



# CHIEF EXECUTIVE'S REVIEW

It is hard to know how to describe this year. Standard phrases like 'challenging' or 'unprecedented' are true, but don't capture the full picture. To use a sporting analogy, it has been a year of two halves. The first half was as expected, the second anything but.

On 30 August 2020 a member of our port whānau, Pala'amo (Amo) Kalati, was fatally injured while working on a ship at Fergusson Container Terminal.

Everyone at Ports of Auckland is deeply affected by what has happened.

As a company and as individuals we would like to express our deepest condolences to Amo's family and friends. We will continue to provide support to Amo's family as they work through this terrible tragedy.

As an organisation we care deeply about the safety of our staff, which makes this event even more painful.

We will thoroughly examine our safety culture and practices and make the changes necessary to ensure this never happens again.

First-half volumes were in line with forecast; second-half volumes fell dramatically. In the first half we were on track for a record cruise season; in the second half cruise ships disappeared. In 2019 one report said we should shift to Northland; in 2020 another said we should stay put. To make sense of this I think we need to keep our eye on the horizon. Ports are not short-term businesses that should change direction with the wind. Yes, we need to be agile and prepared to adapt, but we live in a long-term environment. Port infrastructure takes a long time to build and lasts more than a lifetime. We must look far out into the future and plan accordingly.

In this context the current coronavirus pandemic is a bump in the road, and we've been here before. The global financial crisis in 2008 resulted in a fall in volume and revenue, but as a country we recovered and hit new heights. This is driven by

longer-term trends such as urbanisation, globalisation and immigration, trends which still apply. Climate change has not disappeared either. That is why, as a business, we are still focused on delivering our 30-year master plan, to provide sustainable capacity for Auckland's freight growth to the middle of the century. And beyond if needed.

On that front we are doing well. Despite the interruption of the COVID-19 lockdown, we have made good progress with the three major master plan projects we currently have underway: container terminal automation, increasing car handling capacity and channel deepening. We have also made good progress with work to meet our goal of being zero emissions by 2040.

I must also mention our people's response to COVID-19. I cannot praise highly enough how well our port whānau



We are delivering our 30-year master plan, to provide sustainable capacity for Auckland’s freight growth to the middle of the century, and beyond.

responded to this situation, working together to keep each other safe and to ensure Auckland’s essential freight continued to be delivered. It was a truly exemplary response and I would like to sincerely thank everyone involved.

**Automation**

Most of the infrastructure work for the terminal automation project was completed by the second quarter of this financial year. There is some pavement remediation and other minor works to be carried out in the southern part of the terminal before full go-live, but the disruption and loss of capacity experienced during the height of the works are now behind us. Upgrading a live terminal is difficult, so to have this work finished is a great relief. It makes operating easier and as a result we did not see a repeat of 2018’s congestion issues.

**Ports of Auckland Executive team**

(Front L-R): Lauren Salisbury, Chief Information Officer; Tony Gibson, Chief Executive Officer; Wayne Thompson, Chief Financial Officer and Deputy Chief Executive Officer; Rosie Mercer, General Manager Sustainability.

(Back L-R): Allan D’Souza, General Manager Marine, Engineering and General Wharf Operations; Matt Ball, General Manager Public Relations and Communications; Reinhold Goeschl, General Manager Supply Chain; Craig Sain, General Manager Commercial Relationships; Angelene Powell, General Manager Container Terminal Operations; Alistair Kirk, General Manager Infrastructure and Property.



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The public will be able to come onto the port safely and enjoy the new green public space while observing port operations.

We were due to start our first trial of automated operations in March, having completed a number of smaller rehearsal automated operations earlier in the year. The COVID-19 lockdown prevented this as all staff not required for day-to-day operations were sent home – including the automation team. While the team was able to progress some work while off site, other work had to wait until they returned to the port.

The silver lining of stopping automation work on the ground was the ability to revert to manual operations in the automation test area. This helped our efforts to keep freight flowing despite the pressure on the supply chain caused by COVID-19. Our new cranes were put to good use and for the first time we were able to have a six-crane operation at the terminal.

The automation project restarted in May and is going well, albeit with the occasional hiccup as we iron out the bugs which are inevitable with such ground-breaking work. Border closures have added another difficulty as specialist staff from overseas have been unable to come on site as previously planned. We have worked around this as best we can by using video-conferencing, but it has made the work more difficult.

At the time of writing we have been servicing two-three ships a week at the northern berth using the automation technology while maintaining a manual operation at the southern end. We will

progressively increase the number of ships being handled in the northern automated part of the terminal while we finish the remaining infrastructure work in the south. We now expect to be able to have automation operating across the entire terminal toward the end of 2020.

#### Increasing car handling capacity

Work on the new car handling building was ahead of schedule until work was stopped for the COVID-19 lockdown. We now expect the building to be completed and open for service at the start of October, on time and on budget despite COVID-19.

It is a unique and interesting structure. It provides more capacity for handling Auckland's vehicle imports, so it performs a useful function for the people of this city. By using a building to increase capacity we have avoided the need for reclamation, so it is a harbour-saving building. We have clad the exterior with the world's largest soil-based vertical garden and a 110-metre-long light sculpture, so the building looks good and enlivens the city centre. And finally, we will create a public park on the roof. The public will be able to come onto the port safely and enjoy the new green public space while observing port operations.

We look forward delivering this new public space for Aucklanders to enjoy.

On completion the car handling building will deliver new capacity and it will enable



the Auckland fishing fleet to be relocated to Marsden Wharf in time for the America's Cup – Marsden is currently used for car imports; the current fishing fleet wharf is needed for the America's Cup. Longer term, the additional capacity of the building will enable us to handle an expected upturn in vehicle imports as New Zealand switches to an electric vehicle fleet.

### Channel deepening

Auckland's population is growing quickly, with a million more people expected to live here by 2050. More people will mean more demand for the products we all buy from overseas, which will mean more containerised imports and – because of economies of scale – bigger ships.

With the increasing growth in container ship size, we need to increase the depth of Auckland's shipping channel. Most other New Zealand ports have already made this investment and it is important for New Zealand and Auckland's international trade security that we do the same.

The largest container ships we handle now carry up to 5,000 TEU. Shipping lines want to bring 6-7,000 TEU ships here in the next two to three years and in future we will need to host 'New Panamax' ships, which can carry around 12,000 TEU.

The shallowest parts of the channel are 12.5m deep at low tide, whereas 6-7,000 TEU ships have a draft of 14m and New Panamax ships have a draft of 15.2m.

To keep the need for dredging to a minimum, we propose to use tidal windows. Tidal windows are in common use in other New Zealand ports, and simply mean that deeper draft ships enter or leave port when the tide is high enough. To create a suitable tidal window for New Panamax ships to access port safely we will need a channel which is 14m deep on the straights and 14.2m deep on the bends.

We will use a mechanical dredge – a digger on a barge – to deepen the channel. The digger will have a long arm to reach down to the seabed to scoop material from the channel bed. As the channel bed is mostly soft material like marine muds and mudstones, no blasting is required.

When we applied for consent with Auckland Council we asked for the application to be publicly notified. Notification is not required under the Auckland Unitary Plan for dredging inside the channel precinct, but we feel it is important for all our major projects to be carried out in an open and transparent manner. We also undertook a great deal of public engagement prior to lodging consent. On 11 August 2020 Auckland Council granted consent for the channel to be deepened. An appeal has been lodged, but depending on the outcome of the appeals process, we hope to be able to start work in 2021.



# 6-7,000

TEU CONTAINERS

carried by ships coming here in the next 2-3 years

**110-metre-long**  
light sculpture  
enlivening our new  
car handling facility



## CHIEF EXECUTIVE'S REVIEW



Over the long term, we remain the fastest, most efficient, most cost-effective and lowest-carbon route for freight into Auckland.

### Freight volumes

All freight volumes have suffered as a result of COVID-19. As New Zealand's largest import port we perhaps feel the effect more than others, as import businesses were affected first by the shutdown in China and then by the lockdown here in New Zealand. Car volumes in particular have fallen significantly. If the ongoing economic impact of COVID-19 results in a contraction of the New Zealand economy, we would expect a similar contraction in import freight volumes.

Container volumes were down 6.3% on the year prior at 880,781 TEU, compared to 939,680 TEU in the same period last year (1 TEU is equivalent to one 20-foot container). While some of the reduction was the result of the loss of two service calls, a service change and a high number of vessels arriving out of schedule in the first six months of the year, the impact of COVID-19 was the main factor. To give some idea of the scale of the fall, this is our lowest throughput since 2013.

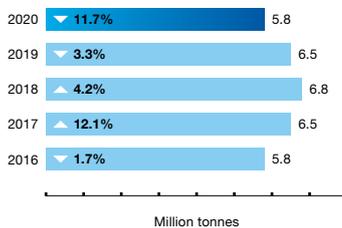
Multi-cargo volumes were down 11.7% compared to the year prior. Total breakbulk volume (including cars) was 5.779 million tonnes compared to 6.548 million tonnes last year. The drop in car volumes was the

major component of this fall, down 15.2% to 216,356 units, compared to 255,252 units in the year prior. Volumes have not been that low since 2014.

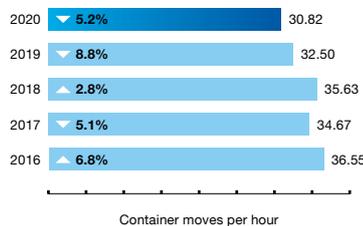
We handled 1,269 ship calls for the year, down 112 on the year before. A large contributor to this drop was the complete halt in cruise ship visits due to the New Zealand border closure, but a number of container lines also cancelled port calls as a result of COVID-19. We were expecting a record year with 137 cruise ship visits, but in the end we received only 112 calls – although this is still the second highest number of visits on record.

It is hard to know exactly how the next financial year will play out, with so many questions around the pandemic yet to be answered. What does seem clear is that the issue will be with us well into 2021 and the economic impact will be significant. For those reasons we are forecasting cargo volumes in all areas of the business to remain flat over the next 12 months. At the time of writing it looks unlikely that there will be any cruise ship visits in the 2020/21 financial year.

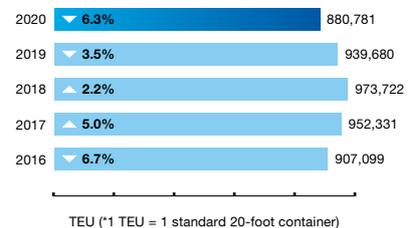
### Bulk and breakbulk (including cars)



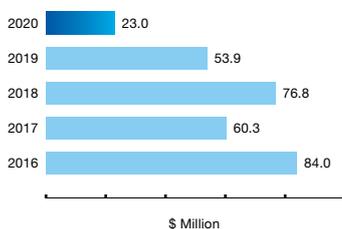
### Crane rate (Australasian Waterline standard)



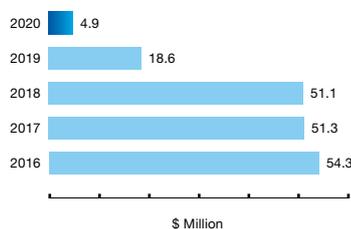
### Container throughput (TEU\*)



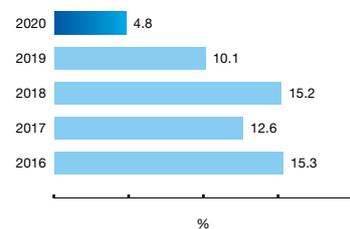
### Net profit after tax



### Ordinary dividends declared for the year



### Return on equity (excluding revaluations)



### Financial performance

As would be expected, with such significant reductions in cargo volumes and cruise ship calls, there has been a reduction in revenue. We were already facing higher costs as a result of our investment programme, and costs increased further as a result of action taken to protect staff and the country from COVID-19. Again, as New Zealand's major gateway for imports we have a responsibility to protect staff and our operations. We bought a large amount of personal protective equipment and reorganised our operations to safeguard business continuity. As a result our profit is down on expectations.

Revenue was \$231.4 million for the period compared to \$248.1 million for the previous corresponding period (pcp). Net profit after tax was \$23.0 million, compared to \$53.9 million in the pcp. We expect to pay a full-year dividend to our owner, Auckland Council, of \$4.9 million.

Our view on the outlook for 2020/21 remains the same. On the one hand, we are gaining additional capacity because of the completion of the automation project and thus the ability to handle greater container volumes. On the other hand, the economic environment makes additional

container volume uncertain, a reduction in car volumes likely and the return of cruise ships a distant prospect. We are approaching this by reducing costs in our operation, deferring capital expenditure where possible and focusing even more on providing the best service possible to our customers and to the people of Auckland.

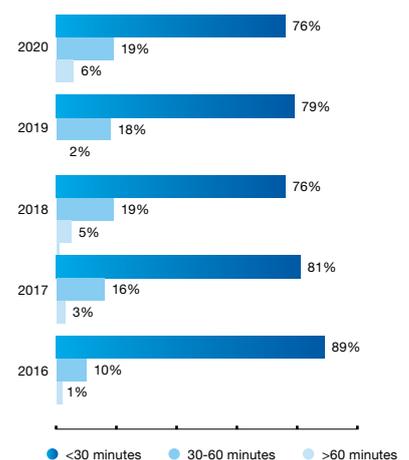
Over the long term, we remain the fastest, most efficient, most cost-effective and lowest-carbon route for freight into Auckland. For this reason we believe the future of the Ports of Auckland is bright and justifies our investment in improving the productivity and capacity of our Waitematā port site.

### Our people

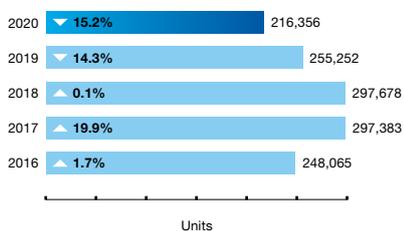
As I have noted above, protecting our people and helping them through the pandemic was our number one priority. Now that we have come through lockdown successfully, we have to deal with the ongoing consequences of the pandemic, both maintaining our safety practices as we interface with overseas ship crew and adjusting to the significant reduction in our throughput and revenue.



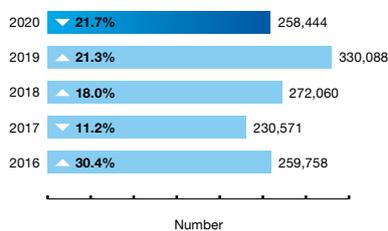
### Truck turnaround (% of trucks turned around in time)



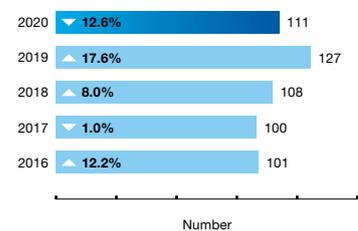
### Cars



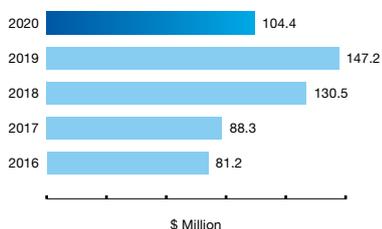
### Cruise ship passengers (Billed passengers)



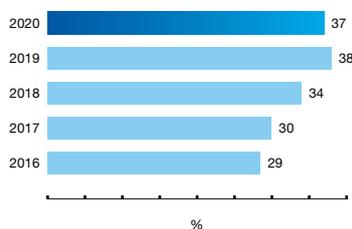
### Cruise ship calls



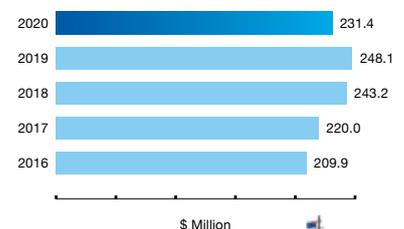
### Capital expenditure



### Interest-bearing debt to debt + equity



### Revenue – statutory



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Part of our long-term vision is to be woven into the fabric of Auckland.

**Our people (continued)**

We know we need to make savings but we also know that things will pick up again and we want to be able to handle that when it comes.

We are also acutely aware that thousands of New Zealanders have lost their jobs as a result of COVID-19, and this has touched many in the port whānau. We do not want to make things worse.

For this reason, as we look to save money, we have first looked at areas that do not involve job losses. Delaying major project expenditure, freezing recruitment, cutting travel and training and more have all helped minimise the impact on our people. However, despite our best efforts we have been forced to reduce staff numbers to balance the books. This is hard on the people who are leaving and on the friends they leave behind. We have done our best to be as kind and supportive as possible through this difficult process.

In a significant development for safety, we are the first port in the country to use 'lash platforms' as part of the container loading and unloading process on our cranes. One of the roles at the terminal

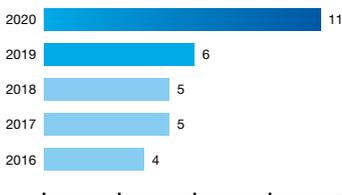
involves fitting and removing twist locks to the corners of containers as they are put on or taken off a ship. This work was previously done at ground level under the cranes while straddle carriers operated in the same area. While staff are well trained, working around heavy machinery carries an inherent risk.

Lash platforms are situated on the crane above straddle height, so staff are no longer working around heavy machinery, thus eliminating this risk. The platforms have cabins at each end providing shelter in bad weather and improving working conditions. Overall, the platforms are a great benefit to staff and are a welcome change.

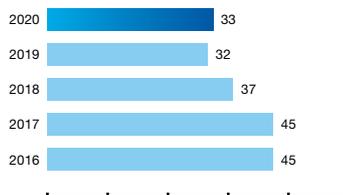
**Community**

Part of our long-term vision is to be woven into the fabric of Auckland. Our annual SeePort festival is a key part of our engagement with Auckland as it creates an opportunity for Aucklanders to come onto their port, enjoy themselves and learn about how it works. SeePort is held over Auckland Anniversary Weekend and attracted large crowds again this year. When it started in 2013 it was very much focused on port activities, but over the

**Lost-time injuries (LTIs)**



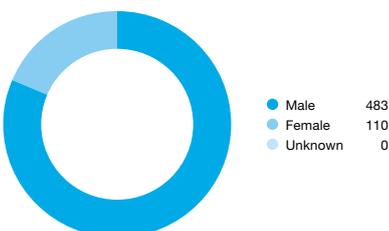
**Medical recordable injuries**



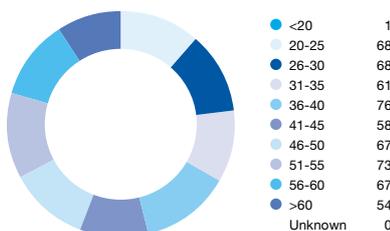
Note: Health and safety metrics depict the numbers at the Waitematā seaport only.



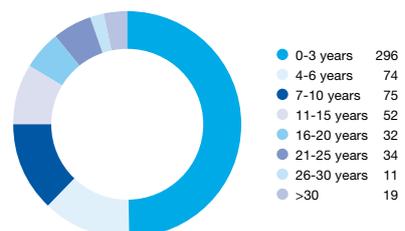
**Staff gender balance†**



**Staff age profile†**



**Staff years of service†**



† Permanent Ports of Auckland employees only. This includes full-time, part-time and fixed term staff. It does not include contractors and casuals. Last year we reported all employees for Ports of Auckland and their subsidiaries. These figures have been updated retrospectively and now show Ports of Auckland permanent employees only. Note: Health and safety metrics depict the numbers at the Waitematā seaport only.

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We intend to be a zero-emissions port by 2040 and are currently laying the foundations for meeting this goal.

years it has grown into a showcase for Auckland's maritime and logistics sector.

For the first time this year we were able to offer public bus tours of our container terminal so visitors could get a close-up view of giant container ships being loaded. Feedback from SeePort has been overwhelmingly positive, with many Aucklanders really appreciating the opportunity to see their port at work.

We are grateful to our supporting partner the Royal New Zealand Navy, and other partners including KiwiRail (who brought a locomotive on site), Sanford (showcasing sustainable seafood), Police, Fire Service, Customs, the Ministry for Primary Industries and more. We would like to thank these partners for making this event a huge success, and our staff, many of whom volunteer over the weekend to share their experience of the port with the public.

**Zero emissions by 2040**

We intend to be a zero-emissions port by 2040 and are currently laying the foundations for meeting this goal.

In July 2018 we joined the Climate Leaders Coalition (CLC), and in doing so pledged to publicly set an emissions reduction target consistent with keeping global warming within 2°C of pre-industrial levels.

We then chose to commit to the Science Based Targets initiative (SBTi) because of the scheme's ability to help with verifying that our emissions reduction roadmap is consistent with an approach grounded in science. SBTi is the only globally recognised scheme which does so.

Since then, the Inter-Governmental Panel on Climate Change released a report that raised significant concerns about the likely effects if the temperature rise exceeds 1.5°C. As a result, the SBTi changed their programme, which now requires emissions reduction roadmaps to be aligned with a 'well below 2°C' or a '1.5°C' target.

Over the last six months we have developed an emissions reduction roadmap in line with the 'well below 2°C' target and this was approved by the Board in December. In the short to medium term the roadmap involves using fuel switching (to bio diesel or renewable diesel) and the purchase of renewable energy certificates for our electricity to achieve emissions reductions. This will be supplemented by the adoption of zero-emissions technology with a significant increase in this focus during the 2030s. We have submitted our roadmap to the SBTi for verification.

We have started a multi-year programme to develop a climate response framework. We completed a Climate Change Impacts



2°C

our emissions reduction roadmap takes us well below the Climate Leaders Coalition target



## CHIEF EXECUTIVE'S REVIEW



Ports of Auckland commissioning this tug has created a leadership impact by showing others what is possible.

and Implications study last year, which recommended a phased approach to developing our climate strategy. We have completed an organisational climate response readiness assessment and as part of this have a three-year action plan for developing our climate response maturity in line with the Task Force on Climate-related Financial Disclosures (TCFD).

We have also done some work this year to identify how the Ports of Auckland's sustainability strategy and operational roadmap align with the United Nations' Sustainable Development Goals (SDGs). The SDGs were designed to catalyse a shift in how business sees its role in contributing to sustainable development, providing a framework for business to understand the transformation that is needed to meet a better and more sustainable future by 2030.

The review looked at how other ports globally have reported on the SDGs, taking particular note of the analysis conducted by the World Ports Sustainability Program. We then looked at which SDGs align with our sustainability strategy and roadmap and from there developed a short-list of the SDGs which are in our inner sphere of influence, and thus which should be focused on as part of our strategy.

The five SDGs (below) were identified as being in our inner sphere of influence.

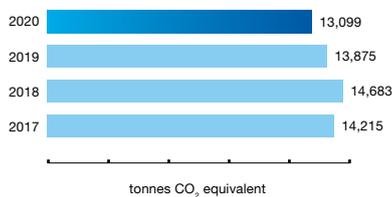
Our next step is to determine our focus for delivering to the SDGs overall and how we might need to adapt our strategy to better address those in our inner sphere of influence.

We have upgraded 90% of our lighting (including exterior flood lights, workshops/sheds, and the POAL office) to LED. This project has contributed to around 10% reduction in electricity usage for the period, although it should be noted that other factors, like fewer refrigerated containers, will also have had an impact.

Construction of our new electric ship-handling tug – the world's first – has started in Vietnam and delivery is expected in late 2021. It will save approximately 465 tCO<sub>2</sub>e annually, by replacing one of our diesel tugs. Ports of Auckland commissioning this tug has created a leadership impact by showing others what is possible. It is driving the development of zero-emissions technology for tugs and will lead in the development of this industry.

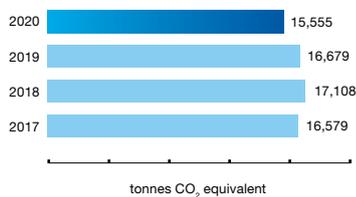
Through our electricity retailer, Genesis, we have purchased Renewable Electricity Certificates (RECs) issued by the New Zealand Energy Certificate System. The

### Total gross controlled emissions (scope 1 and 2)

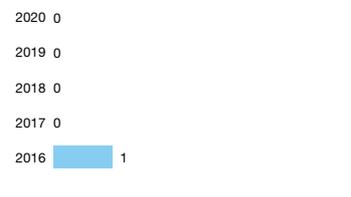


Note: Ports of Auckland has used the market-based method for calculating our Scope 2 emissions. From 1 April 2020 we have calculated our scope 2 emissions using the market based approach.

### Total gross emissions (scope 1, 2 and 3)



### Environmental spills



Note: Environmental measurements are currently only taken at the Waitematā seaport. The spills data refers to spills for which Ports of Auckland has assumed responsibility.

### Rail moves as % of total land-side moves to/from the port



### SDGs identified as being in our inner sphere of influence



## CHIEF EXECUTIVE'S REVIEW



The COVID-19 pandemic has hit our city economically and socially, but we can and will rebuild.

RECs for this financial year equate to 327 tCO<sub>2</sub>e savings and are an important part of our emissions reduction programme and support NZ Inc's ambition to use 100% renewable electricity by 2035.

We are making progress – albeit more slowly than hoped – on our plan to build and operate a hydrogen production and refuelling plant on port. We have awarded the pre-construction services contract and engineering and detailed design work is well underway. Resource consent was granted on 9 September 2020.

Through the development of our hydrogen demonstration project, we have found the lack of effective regulation and government financial support to be challenging. It has taken longer and cost more to work through the necessary regulatory approvals. The government has several potential funding mechanisms in place, but none have been willing to support the development of hydrogen infrastructure in Auckland, instead choosing a provincial focus, even though hydrogen is widely recognised as a key part of New Zealand's zero-emissions future.

The project has also been impacted by COVID-19, which has increased the lead times for key components. We are now unlikely to have the plant operating until 2021.

On a positive note, we have taken delivery of four barrels of 100% renewable diesel, a second-generation biodiesel which will be used in trials at the port and testing by Auckland University. As noted above, using renewable diesel will help us reduce emissions in the short to medium term.

Our greatest advantage as a port is that we are located in the market we serve. Other ports are hundreds of kilometres away, adding time, cost and carbon emissions to imports and exports.

We have developed a carbon calculator to help our customers and cargo owners work out the carbon footprint of the land transport leg of their imports and exports. Using this we have been able to clearly demonstrate the advantage of importing via a local port such as Ports of Auckland.

The work we have done to date with our supply chain partners, using our carbon calculator to demonstrate emissions savings, has resulted in significant changes to freight routes and greater use of rail. This is realising emissions savings for those partners and for New Zealand.

The potential savings are huge. Currently around 300,000 TEU of Auckland freight is handled via Tauranga, generating significantly higher emissions. Auckland could save over 30,000 tonnes of CO<sub>2</sub> a year just by importing locally through its own port. We believe this is a significant issue and one that we will be highlighting to our customers, supply chain partners and other stakeholders.

### Conclusion

The COVID-19 pandemic has hit our city economically and socially, but we can and will rebuild. We look forward to continuing to make a significant economic, environmental and social contribution to Auckland to support that rebuild. The investments we have made in our people and our port will help us power the people who grow our city.

We would like to thank all our staff, management and Directors for the work they have done to keep Auckland's port working during the COVID-19 pandemic, and in preparing our port for a new era.

**Tony Gibson** Chief Executive



**30,000**  
TONNES

potential CO<sub>2</sub> savings by handling Auckland freight through Ports of Auckland instead of Tauranga

# OUR STRATEGY

## OUR MARKET ENVIRONMENT

We are Auckland's port. Owned by the city, providing an essential service, significant economic benefits and thousands of jobs directly and indirectly. We deliver the things that make Auckland a great place to live, study, work and play.

We are in the central city and on the Waitematā harbour and must take care of our place. We are growing capacity through technology, not reclamation. We are on track to reduce our carbon emissions to zero by 2040. We will meet the needs of Auckland responsibly and successfully.

We contribute to New Zealand's economic success. We have built regional transport hubs to create efficiencies for regional customers to export their goods to global markets.

## OUR OUTCOMES



Delivering goods to Aucklanders to support our growth and way of life

- Supportive community and iwi
- Keeping ahead of trade needs
- Engaged shareholder
- Commercially successful



Supporting New Zealand and serving regional New Zealand's freight needs in the most efficient and sustainable way

- Delighted customers
- Volume growth through sustainable supply chain solutions
- Future-fit New Zealand port structure



Being innovative and sustainable world-class port company with safe and empowered people

- Innovation leader
- Safe and empowered people
- Improved environment

## OUR STRATEGIC OBJECTIVES

- Constructive relationships with all stakeholders
- Increased public engagement, with open and transparent communications
- Appropriate capacity to meet growing volumes and larger ships
- Sustainable shareholder returns
- Maintain enough financial capacity to respond to market change risks

- Productive and efficient operations
- Effective engagement with customers
- Integrated supply chain network – hubs and transport with a focus on rail
- Gain high-volume cargo owners with supply chain solutions
- Supply chain successfully contributes to volume growth

- An engaged and skilled workforce with safety and wellbeing embedded into our culture
- Diversity and inclusion leveraged for competitive advantage
- Protection of our natural environment, responsible use of natural resources
- Leader in Auckland's transition to a low-carbon economy
- Rapidly adapt to change and continue operations with limited impact
- New, sustainable revenue streams through innovation and partnerships

## OUR PERFORMANCE TARGETS

- 55%+ overall favourability from Ports of Auckland community attitude survey
- 2020 straddle automation successfully completed
- 30-year master plan infrastructure developments completed on target

- Maintain productivity while automating the container terminal
- Achieve minimum of 80% customer satisfaction
- Waikato Freight Hub operational
- Minimum of 15% of container volume moved by rail
- Increase supply chain volume

- Zero lost-time injuries
- Future of Work programme completed by all staff
- Greater ethnic diversity in leadership roles, to a minimum of 30% non-European
- Minimum of five innovation projects initiated
- Zero waste by 2040
- Carbon neutral by 2025
- Zero emissions by 2040

