port through technology and reclamation.

And our cruise business – with its significant economic pay off for Auckland – is also going from strength to strength, with a record number of ships visiting over the last year.

On that note can I say that we are very supportive of the development of an international quality cruise terminal for Auckland . The economic benefits of this to the country and the region are compelling.

Our vision for the future also includes a larger role for rail.

With this in mind, we are investing – in partnership with the Government, ONTRACK and KiwiRail - in a rail exchange for our Wiri Inland Port.

This is a project that absolutely makes sense on both a regional and a national level.

It is a central plank in our strategy to lift the proportion of port cargo being carried by rail from the 10% it is at the moment, to 30% in a few years.

The people of Auckland will eventually benefit from an estimated 100,000 central city truck trips saved each year.

Business will benefit from a cheaper and more efficient supply chain.

There will be a cost to use the rail connection between Wiri and the seaport, but it will be a far better deal than having to truck the goods all the way into the city – and possibly back again carrying an empty load.

When the final details of the deal are hammered out – and can I pause to acknowledge the ONTRACK representatives here tonight and specifically William Peet, the CEO, please have

another drink on me – all New Zealand will benefit from the leaner, greener supply chain that Wiri will help create.

This is vitally important.

Every day, New Zealand products are competing in markets thousands of miles away.

Increasingly, the consumers of those products – the people eating our lamb, seafood and cheese, or drinking our wine – are questioning the environmental impact of their purchasing decisions.

This means that our supply chain must be a world-class example of environmental efficiency.

I can say honestly that in the Upper North Island, we still have some way to go... but can I give you my – and my team's commitment – that we are doing our absolute best to get the best results for the Greater Auckland Region and for New Zealand.

Now, just quickly, I'd like to introduce some new team members who have joined us since this time last year:

- Grant Jorey our General Manager Operations and Productivity
- Catherine Etheredge who recently joined the Company as Senior Manger Communications
- Helen Fletcher our Company Secretary
- and Steve Copley who has joined as Group Financial Controller

I would also like to recognise the members of our Graduate Leadership Programme. Our first two graduates, Colin Tasi and Julian Clarke, will be finishing the programme early next year and will then be spending some months abroad, gaining further experience through work at other ports and shipping companies. Our two newest members, Vikrant Saraf and Matthew Kidman, are also progressing very well. So, I'd like to say congratulations to them, and I look forward to our third intake of graduates for this very successful programme in the New Year.

It is also important to recognise Sandy Gibson for his role in the Graduate Leadership Programme. Now retired from the Port, he acts as a mentor for our young graduates. I am very please and honoured, as are our graduates, to have his assistance and expertise. Thank you Sandy.

As Sandy has been overseas, I was recently honoured to accept on his behalf – the Norman Spencer Memorial Award for services to the industry at the Chartered Institute of Logistics and Transport dinner. I'd like to take this opportunity to acknowledge Sandy and his achievements with a round of applause. Thank you.

And finally, on behalf of our Chairman, Gary Judd – who cannot be with us tonight as he is on his way to the APEC conference in Lima – I'd like to thank our Board for their guidance and support over the last year.

Now, I would like to propose a toast, to our valued customers and supporters, in celebration of a successful year almost just past and in anticipation of a prosperous and enjoyable 2009.

Merry Christmas and seasons greetings to you and your families – cheers!