



Working hard for Auckland

Front Cover: Sea Scouts at the 27th National Scout Regatta, Fort Takapuna. Ports of Auckland announced a three year partnership with SCOUTS New Zealand in 2015 as part of an on-going commitment to support local sea scouting.

Inside Cover: Aucklanders enjoying the Auckland Symphony Orchestra perform at the annual Ports of Auckland SeePort Festival on Captain Cook wharf. Over 60,000 visited the festival in 2016.



Welcome

to Ports of Auckland
2015/2016 Annual Report

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A Strong Financial Performance

We forecast a tough year for revenue and it was; volume and revenue were lower, but we improved productivity and profit. We increased the dividend to our owners. This is a great result. It shows that the company is in good health.

We will pay our shareholder, Auckland Council Investments Limited, a dividend of \$54.3 million for the 2015/16 financial year. This compares with last year's dividend of \$41.7 million.

A dividend of \$54.3 million equates to \$103 per Auckland household, or 4.4% of the average residential rates bill of \$2320.

While reported profit before tax was \$99.9m, adjusted underlying profit before tax was \$70.6m up \$1m on last year. Revenue was \$211.1 million, down \$7.2m and underlying expenses were \$105.7m, down \$12.7m.

	2016			2015		
	Reported profit \$'000	Adjustments \$'000	Underlying earnings \$'000	Reported profit \$'000	Adjustments \$'000	Underlying earnings \$'000
Revenue	211,108	–	211,108	218,314	–	218,314
Expenses	(103,549)	(2,184)	(105,733)	(132,485)	14,057	(118,428)
EBITDAFI	107,559	(2,184)	105,375	85,829	14,057	99,886
Share of profit from equity accounted investments	1,168	–	1,168	2,001	–	2,001
Depreciation and amortisation	(24,458)	–	(24,458)	(21,113)	–	(21,113)
Finance costs	(11,517)	–	(11,517)	(11,268)	–	(11,268)
Reversal of previous impairment of assets	17,584	(17,584)	–	15,075	(15,075)	–
Investment property fair value increase	12,213	(12,213)	–	(457)	457	–
Impairment, (loss)/ gain on investments	(2,614)	2,614	–	891	(891)	–
Profit before income tax	99,935	(29,367)	70,568	70,958	(1,452)	69,506
Income tax expense	(15,939)			(7,770)		
Profit after income tax	83,996			63,188		

The table (left) shows the adjustments to the reported profit. Expenses have been adjusted to take in to account the one-off impacts as a result of the court ruling on the extension of Bledisloe Wharf. Last year's expenses have also been adjusted for the write down and demolition costs associated with the partial demolition of Marsden Wharf and severance payments made in that year.

One-off impairment, gains or losses arising on investments have also been adjusted. Investment property valuation increase of \$12.2m primarily reflects value created by improvements to Ports of Auckland's Wiri Freight Hub.

Our financial performance should be seen in the context of a container shipping industry that is undergoing significant change. Put simply, the industry has built too many container ships and there isn't enough freight to fill them. Profits are down, and a series of mergers and acquisitions are underway as lines seek to reduce overcapacity and improve their financial position.

The impact has been felt in New Zealand in the shape of changing shipping patterns as some lines have withdrawn from our market and as alliances between lines have changed. This has resulted in a 7.9% fall in the volume handled through our container terminal.

The container sector is expected to remain volatile and our future volume growth will be subdued as a result. This highlights the need for us to continue our focus on maximising our productivity and flexibility on-port and investing in the supply chain off-port, so that we can offer cargo owners good value and service.

In contrast to the container terminal, our multi-cargo container business has grown 3.2%. The majority of this business is to/from the Pacific Islands, a trading region where volumes have been reasonably consistent year on year and are expected to remain so.

Total container volume (terminal plus multi-cargo) is down 6.7% on last year to 907,099 TEU.

Bulk and break-bulk volumes (including cars and other vehicles) have been varied. Bulk volumes are down 5.5% as a fall in iron/steel commodity prices has led to a significant reduction in the export of iron sand. This has been partly offset by the increase in other commodities such as cement and coal.

The number of 'high and heavy' vehicles we've handled, such as farm and construction machinery, has grown and car volumes were up 1.7%. Growth in car volumes slowed this year, but there has still been a strengthening in both the new and used car markets and the industry is predicting a similar level of growth for the next few years. Growth in all vehicles helped minimise the overall volume reduction in bulk and break-bulk, which was down 2.2% compared with last year.

▲ \$54.3

million shareholder dividend



We continue to evolve our operations to best meet the dynamics of the market and the changing needs of our customers. Through the implementation of our strategy we have achieved greater flexibility and the ability to manage operating costs to ensure that overall financial performance is protected.



People & Culture

Our success is down to our people and our port culture. We continue to invest in the development of our people, fostering innovation, supporting diversity and creating a strong health and safety culture.

Health and Safety

Keeping our people safe and healthy at work is our top priority and this year we are pleased to report a significant reduction in injury rates. There were 45 injuries requiring medical treatment during this period, compared to 57 in the period prior, down 21%. Injuries that required a person to take time off work (LTIs or Lost Time Injuries) were down 67% on the prior year, down from 12 to four. The LTI rate is now down to 0.5 injuries per 100,000 hours worked. Nevertheless, we want to do better and we have a number of new initiatives that aim to drive rates lower.

This year we launched 'Portsafe', a new health and safety reporting and monitoring tool. Portsafe makes reporting easier, but also allows better follow-up to ensure identified safety issues are dealt with quickly and effectively. In conjunction with Portsafe we are encouraging staff to report near-miss events. By encouraging near-miss reporting we can identify areas of potential weakness and deal with them before they become serious.

We recognise that safety is everyone's responsibility and that having a good health and safety culture is vital if we are to get our injury rates down further. In February staff were offered the opportunity to take part in an online and paper based safety culture survey designed by the company Global Safety Index. The survey was then followed-up

with a series of interviews to provide a more in-depth understanding of the reasons for the survey responses.

Those who took part in the interviews were universally appreciative of the opportunity to participate and provided some great insights into how they perceive safety in their work environment.

We will use the information gained from this process to develop strategies to ensure continuous improvement in health and safety engagement and achieve a truly mature safety culture.

Diversity

We have a strong commitment to diversity and inclusion both because it is the right thing to do and because it brings us a competitive advantage. We have people from almost 40 nationalities at the port. Having such a diverse workforce brings diverse perspectives, which adds a real strength to our decision making and ability to innovate. While the port is still male-dominated, we have had considerable success in opening up opportunities for women. Just over a quarter of our workforce are now women, up 1.7% on the year prior and up from only 11% in the 2010/2011 financial year.

This year we were very proud to win the Gender Diversity in Leadership category at the recent Women in Governance Awards. There was a very strong field, so to win this category reflects well on the work we are doing in the area of diversity.



The judges said:

“Ports of Auckland clearly and convincingly linked leadership diversity to increased productivity. There is a remarkable story of rapid diversity change and business turnaround in a traditionally male dominated industry. This is reflected from board level through to all organisational levels and they are a role model for not only their industry but for all businesses in New Zealand.”

We are all here at the port to do a job, but that doesn't mean we can't have some fun along the way. We want everyone to feel part of something bigger, to be part of the port family and celebrate our successes. During the year we celebrated Diwali with a delicious Indian feast served for all shifts and we have started celebrating Matariki with a hangi. Any left-over food is donated to the Auckland City Mission. Each year we hold a staff and family Christmas party, and we enter and host a large team from the company at the Ports of Auckland Round the Bays fun run. Over 900 staff and family members walked and ran in this year's event.

Sports and fitness are a priority for the port and for many of our staff. We have two gyms on site and offer crossfit-style exercise classes (called 'PortFit') throughout the week. Around 40 staff regularly take these classes. We also have some top class athletes employed at the port who we support through our staff sports sponsorship scheme. We can count World Champion Blokart racer David Heilbron and top power lifter Edwin Ng among the ranks of our sporting achievers this year.

Operations

This year we have maintained our position as the best performing container terminal in Australasia, and we are investing infrastructure and technology which will help us maintain that position. Our crane rate, the best in the country, averaged 36.6 moves per hour over the year, 7% up on the year prior and a 38% improvement on 2011 when we began the current focus on lifting productivity. Ship and vessel rates (the speed with which we load and unload ships) have also improved and these are also around 40% higher than in 2011.

Our efficiency helps our shipping line customers by reducing the time spent in port, but the benefits are felt much more widely. Less ship time in port means fewer emissions, which helps reduce our carbon footprint and the impact on neighbouring communities. Efficiency means we make better use of our land, reducing the need for reclamation, and it makes imports cheaper and exports more competitive.

“Our goal is to balance our volumes so that we are shipping out more New Zealand exports rather than empty containers.”

During the year we successfully implemented our new container terminal operating system (Navis N4) as part of our plan to use technology better and become a smarter port. N4 will support other smart initiatives such as using optical character recognition to read container details and to speed up handling at the terminal. The implementation of this IT project went well. We were able to maintain smooth gate operations and a high productivity of over 35 crane moves per hour while completing the go-live and subsequent major updates.

The long-standing Fergusson container terminal expansion project is in its final stages and on-track to be completed by around 2020. In October 2015 we finished a 50 metre extension of our main container wharf and started work on a new 300 metre berth along the northern face of the terminal. When completed in 2017, this will add 50% more berth space to extend our capacity to host next generation ships. Completion of the final 2.5 hectares of reclamation is underway and is expected to be complete around 2020.

Our multi-cargo operation has continued to deliver a high level of service again this year. Multi-cargo handle a wide variety of freight and the team has to manage this in a relatively limited amount of space. We have handled record volumes of cars and other vehicles again this year but the multi-cargo team still gets cars off-port quickly, in two and a half days, on average. This is a remarkable achievement

when you consider we can have more than 10,000 cars a week across the wharves.

This year has also seen the completion of the new Holcim cement terminal and cement ship unloading facilities, with the first successful shipments taking place in June. This completes the move of cement handling facilities to our Waitematā seaport and will mean the closure of Onehunga port.

It was particularly pleasing this year to gain international recognition for our improved performance and customer service. In October 2015 we were highly commended for our container terminal operations in the Lloyd's List Asia Awards, second only to Port Singapore Authority for terminal operations in all of Asia. We were also awarded the 'Best Seaport in Oceania' at the Asian Freight, Logistics and Supply Chain Awards. Winning this award reflects just how good our people and operations are.

We are particularly proud of this achievement as we were judged by customers and international shipping experts.

John Lines, Managing Director of ANL, said “This award is well deserved. Our goal is to make shipping easy and reliable for our customers, and we need ports that can back us up when we need it, for example if a ship is delayed by weather. Ports of Auckland's high productivity and 'can do' attitude' have really helped us this year.”

Peter Creeden, Managing Director Finance and Operations for Hamburg Süd commented on the close working relationship between our two companies. “We work closely with Ports of Auckland to make connections between vessels and get cargo to our customers faster. Our ongoing relationship is important to us as it enables our respective operations to be more responsive and innovative and will help us both to deliver a more efficient supply chain.”

It is estimated that Ports of Auckland facilitates more than 169,000 jobs in the Auckland vicinity. By continuing to invest in technology and improving our efficiency we will be able to continue to support economic growth and job creation in Auckland and New Zealand.

Integrated freight hub network gains momentum

Due to our location near a big city, Ports of Auckland has traditionally been import-heavy. Our goal is to balance our volumes so that we are shipping out more New Zealand exports rather than empty containers. Our strategy is to develop a rail-connected North Island freight hub network, which will allow us to aggregate freight in the regions and then transport it north on currently under-utilised freight networks. This will enable us to balance freight flows around the North Island and eliminate the unnecessary movement of empty containers.

It also provides exporters with choice, improves access to overseas markets and reduces exporters' costs due to supply chain efficiencies. Our hubs provide better

international freight links to benefit regions, encouraging additional investment and employment opportunities. All our hubs are port neutral as we want shippers to use the most natural, efficient supply chain that best fits their business needs and we back ourselves to offer a competitive alternative.

This year our integrated freight hub network has really gained momentum. To complement our hubs in Manawatu, Bay of Plenty and South Auckland, we bought 33 hectares of land at Horotiu, just north of Hamilton to develop a Waikato freight hub. The site is ideally located in the heart of the busy Waikato region with excellent road and rail connections to Auckland and Tauranga.

Our recently announced strategic alliance with the Port of Napier builds on our existing partnership with them in the Manawatu. The partnership allows us to work together to find ways to optimise services for freight customers and achieve further scale and efficiencies in the supply chain.

There is a natural fit between our two ports. We share similar values and a way of working, common customers and supply chain opportunities and we have similar ownership structures. We look forward to working with Napier to create greater value for our customers and the country.

This year we will complete development work at our South Auckland Freight Hub in Wiri. In December 2015 we opened a new cold store at Wiri, developed in partnership with Polarcold Ltd. The \$33 million cold store incorporates a range of technologies to ensure it is as green and sustainable as possible. This includes water harvesting for the refrigeration cooling system, a bio-retention device for storm water & wastewater management, automatic sensor LED lighting and an energy efficient refrigeration plant.

We have also started construction of a new cross-dock at Wiri which will open in December 2016. The cross-dock is designed for import and export cargo owners and freight forwarders and allows efficient transfer of freight to and from containers, and the port.



“We will also start work to develop our Waikato hub, with the focus being on getting consent for the works required to connect the site to road and rail. Our development of the site is a multi-year project which will be phased to meet the needs of our customers.”

Sustainability

This year we have embarked on an exciting sustainability journey. In the last five years we have transformed our port into the best in Oceania for efficiency and customer service, and now we want to do the same from a sustainability perspective. It is our ambition to be the most sustainable port in New Zealand and to be a pioneer in sustainability within the industry.

We have sought the advice of an international NGO that specialises in helping businesses reimagine and transform the way they work to create a sustainable future. Our aim is to create a strategic sustainability framework this year (2016/17) and start work on a small number of pilot projects to help build our capability.

“It is our ambition to be the most sustainable port in New Zealand and to be a pioneer in sustainability within the industry”

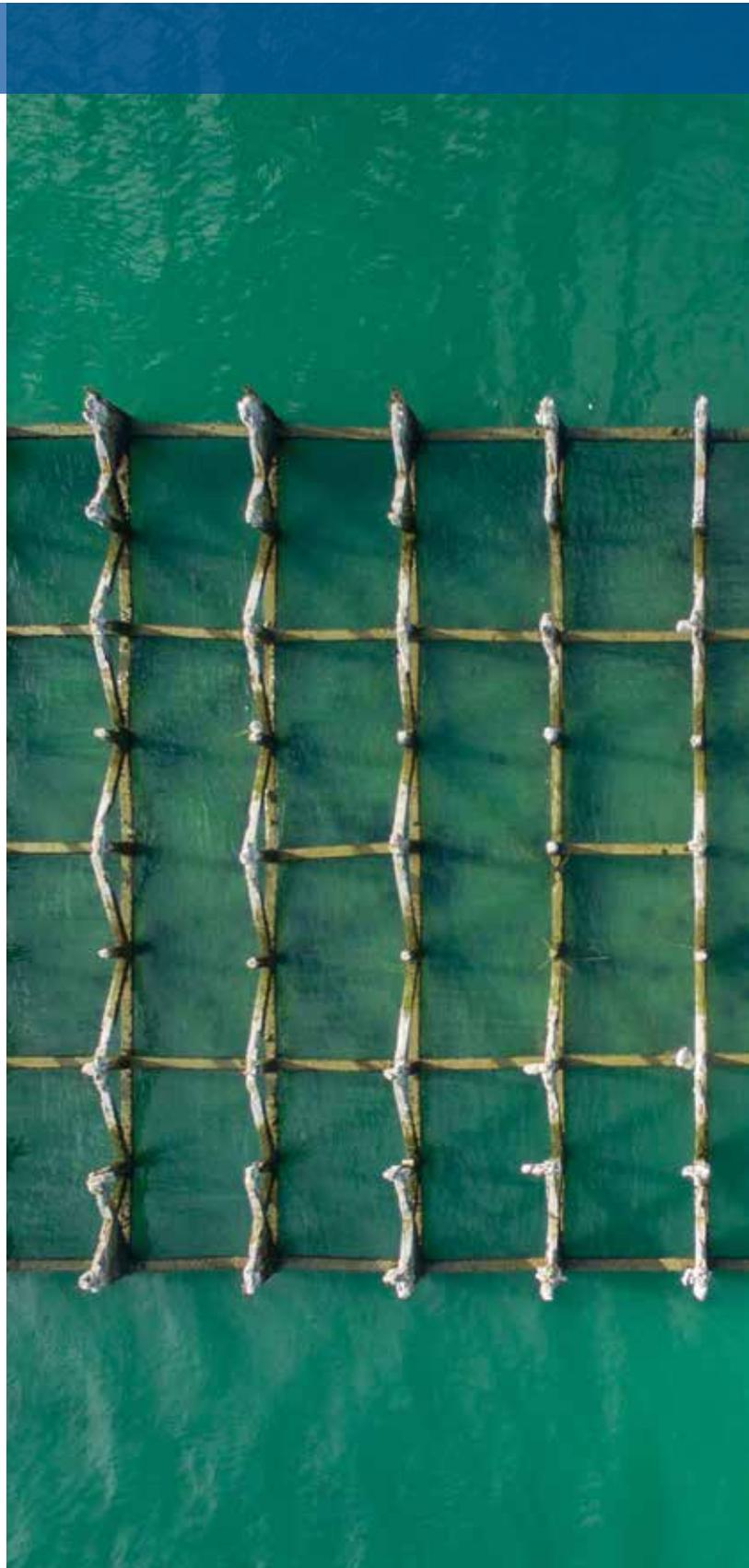
In the past, sustainability for us has mainly meant work to reduce our environmental impact. While we have achieved some great results, we have tended to work ‘initiative by initiative’, rather than as part of a strategic plan. By taking a more strategic approach and by focussing on all the key areas of sustainability (financial, manufactured, intellectual, human, social and relationship and, of course, natural) we will be able to achieve much more.

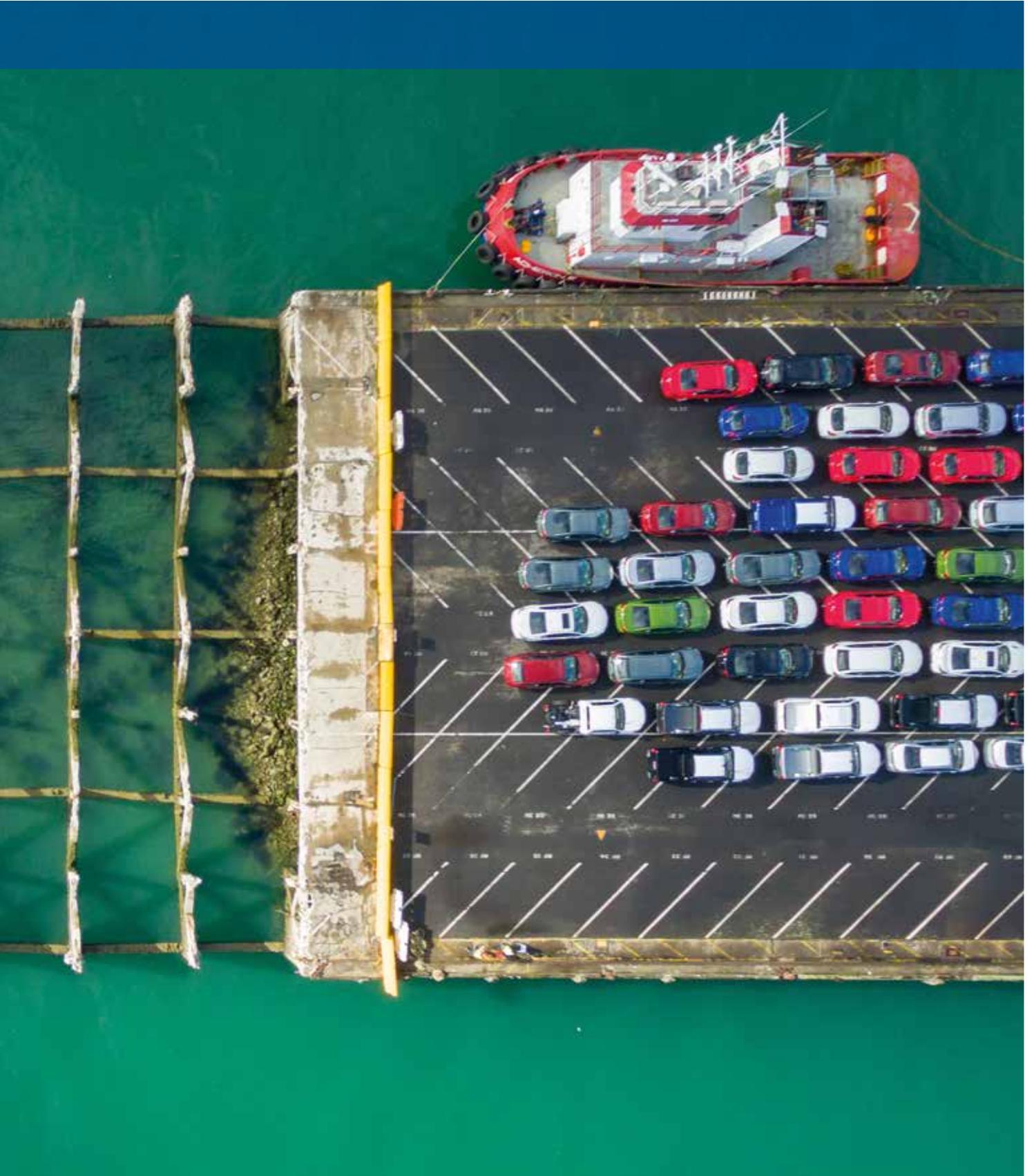
We believe we have the potential to deliver some significant sustainability outcomes both on port, in our surrounding community, and by acting as a catalyst for change up and down the supply chain.

Our environment

We have a good record for reducing our impact on the environment and our neighbouring communities through work to reduce energy use, emissions, noise and light pollution, and our impact on marine wildlife. Projects this year have included the delivery of our first hybrid capstan truck (used in mooring ships) and the introduction of a new pilot boat which uses one third less fuel than the old boat.

One of our most significant environmental achievements is the work we have done to reduce the number of Bryde's whales being killed by ships in the Hauraki Gulf.







Since 2012 Ports of Auckland and shipping lines have been involved in a collaborative effort with scientists, iwi and conservation groups working to reduce ship strike on Bryde's whales in the Hauraki Gulf. After looking at various ways to reduce whale deaths, it became apparent that lower ship speeds were necessary. In 2013 Ports of Auckland led the development of a voluntary protocol for shipping in the Gulf which aims to get average speeds down as close as possible to 10 knots.

“The results speak for themselves. Since the protocol was introduced ship speeds are down 25% and in nearly three years only one whale has been killed, compared to two-a-year on average previously. It is a good example of how partnership and collaboration can work to make it possible to balance environmental and economic imperatives to deliver a more sustainable shipping service into Auckland. A win-win.”

A part of our community

The sheltered Waitematā Harbour has hosted trading and passenger vessels for hundreds of years, and the port has been at the heart of Auckland since the city was officially founded in 1840. The port has always been a key economic driver for Auckland city but as the city grows around us we recognise that our position can't be taken for granted. We occupy prime CBD waterfront land and our activities can have a negative impact on our neighbours. Where once it was possible to wander down to the wharves, safety and security concerns now mean the public are kept out, severing the direct link between Aucklanders and their port.

We want to keep our external impacts low and give back to the community where we can. This is why, over time, we have opened up areas of the port that are no longer needed for freight activities. Most recently we have entered into negotiations to sell the Port of Onehunga. Manukau Harbour is too shallow for modern shipping, making the port at Onehunga unsuitable for freight operations and this land will be made available to Aucklanders, just as we have opened up Princes Wharf, Queens Wharf, the Viaduct Harbour and Wynyard Quarter for public use and enjoyment.

We are committed to being open and transparent and engaging actively with our communities. We meet regularly with our neighbours on the Community Reference Group to discuss their concerns with them and tell them about port activities. This year has seen a focus on reducing noise from trucks and we are working on this in partnership with NZTA and National Road Carriers.

As part of our commitment to help create a vibrant waterfront, we sponsor two major waterfront based events. We are proud sponsors of the Ports of Auckland Round the Bays where more than 25,000 Aucklanders – including around 900 port staff and family – run from the port to St Heliers for fun, fitness and to raise money for charities. We also sponsor the Ports of Auckland Anniversary Day Regatta, an iconic event which has been running for as long as Auckland has existed. The port has long participated in the Regatta – most notably in the annual tug race – but in recent years we have become naming rights sponsor to give the event a firm footing.

In an effort to let more people see ‘behind the red fence’, we also host a port open weekend, SeePort, a three-day celebration of our port, shipping industry and maritime heritage during Auckland Anniversary weekend. This free family-friendly event is in its third year and attracts over 60,000 visitors to the port.

These big sponsorships are great, but it is often the smaller activities we sponsor that are the most satisfying. For example, we provide free port and harbour tours for Auckland schools in partnership with the New Zealand Maritime Museum. Some schools struggle to afford the cost of buses into town for their kids, so in a new initiative we use money raised from our paid school holiday port tours to cover the cost of transport for these schools.

Many kids in Auckland never get to go out on a boat in the Waitematā harbour and it is wonderful to see their faces when they get on the sea and up close to a big container ship for the first time.

Ports of Auckland also continues to play a key economic role in our city. We contribute directly as a business, generating dividends for use by the Council and providing work for around 600 staff directly and around 3,200 in the wider community. However the port’s main impact is as an economic facilitator. For example Auckland is the hub for the New Zealand cruise industry, which is enabled by the location of the port and international airport. It is estimated that in 2015 the cruise industry directly generated \$119.4 million in Auckland plus a further \$134.9m of value added (GDP) and 2,452 jobs in Auckland.

Overall, the regional economic role of Ports of Auckland, made up of the core activity of the business (\$412 million) and the trade which is facilitated (\$13.6 billion), jointly generated \$14 billion in value added (GDP) in 2015, equivalent to 169,000 jobs. This represents 20 percent of economic activity in the Auckland economy in 2015.

The Future

The situation in the shipping industry, particularly in the container sector, is not going to change for some time. Over 300 container ships, with a combined capacity of over 800,000 TEU, were idle in early July 2016, supposedly the start of the Asian export peak season, while in July of the two previous years, less than a quarter of this capacity was idled.

This means the pressure on ports to keep costs down and performance up will remain. We expect to see continued consolidation in the industry and consequent changes in service patterns affecting New Zealand. Our forecast for container volumes for the 2016/17 financial year remains flat.

Our performance is already top-of-class and we think it is about as high as we are going to get through traditional port technology. Further improvements to performance will come about through innovation and technology, which is our focus for the future.

We have now agreed to partially automate our container terminal, the first New Zealand port to do so and the first world-wide to take this particular approach. We will maintain manual operation under our cranes in order to keep our productivity high, but will automate the yard and truck operations to deliver greater efficiency, more capacity and lower costs. When fully implemented in 2019 automation will give us a significant strategic advantage.

We are also looking to technology and innovation to lift performance in our Multi-Cargo operation. While cars do not stay long on our wharves – two and a half days on average – we will be looking for innovative ways to increase our capacity and get cars off wharf even faster.

Our partnership with Napier Port is an indication of the way of the future. Ports need to team up to get the best out of their own performance and get the scale needed to be able to deliver efficiencies the New Zealand supply chain really needs. Partnership is not just limited to between ports. We work closely with our customers and other supply chain partners such as KiwiRail to improve both efficiency and sustainability and we will continue to do so. We have more partnership projects in the pipeline that we hope to be able to share in the coming year.

Overall, we can look forward to some exciting years ahead as we meet the challenges of our industry head on, and make the transformation into the smart port of the future to lift our performance to a new level.

Our company is in good health, and that is down to our people. We would like to sincerely thank the board, management and all staff for their hard work and dedication throughout the year. We would also like to thank all our customers, suppliers, contractors and friends for their support. We look forward to working with them all again this coming year.



TONY GIBSON
Chief Executive Officer



LIZ COUTTS
Chair

Highly Efficient Operations

The highlight of our year was being voted 'Best Port in Oceania' by our customers at the Asian Freight, Logistics and Supply Chain awards.

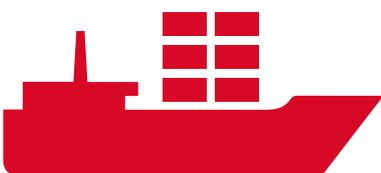


101

CRUISE VISITS

1,588

VESSEL VISITS



87,242

TEU MOVED BY RAIL



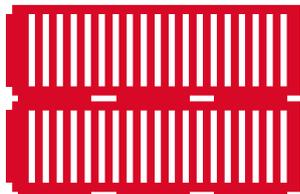
\$54.3m

DECLARED DIVIDENDS TO COUNCIL



907,099

TEU*



* 1 TEU = 1 standard 20-foot container

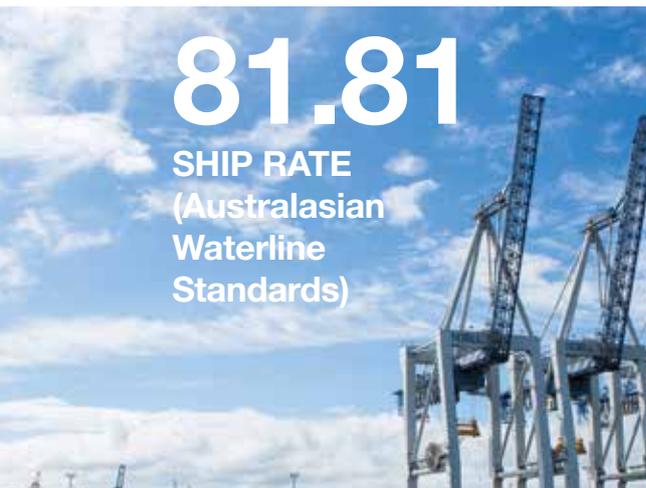
259,758

CRUISE SHIP PASSENGERS

RECORD NUMBER OF PASSENGERS VISITING AUCKLAND IN ONE YEAR.

81.81

SHIP RATE
(Australasian Waterline Standards)



36.6

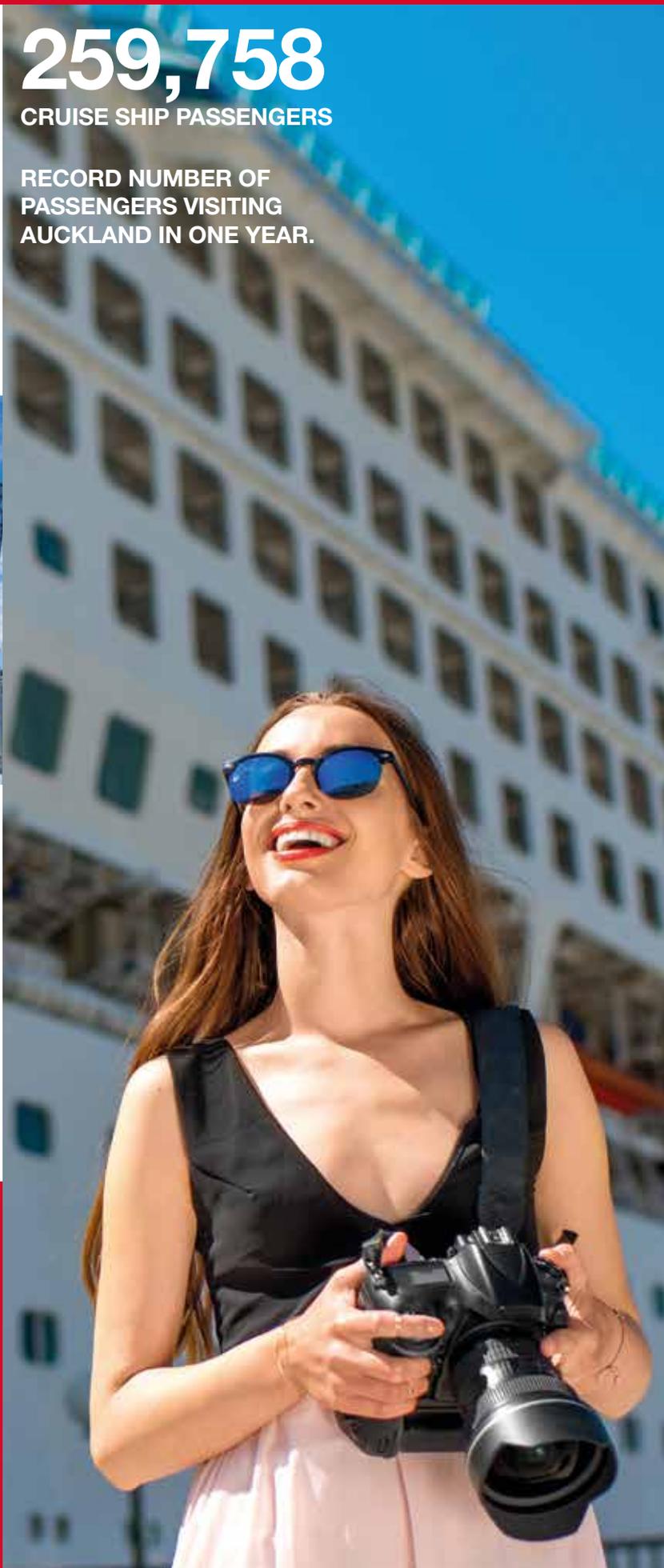
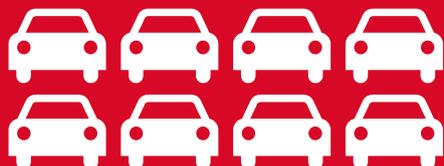
MOVES PER HOUR
- CRANE RATE

(AUSTRALASIAN WATERLINE STANDARDS)



248,065

CARS



Highly Efficient Operations

Cars (Units)

2016	248,065
2015	243,801
2014	207,591
2013	170,835
2012	147,221

* In 2012/13, we introduced automated manifest and billing. This has meant that all other vehicles other than cars are measured in tonnes and not units.

Container Throughput (TEU)

2016	907,099
2015	972,434
2014	968,741
2013	818,819
2012	808,654

* 1 TEU = 1 standard 20-foot container

Bulk and Breakbulk Cargo (Million Tonnes)

2016	5.8
2015	5.9
2014	5.6
2013	4.4
2012	3.8

* Ports of Auckland's Waitematā seaport and Onehunga seaport. Includes cars.

Cruise Ship Calls

2016	101
2015	90
2014	89
2013	100
2012	97

Cruise Passengers

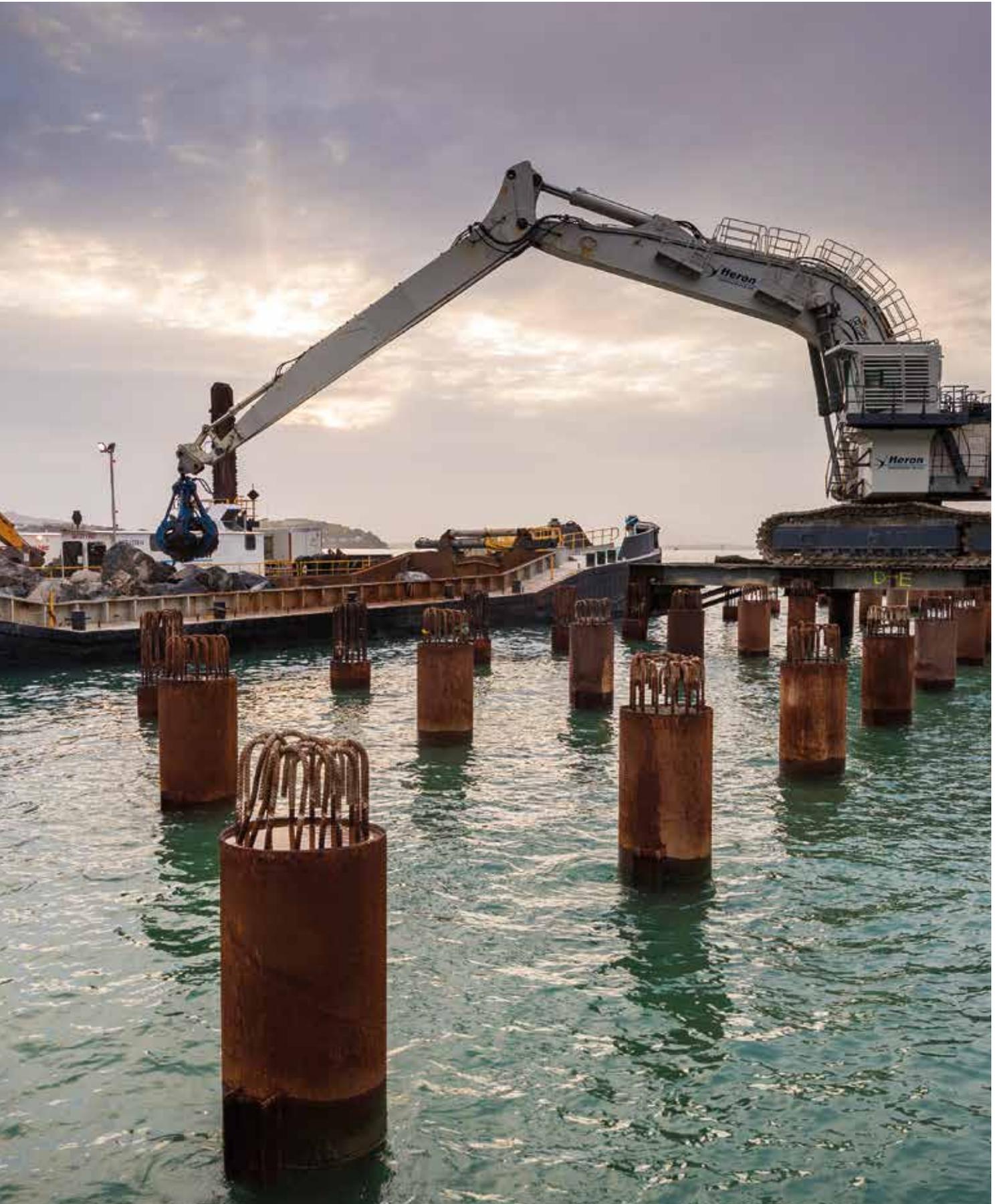
2016	259,758
2015	199,250
2014	195,944
2013	200,000
2012	188,694

Truck Turnaround

(Trucks turned around in under 30 minutes)

2016	89	10	1
2015	81	17	2
2014	79	18	3
2013	85	13	2
2012	84	14	2

■ <30 minutes
 ■ 30-60 minutes
 ■ >60 minutes



41,195

TONNES OF BANANAS



13,484

TONNES OF OTHER FRESH FRUIT



21,270

TONNES OF ROAD METALS



522,885

TONNES OF CEMENT



5,625

TONNES OF FRESH FISH



63,217

TONNES OF SAWN TIMBER



36,101

TONNES OF MACHINERY



1,142

TONNES OF LAUNCHES AND YACHTS



183,217

TONNES OF GRAIN



174,849

TONNES OF SAND



804,133

TONNES OF LARGE VEHICLES AND TRACTORS



2

GIRAFFES



69,443

TONNES OF POTATOES AND ONIONS





Crane Rate

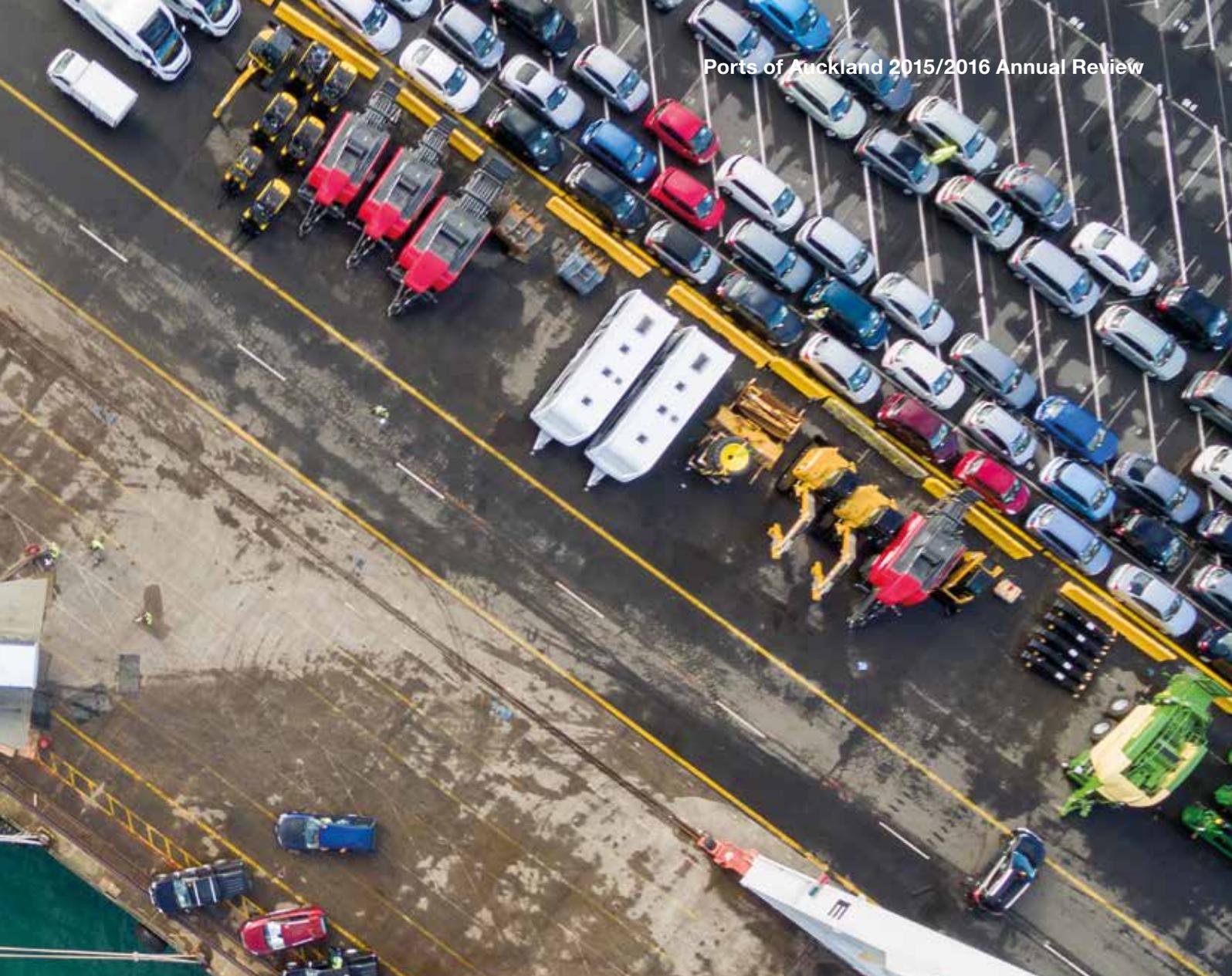
(Australasian Waterline standard)

2016	36.55
2015	34.21
2014	33.49
2013	31.82
2012	29.14

Staff Hours per Container

(Index year 2000 = 200)

2016	1.02
2015	1.05
2014	1.03
2013	1.12
2012	1.22



Volume of Containers Moved by Rail (TEU)

2016	87,242
2015	100,332
2014	69,585
2013	42,353
2012	56,512

Average number of rail moves per week

2016	1,678
2015	1,929
2014	1,338
2013	814
2012	1,086

* Volume of containers moved by rail previously included shuttle moves. These have now been removed for all previous years. In 2012, volumes moved by rail was impacted by the industrial dispute. The business lost is yet to be recovered, even so, the volumes moved by rail has increased in 2013/14.

Working for Auckland

Underlying EBITDAFI (\$Million)

2016	105.4
2015	99.9
2014	106.3
2013	78.9
2012	71.7

Revenue (\$Million)

2016	211.1
2015	218.3
2014	221.2
2013	188.4
2012	178.6

Shareholder's Equity (\$Million)

2016	642.0
2015	521.3
2014	493.4
2013	456.1
2012	432.7

Ordinary Dividends declared for the year (\$Million)

2016	54.3
2015	41.7
2014	66.6
2013	29.5
2012	20.1

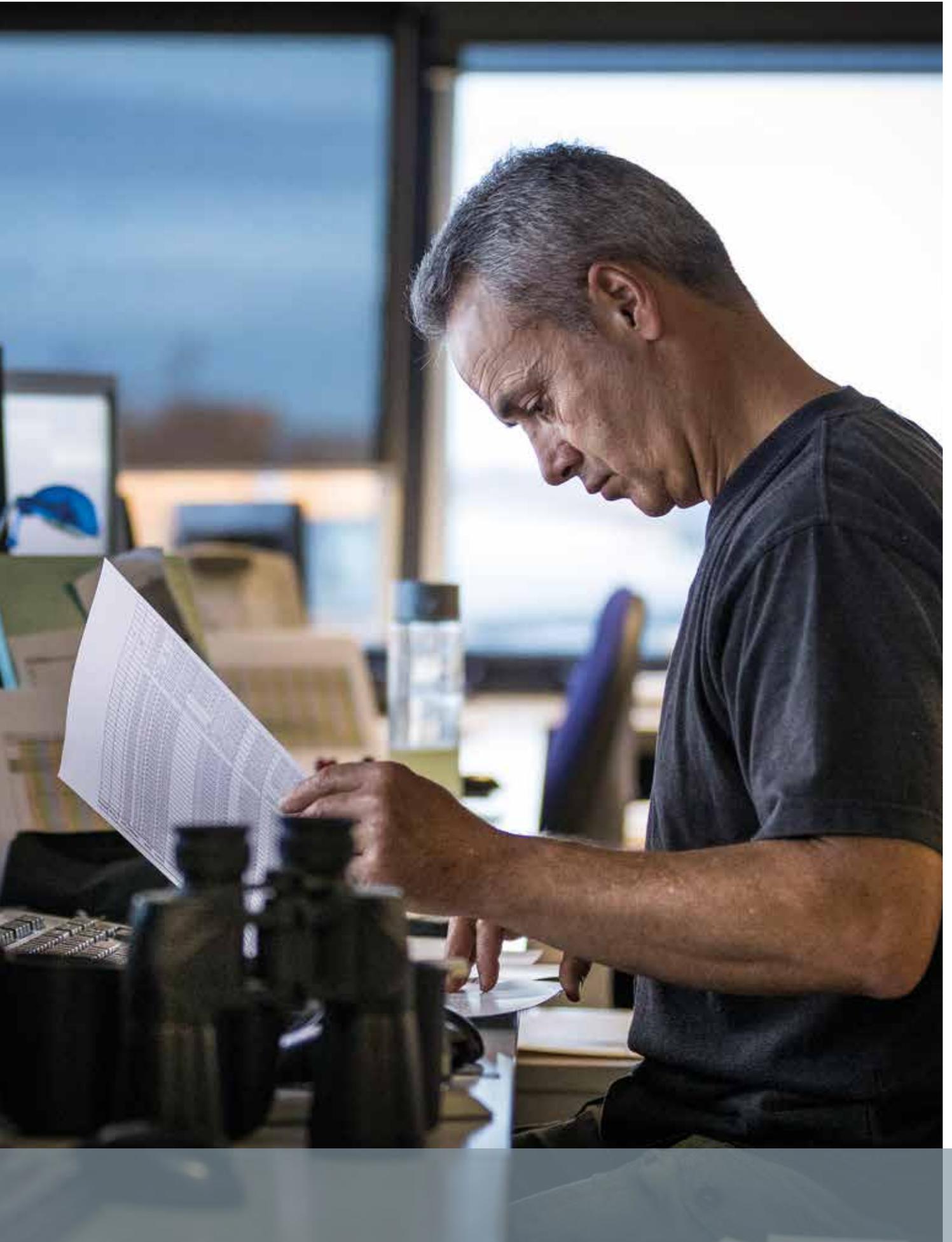
Interest bearing debt to debt + equity (%)

2016	29
2015	29
2014	27
2013	31
2012	34

Capital Expenditure (\$Million)

2016	82.4
2015	41.8
2014	27.8
2013	13.9
2012	10.1

Note: Financial review includes information on Ports of Auckland's Waitematā seaport and Onehunga seaport.



Creating a culture of Safety

Safety is at the forefront of what we do, whether you work out on the water, on the port or at a desk. It has been very pleasing to see the progress we have made in improving safety for our staff.

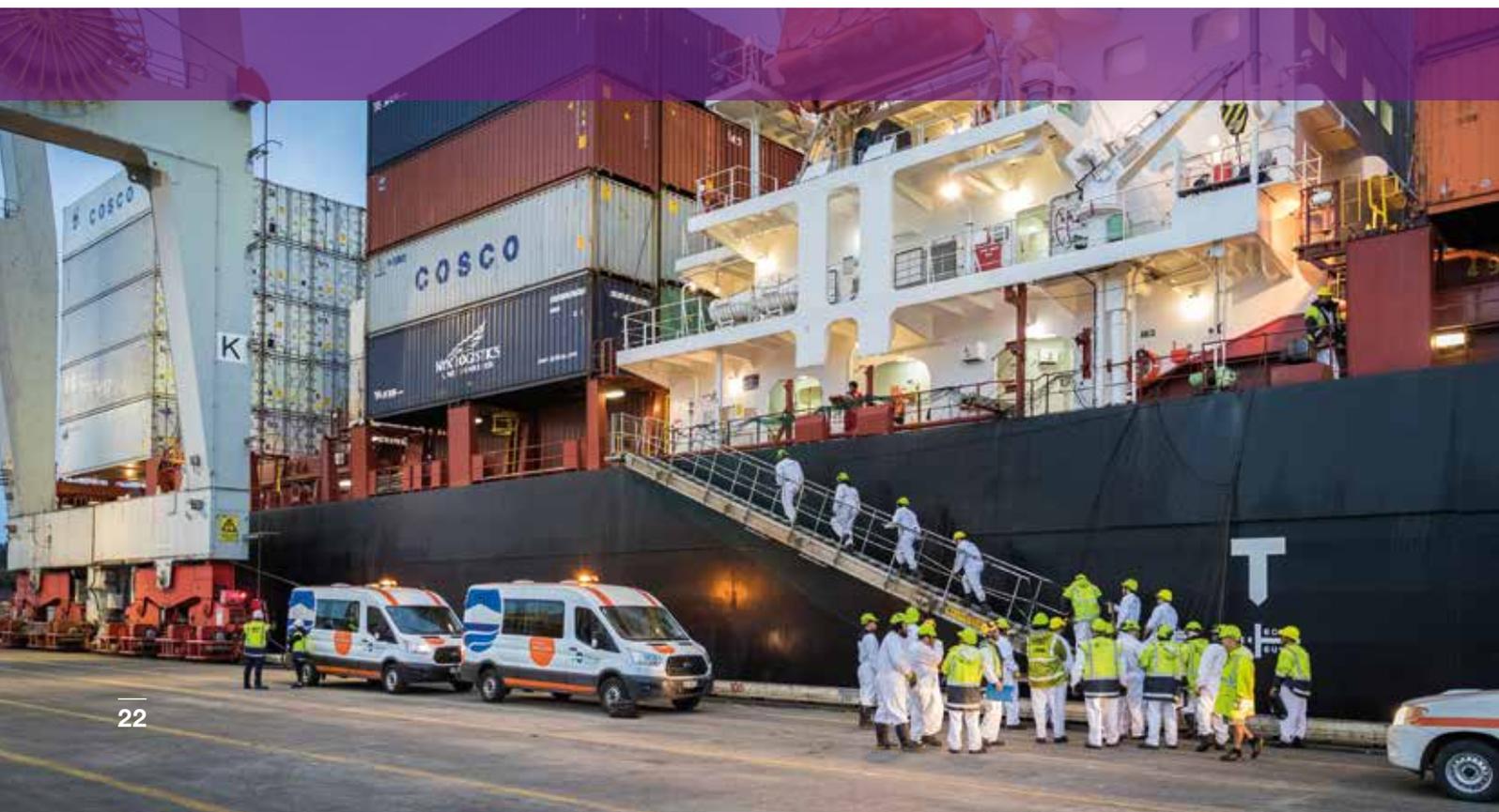
As a result of new initiatives and work done in previous years, lost time injuries are down by 67%, with only four this year compared to 12 the previous year. Injuries requiring medical treatment were down 21% to 45. Although we still have further to go, and we recognise the need for vigilance and continual improvement, we are proud that the numbers are heading in the right direction.

This year we launched 'Portsafe', an online health and safety reporting and monitoring tool. Portsafe has given us better visibility of health and safety incidents and improved the way we respond to them. It will help us identify weaknesses and then address them.

An example of how Portsafe can be used is in the reporting of 'near-miss' incidents. A near-miss is an unplanned event which didn't result in injuries or harm, but had the potential to do so. We all need to take responsibility for our own and others safety, so all staff are encouraged to report any near miss incidents they see through Portsafe. By evaluating

near-miss incidents, we can look at what could have happened, determine how the near-miss happened and take corrective action to prevent the same thing happening again in the future.

This initiative recognises that everyone needs to take responsibility for safety, so all staff are encouraged to report any incidents they see through Portsafe.



Having a good health and safety culture is vital if we are to get our injury rates down further. To that end, in February 627 staff were offered the opportunity to take part in an online and paper based safety culture survey designed by the company Global Safety Index. 362 took part, a high participation rate.

There were 56 standard statements based on a number of safety culture indicators in the survey. Each of the statements was scored according to what extent the participant agreed or disagreed with the statement. From this, a total safety culture score was calculated for each business unit. As expected, there was variability in the score, dependent on the area of the business.

People view their environment according to their own personal frame of reference so in order to gain a greater understanding of some of the commonalities displayed in responses, the survey was followed up with a series of focus group interviews to give more in depth understanding of the responses. Those who took part in the interviews were universally appreciative of the opportunity to participate and provided some great insights into how they perceive safety in their work environment.

We will use the information gained from this process to develop strategies to ensure continuous improvement in health and safety engagement and achieve a truly mature safety culture.

Our focus for the future will continue to be on developing a strong safety culture at the port. We will also be placing more emphasis on our lead safety indicators so that we can predict the best way to keep us all safe. ■

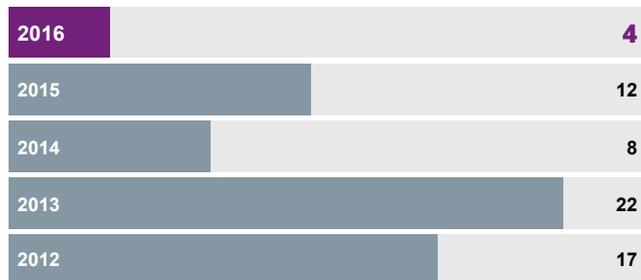
▼ **67%**
reduction in lost
time injuries



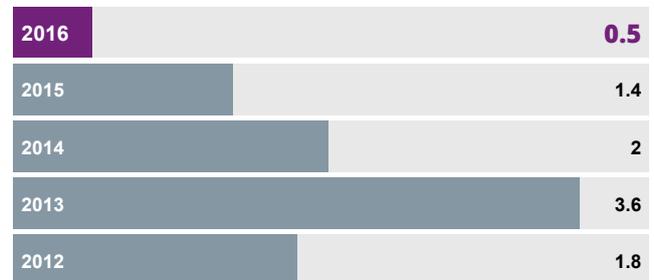
Health & Safety

Lost-Time Injuries

(LTIs)

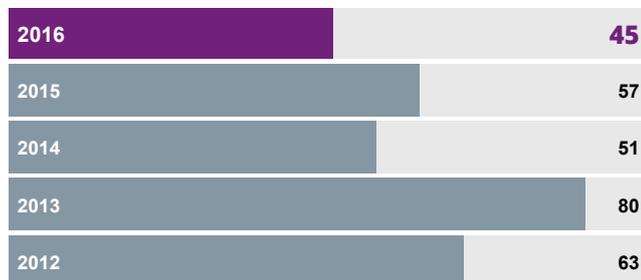


LTI Frequency Rate

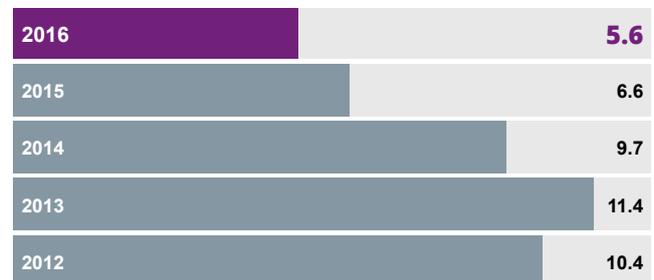


Medical recordable injuries

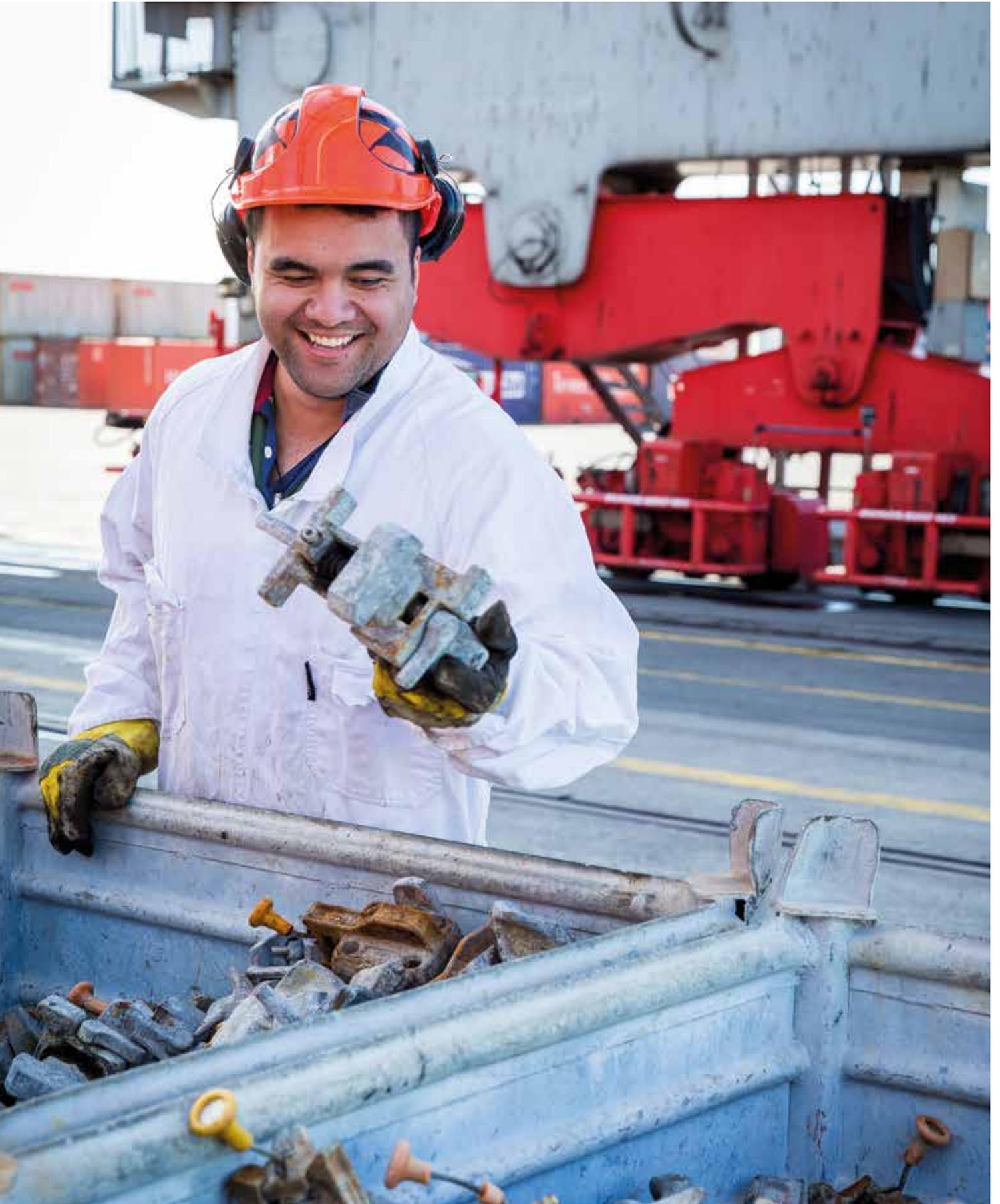
(MTIs)



MTI Frequency Rate



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



Our port is our people

We place a great deal of importance on creating a positive work culture and a supportive, rewarding and inclusive environment here at the port.

We hold a number of family-friendly staff events throughout the year, including entering a huge team in the Ports of Auckland Round the Bays and our annual Christmas party, where Santa arrived on a tug! We have a very culturally diverse workforce which reflects the Auckland community and we celebrate that with events like a Matariki Hangi and a yearly Diwali feast.

This year our work to strengthen the port culture has been recognised with two awards. In June we won the “Excellence in People & Culture Creation” award at the 2016 Shared Services & Outsourcing Network (SSON) Excellence Awards. That was followed shortly after when we were recognised for Gender Diversity in Leadership at the Women in Governance Awards beating finalist ANZ Bank.

The judges said:

“Ports of Auckland clearly and convincingly linked leadership diversity to increased productivity. Theirs is a remarkable story of rapid diversity change and business turnaround in a traditionally male dominated industry. This is reflected from board level through to all organisational levels and they are a role model for not only their industry but for all businesses in New Zealand.”

We are particularly proud to have won these awards.



**Excellence in People
& Culture Creation**

SSON EXCELLENCE AWARDS

Staff sports sponsorship

Every year we offer a staff sponsorship programme where staff can apply for support for their own sporting efforts or those of teams they are involved in. Here are some of their stories.

Edwin Ng

“Sponsorship from the port helped me with the purchase of equipment for my powerlifting competitions last year; the Auckland Powerlifting Championships 2015 and the New Zealand Powerlifting Championships 2015. I managed to squat 245kg (which was 5kg over the Auckland record!) at the nationals. It was my highlight of competitions last year.

After breaking my ankle earlier this year, I am just getting back into training and getting ready for a novice competition later this year and then the New Zealand Powerlifting Championships in 2017.”

Jacqui Latu

“Ports of Auckland kindly sponsored my over 40s indoor netball team when we represented Action Manukau at this year’s Indoor Netball Nationals. Since we won last year’s Nationals we had high hopes of defending our title. Unfortunately we were up against some tough competition in the quarter finals and were pipped at the post by Hamilton’s In-Zone team by a couple of points.”

Justin Maddock

“East Coast Bays Rugby League Club received sponsorship from Ports of Auckland to help with fuel and travel costs for some of our members. As games are spread all over the greater Auckland region often kids didn’t turn up for practice or the game because the additional travelling meant families needed to choose which to attend. This funding has helped us ensure families don’t have to make that choice.”

David Heilbron

“Ports of Auckland sponsored a new pod for my Blokart so that I could compete in the 2016 Blokart World Championships held in Ivanpah, USA. The sponsorship meant that both my 15 year old daughter, Natalya, and I could race and represent the port at the North American Blokart Championships and World Championships.

In the North American Championships I won the Lightweight Performance division and Natalya came third in her event, her first internationally, and recorded a top speed of 81.3km per hour!

In the World Championship I won the Lightweight Performance title and was part of the kiwi team that took out the World Teams title. Natalya was awarded the number one youth (under 21) sailor in the world.”



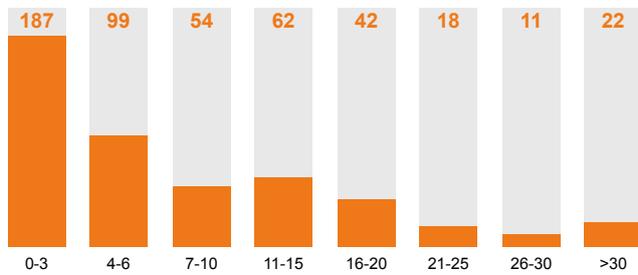


Over the last year our collaborative project management tool, i-lign, saw 107 new ideas submitted from staff business wide. These ideas stimulated conversations, generating 620 comments and bringing 27 ideas to fruition. This has helped to build staff engagement, increased innovation and decreased incidents of departments working in isolation. ■



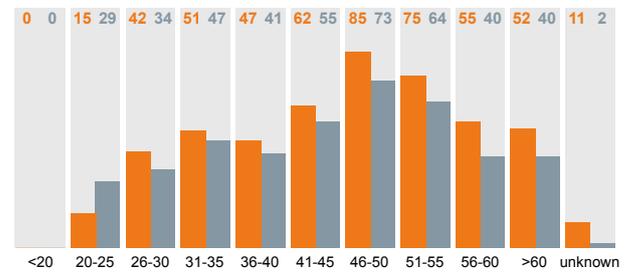


Staff Years of Service*



* Permanent staff only (does not include casual, fixed term and contractors)

Staff Age Profile



* Permanent POAL staff only. Does not include POAL subsidiary staff.

Staff Gender Balance

2016 – MALE	392
2016 – FEMALE	99
2015 – MALE	343
2015 – FEMALE	81

The people's port

A port gives back a lot to the community in an economic sense, acting as it does to facilitate trade and all the jobs that go with it. However our location in the heart of the city means that there can be some less positive external impacts from our work, particularly on our close neighbours.

We meet quarterly with the port 'Community Reference Group', made up of representatives from surrounding residents to discuss any concerns they may have and deal with them. We also keep them up to date with what's going on at the port.

We like to play an active part in the community, supporting events on the waterfront and a variety of charities. Here are some of the events and charities we support.

Ports of Auckland Charity Golf Day

For the last seven years we've brought together our customers and suppliers, who include shipping lines, logistics providers and recruiters, for an enjoyable day out on the green. Our customers generously sponsor each of the 18 holes and donate prizes that are raffled off throughout the day.

Together this year we raised \$52,000 for the charity Cure Kids, taking the total raised for Cure Kids in the last seven years to over \$280,000.

SeePort Open Weekend

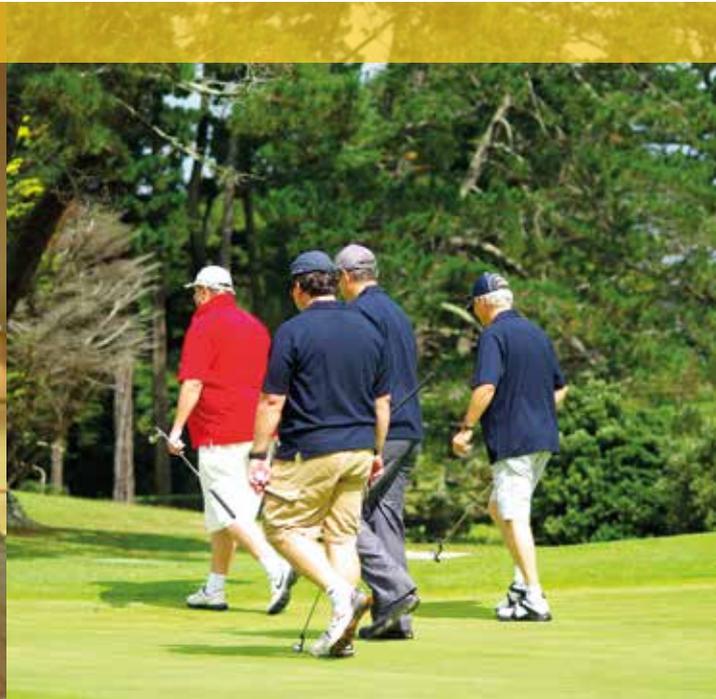
Held on Captain Cook wharf over Auckland Anniversary weekend, SeePort is a three day celebration of our port, shipping industry and maritime heritage. This year over 60,000 people came to enjoy the free bus and boat tours of the port, fun rides, live music, food stalls and fireworks.

SeePort includes displays from the port and our partners, including the Royal New Zealand Navy, NZ Customs and the New Zealand Maritime Museum.

SeePort will be on again over January 28-30, 2017.

Scouts

This year we were delighted to announce a new partnership with SCOUTS New Zealand, building on our relationship over the past few years. We are providing financial support of \$50,000 per year over the next three years to help support a new Regional Development Officer to grow scouting in the Auckland region. Local Scouts and Cubs also took part in SeePort again this year, taking kids out on the water in their cutters, teaching knot tying and demonstrating considerable skill with a wet-sponge catapult to cool down the crowds!



Ports of Auckland Round the Bays

For the seventh consecutive year we sponsored the Ports of Auckland Round the Bays, and over 25,000 people joined in to run 8.4 kms from Ports of Auckland to St Heliers. Now in its 44th year it is New Zealand's largest mass participation sporting event and a celebration of Auckland's waterfront.

The event supported charities CanTeen, SHINE, Heart Kids New Zealand, Garden to Table Trust and New Zealand Riding for the Disabled which each received \$10,000.

Ports of Auckland Anniversary Day Regatta

We've been connected to the Regatta since it began, not just through the harbour and city we belong to, but also through sponsorship and our participation in the much loved annual tug race. We are proud to be the naming rights sponsor of this iconic Auckland event, now for the fourth year.

Every little helps

Not everything we do is on a grand scale and some of our favourite community activities are the littlest.

We continue to run tours of the port by boat, which are free for schools during term. We work with the New Zealand Maritime Museum who host the schools after their boat tour to learn more about Auckland's maritime history.

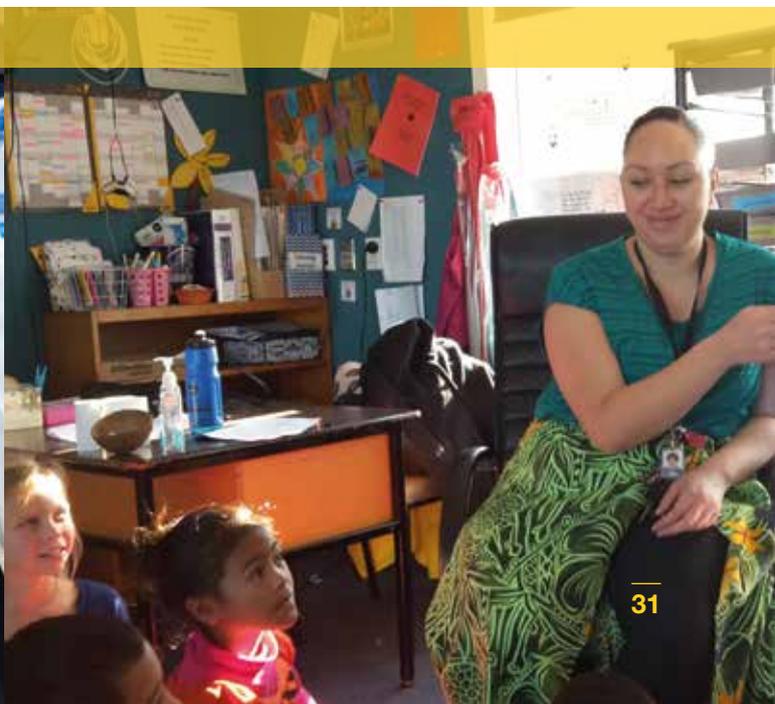
The tours are popular with schools, but not all schools can afford the cost of transport to the waterfront. To help fix that,

we've started charging a small fee for our school holiday port tours which are open to the public. We still fund the full cost of the tour, so all money raised goes toward providing transport for kids from less well-off parts of Auckland.

Two members of the Ports of Auckland executive provide mentoring to the Boards of two South Auckland Schools, Wiri and Te Papapa. Our staff also volunteer to visit these schools to read to the kids during their book week, and this year we were able to donate some of our old – but comfortable chairs – to Wiri school.

In June we donated heritage bollards to the Auckland Botanic Gardens. Used by the Auckland Harbour Board since 1909, the bollards were used to tie the incoming ships to the berth, but now they form part of a new nautical theme playground, giving younger Aucklanders an opportunity to enjoy a little bit of the city's history. ■

\$52,000
was raised this year for the
charity Cure Kids



Doing more with less

It has always been important to us to take care of the environment and as a business that straddles land and sea we are particularly conscious of the impact we can have on the marine environment.

We work hard to ensure that nothing goes into the sea that shouldn't, so it was disappointing to have one spill event this year.

We are constantly looking for ways to reduce our energy usage. In 2011/12 we reduced our total electricity and fuel consumption by over 18%. Since then we have continued to make incremental gains. Electricity use overall fell this year as a result of lower volumes, but went up slightly when measured per TEU, though it is still well down on five years ago. Fuel use was down overall and per TEU handled. The two stories below illustrate how we continue to innovate to find ways to do more with less.

Wakatere: energy saving through innovation

Our newest pilot boat, Wakatere arrived at our port last November. A unique craft, she is the first foil assisted catamaran pilot boat in Australasia and a very successful addition to our fleet.

This success is down to collaboration between our staff (our pilot boat masters, marine engineer and one of our pilots), Teknikraft Design and Q-West Boat Builders. Inspiration came from watching Q-West's Clipper-class vessels operate out in the Waitematā harbour in varying weather conditions.

Wakatere's unique design delivers a number of benefits. Hamilton Jet powered and foil assisted, she goes faster while using a third less fuel. Her twin hulls make her a very stable platform for fast, efficient pilot transfer and she comes with industry leading safety features such as thermal imaging for night vision and a unique 'man overboard' recovery system.

Hybrid Capstan truck

Capstan trucks, used for hauling in large ship's lines, were developed here at Ports of Auckland in the late 1990's by the late Ben Evans, our former marine engineer. Prior to his invention, all lines had to be hauled ashore by hand, a hard and strenuous job given the big lines on modern ships.

We haven't stopped innovating and improving and this year we went a little bit greener with the introduction of our first hybrid capstan truck, developed with help from our marine team.

Bryde's whales: a successful collaboration

In early 2012 the Hauraki Gulf Forum, Environmental Defence Society and University of Auckland convened a workshop to look for ways to reduce the number of whales hit and killed by ships in the Hauraki Gulf. Ports of Auckland sat down with scientists, environmental NGOs, mana whenua, regulators and shipping lines to find a collaborative solution to the problem. At that time around two Bryde's whale a year on average were being killed by ship strike.

A number of ideas were explored, including listening for whales, scaring whales away from ships, watching for whales using infra-red cameras, but only one idea seemed to offer reasonable results – reducing ship speed. For the industry this was problematic – there is an economic and environmental cost to lower speeds as the time has to be made up elsewhere – but we worked collaboratively to address and mitigate these issues. Of particular importance was for any speed reduction to be voluntary, so ships still had the option to use higher speeds if, for example, they were delayed by weather earlier in their journey.

Working with the shipping industry and other members of the Bryde's Whale Collaborative Group, Ports of Auckland developed a protocol for vessels travelling through the Hauraki Gulf. Under the protocol, vessels are asked to voluntarily slow down to as close to 10 knots as their schedule allows. The science shows that the risk to whales is substantially less from ships travelling at 10 knots.

The protocol was introduced in September 2013 and after three years it is fair to say it has been a success. Prior to the protocol's introduction the average ship speed in the Gulf was 14.2 knots; it's now down to 10.6 knots, a 25% reduction. More importantly, just one whale has been lost since the voluntary transit protocol was introduced.

This is a positive result which balances economic and environmental imperatives and demonstrates how partnership and collaboration can help make our operations more sustainable. ■



Our Environment

Reducing, Reusing and Recycling Indicator	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Electricity used by port operation (kWh)	18,302,864	17,358,646	17,772,839	18,164,150	17,256,149
Electricity used by port operation (kWh) per TEU*	22.64	21.20	18.35	18.68	19.02
Diesel used by port operations (litres)	2,740,275	2,778,502	3,211,682	3,113,857	2,763,529
Diesel used by port operations (litres) per TEU*	3.39	3.39	3.32	3.20	3.05
Diesel used by straddles (litres) per engine hour	20.79	21.58	21.69	20.71	20.87
Diesel used by port service – Marine (litres)+	725,407	650,233	735,825	839,044	775,361
Water used by port operations (cu m)	74,667	83,870	81,242	69,949	88,160^
Water used by port operations (cu m) per TEU*	0.09	0.10	0.08	0.08	0.10
Total dredgings used as environmentally friendly fill, including mudcrete (cu m)	49,900	87,100	34,000	13,700	47,854

Energy used measurements refer only to the Waitematā seaport

* 1 TEU is a standard 20-foot container

+ Also includes diesel purchased but not yet used

^ Consumption increased this year to multiple construction sites including the Holcim Cement Silo and the new tug berth

Transport Indicator	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Total containers moved by truck (TEU)	492,015	543,398	694,669	641,161	610,122
Containers trucked off peak (TEU)	172,205	223,955	298,604	277,146	213,783
Containers trucked off peak as % of total containers moved by truck (TEU)+	35	41	43	43	35
Total containers moved by rail (TEU)^	56,712	42,353	69,585	100,332	87,242
Rail moves as % of total land-side moves to/from the Port	11.6	11	10	14	14

Volumes refer to the Waitematā seaport only.

+ Off peak refers to 7 pm - 7am weekdays and all day on weekends.

^ Volume of containers moved by rail previously included shuttle moves. These have now been removed for all previous years. In 2012, volumes moved by rail was impacted by the industrial dispute. The business lost is yet to be recovered, even so, the volumes moved by rail has increased in 2013/14.

Complaints indicator*	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Noise and other complaints	40	25	48	25	52

Spills indicator	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Environmental spills~	1	1	0	1	1

* These do not include complaints relating to port development.

~ The spills data refers to spills for which POAL has assumed responsibility.

Note: Environmental measurements are currently only made at the Waitematā seaport.

Get in touch

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Ports of Auckland Annual and Half-Year reviews
can be accessed online on our website:

 www.poal.co.nz/news_media/publications.htm

We have printed a small number of this report to reduce our impact
on the environment. You can also view our Annual Review online by
visiting <http://2016annualreview.poal.co.nz>



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