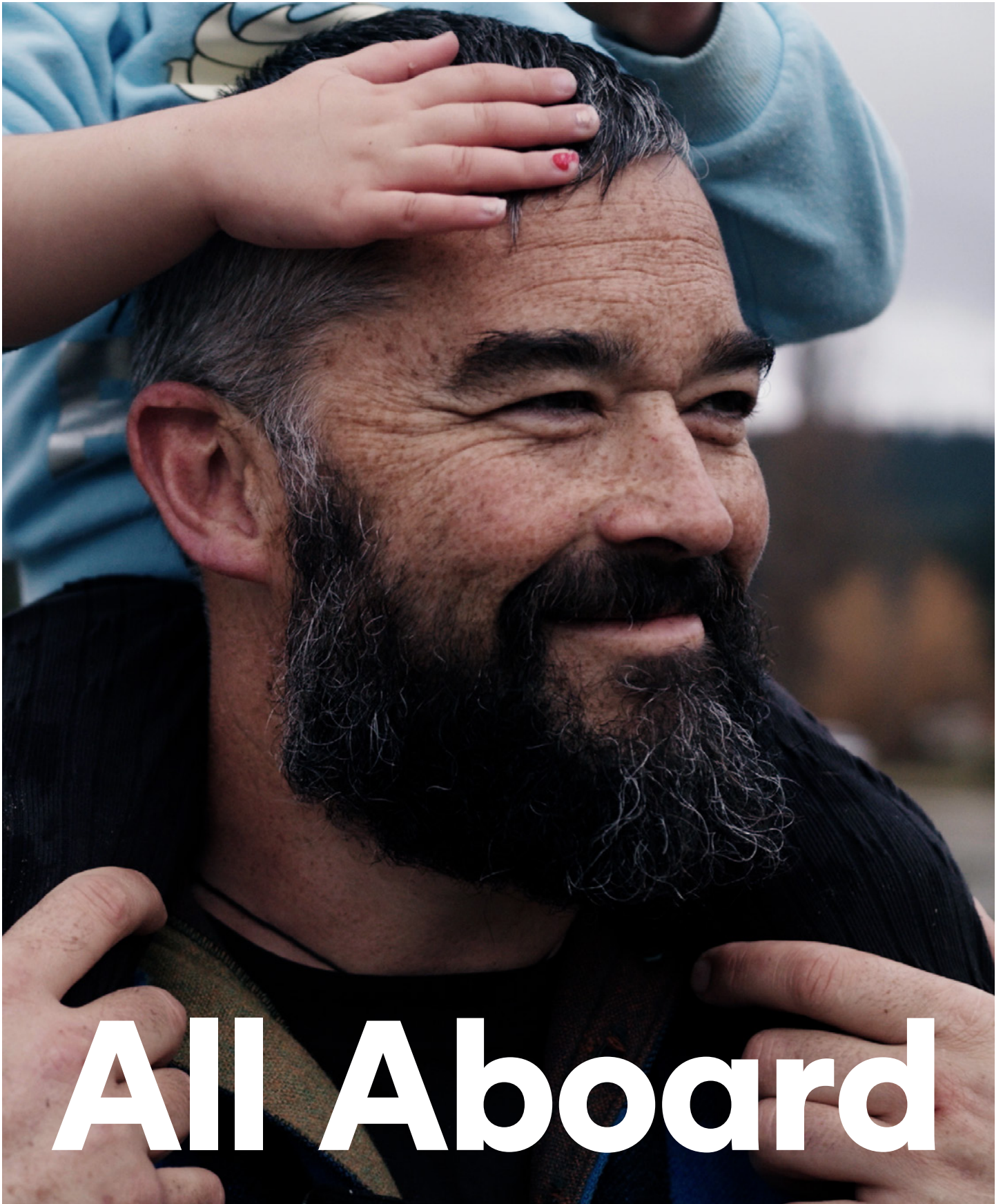




Port Marlborough



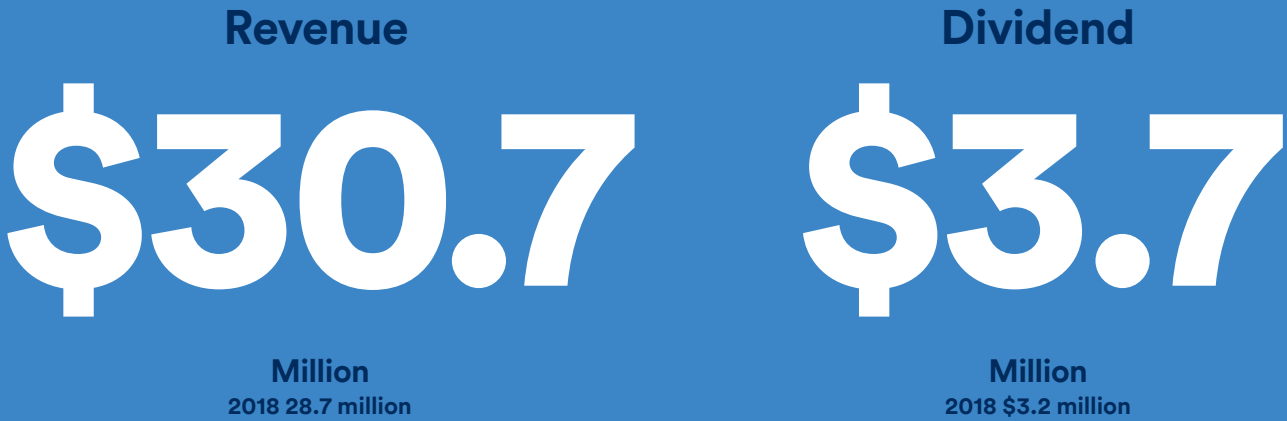
ANNUAL REPORT 2019

Port Marlborough continues to evolve to a leading, environmentally restorative port that delivers financial, social and environmental value.

He waka eke noa
We’re all in this together

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2019 Highlights



Statement of Corporate Intent performance targets

The targets for financial and operational performance, as detailed in the 2017/18 Statement of Corporate Intent, are compared below with actual results achieved for the period 1 July 2018 to 30 June 2019.

Financial performance	Target	Result
Earnings Before Interest, Tax, Depreciation, Amortisation (EBITDA) – excludes non cash revaluations	\$15.05m	\$15.85m
Return on shareholder's funds (excluding non-cash revaluations)	6.0%	6.1%
Equity ratio	71.4%	74.7%
Operational performance		
Ferry freight movement (% volume movement to prior year)	2.0%	3.1%
Export log volumes	700,000 JAS	668,912JAS
Cruise ship visits	41	42
Marina berth occupancy	91%	93.7%
Marina boatshed occupancy	99%	99.9%
Health and safety		
Lost time accidents frequency rate (per 100,000 work hours)	0	1.6
Number of injury accidents	<4	5

How we did this year

Group results	2019	2018
Operating surplus (loss) before non-cash revaluations, tax and subvention payment	\$11.678m	\$10.202m
Valuation adjustments non-cash		
– Property	\$2.164m	\$2.913m
– Financial derivatives	(\$0.672m)	(\$0.127m)
Operating surplus (loss) before tax and subvention payment	\$13.170m	\$12.988m
Provision for tax and subvention payment	(\$3.796m)	(\$2.500m)
Operating surplus / (loss) after tax	\$9.374m	\$10.488m
After tax return on average shareholder's funds (excludes non-cash revaluations)	6.11%	6.19%
Net asset backing per share	\$11.11	\$9.70
Interim dividends	12.0c	9.0c
Final dividend – recommended per share	15.2c	14.9c
Dividend – interim and proposed final	\$3.696m	\$3.247m
Contribution to group revenues	2019 (\$000)	2018 (\$000)
Port installations and services	19,317	17,670
Investment property (includes marinas)	10,496	10,141
Marine farm facilities	772	769
Miscellaneous	119	107
Total group revenue*	30,704	28,687

* Excludes non-cash revaluations

Operational performance

Number of ship visits	2019	2018	2017
Ferries	3,159	3,156	3,032
Cruise ships to berth	42	41	39
Other ships over 500 GRT	156	166	157
Total ship visits	3,364	3,363	3,228

Non-ferry cargoes	2019	2018	2017
Logs (export and domestic, JAS ‘000s)	697,828	709,333	749,241
Salt (tonnes)	12,800	2,200	–
Cement (tonnes)	18,688	17,277	18,436
Fish (tonnes)	15,002	13,013	15,594
Other (tonnes)	51,088	54,343	43,853
Total cargo (tonnes)	795,406	796,166	827,124

Marina facilities berth occupancy (average %)	2019	2018	2017
Havelock Marina (368 berths)	86%	81%	77%
Waikawa Marina (480 berths)	96%	96%	95%
Picton Marina (206 berths)	101%	101%	100%
Total average occupancy	94%	92%	89%



Port Marlborough operates Marlborough’s regional port and marinas. The port and its people play a key role in the region’s economic success, supporting the growth of some of Marlborough’s most significant and emerging industries including forestry export, fishing, marine farming, domestic and international tourism including cruise; and enabling recreational boating.

Port Marlborough has three primary spheres of operation. Strategically located at the junction of New Zealand’s major North/South road and rail routes with the coast, the port provides the South Island terminal for Cook Strait passenger and freight ferries at Picton. The port operates New Zealand’s deepest export shipping berth at Waimahara Wharf in Shakespeare Bay, and a multipurpose berth at Waitohi Wharf in Picton Harbour. Picton is a busy cruise ship port, and is able to accommodate the world’s largest class of cruise vessel at the Waimahara Berth.

Port Marlborough is the largest New Zealand marina operator outside of Auckland and has three marinas at Picton, Waikawa and Havelock providing more than 1050 berths

and accommodation for a further 500 vessels in boat sheds and storage compounds. Expansion of Waikawa Marina by a further 250 berths is on track for completion in 2022.

Operations span several geographic locations. In each, the Company has substantial property holdings providing premises for many independent businesses within the port and marina precincts. Further capacity remains available for expansion of existing operations and establishment of new ventures.

Subsidiaries
Port Marlborough has two wholly-owned subsidiaries: Waikawa Marina Trustee Limited and PMNZ Marina Holdings Limited, both of which were established to facilitate the sale of long-term berth entitlements in the Waikawa Marina Trust area in the 1990’s.

Ownership
Port Marlborough’s sole shareholder is MDC Holdings Limited, a wholly-owned subsidiary of the Marlborough District Council. The Council is the Harbour Authority for Marlborough and employs a Harbourmaster and support staff to exercise the duties and powers required under the Local Government and Maritime Transport Acts.

Note: Throughout this report Company and Parent refer to Port Marlborough New Zealand Limited. The Group comprises the Parent and subsidiaries (as above).

Facilities:

- Picton**
- Cook Strait freight and passenger ferry berths and terminals
 - Berths for cruise ships up to 362 metres
 - Wharf facilities servicing aquaculture, commercial fishing and tourism operators
 - Export shipping berth (draft 15.3 metres) and adjacent quayside storage facility in Shakespeare Bay servicing log export, project cargos and general cargos
 - Extensive land holdings supporting integrated port activities
 - Picton Marina, including berths for super-yachts and other vessels to 35 metres plus

- Waikawa**
- Waikawa Marina, including land-based boat storage and launching facilities
 - Waikawa Travelift haulout and hardstand facility (capacity >50 vessels)
 - Waikawa Marine Centre, a cluster of marine service industry and hospitality businesses associated with the Marina

- Havelock**
- Berth, wharf and land-side facilities to service marine farming, tourism, forestry and barging operators in Pelorus Sound
 - Havelock Marina, providing berths for recreational vessels, land-side storage and boat launching facilities
 - An eight hectare reclamation accommodating a range of maintenance, marine related and value-added industries

- Marlborough Sounds**
- Wharf and port landing facilities in Elaine Bay and port Underwood to support marine farming operators



Delivering on balance

Port Marlborough has continued its strong growth through 2019, achieving revenue of \$30 million for the first time while putting in place the foundation for an integrated, sustainable business model.

Driving success for Marlborough
Close attention to the needs of our many port and marina business partners and recreational boating customers has underscored another successful year for Port Marlborough.

Road and rail freight volumes through the port continued to recover to near pre-Kaikoura earthquake levels as full restoration of the road and rail corridor has approached completion.

Log exports are consistent with previous years and have once again provided a stable base for the port, log marshallers C3 and contract stevedores. This was achieved despite a very dry summer limiting harvest for several weeks due to fire danger, and softening of export prices towards year end.

We've seen marked year-on-year growth in cruise visitors and ferry passengers, expansion of our tourism business customers and strong demand for marina services.

The Hauora – wellbeing – of people in our workplace is our highest priority.



Productivity of Havelock's port and marina precinct remains strong with ongoing uptake of recreational berth stock. Close to all sites on the Havelock reclamation land are now occupied by aquaculture and value-add operators, and two new purpose built premises were delivered during the year.

Planning for continued investment has focused on preparation for the build of the Waikawa Northwest marina extension; resolving our Port Development Plan to guide future growth; and considering ferry precinct feasibility options should reconfiguration of the Cook Strait ferry fleet go ahead.

We continue to work with our staff and key stakeholders to develop a sustainable business framework to fit our varied business portfolio. Building on existing environmental performance and community initiatives, this framework will drive performance measurement, targeted action, and evidenced improvement.

We've realigned our sponsorship commitments to better fit our vision and values. Notable projects this year included establishment of our Sounds Discovery Fund; provision of a shared home for Kaipupu Wildlife Sanctuary, Picton Dawn Chorus and Envirohub; and welcoming The Link Pathway to Shakespeare Bay.

Financial performance

The Group's revenue increased 7% year-on-year to \$30.7 million (2018: \$28.7 million), continuing the Company's steady growth trajectory and bringing total revenue increase over the past five years to 36.4%.

Group pre-tax operating surplus (adjusted for non-cash revaluations and subvention payment) of \$13.2 million for the year ended 30 June 2019 (2018: \$13.0 million) reflects strong operational results across the business.

Value of total Group assets at \$202.2 million has increased 14.6% on the previous year due in large part to the impact of the three-yearly independent review of operational asset values.

The Group's equity ratio at 74.7% shows we are in a healthy position for future investment.

Directors propose a final dividend of \$2.07 million, bringing total distribution for 2019 to \$3.70 million. Total dividends of \$30.7 million have been distributed to our Shareholder over the last ten years, and \$74 million since Port Marlborough's establishment in 1988.

Governance

The December 2018 AGM marked a change of Board leadership when Keith Taylor replaced Ed Johnson

as Chairman upon Mr Johnson's retirement after ten years in the role. Directors Keith Taylor, Ian Boyd and Andrew Besley retired by rotation and were reappointed; and Jennifer Moxon joined the Board in February 2019.

Health and safety

The Hauora – wellbeing – of people in our workplace is our highest priority. A full review and reorganisation of operational Health and Safety resourcing during the year has strengthened operational leadership and improved our capability to achieve our goal of zero harm. The newly established Board Health and Safety Committee reinforces governance support for the leadership team in this area.

Our approach to improving safe and healthy work through partnerships continues. Highlights this year have included introduction of a comprehensive drug and alcohol policy in collaboration with the Rail and Maritime Transport Union (RMTU) and staff; development of precinct-specific port and marina user groups who identify and manage risk in high hazard common user areas; and working with the Harbourmaster and Maritime New Zealand to improve specific aspects of navigational and on-port safety and security.

Our people

Port Marlborough's business portfolio is diverse. Our success relies on people with numerous different skill sets to resource our day to day operational activities, to conceive and deliver projects for business expansion, and to establish the improved organisational culture and practices needed to deliver on our business vision. In support of this our employee base has grown 11% in the last three years and now stands at 69.3 FTE.

Our team has continued to evolve through the reorganisation of Health and Safety capability, establishment of a new Marine Manager role to strengthen professional nautical leadership for the port (at the same time securing a second Pilot to our permanent staff), and consolidation of our tug and pilot launch crews.

While each of our staff made significant contributions during the year, we particularly acknowledge mechanical engineer Graeme Ross who retired in November concluding 43 years' service to the port; and our Works Operations Manager Terry Beech who marked 35 years' service in April.

Outlook

Our focus is on the delivery of value balanced across the perspectives of economic, environmental of social

outcomes for the coming year. These commitments are expressed in the Company's 2020 Statement of Corporate Intent.

Strong operational performance and incremental core business growth is set to continue, notwithstanding some softening of log export volumes since balance date. The coming cruise season will once again set records for Marlborough, with 51 ships to berth and more than 110,000 cruise passengers expected.

Construction of the Waikawa Northwest marina extension is on track to begin early in 2020 with berths expected to be in service from 2021.

We are working with KiwiRail on the feasibility stage of a new Interislander fleet. If new vessels were procured there would be opportunity for significant redevelopment and renewal in our Picton port.

At the organisational level we are intent on evolving our business to a designed, sustainable operation. The 2020 year will see development of a Port Marlborough sustainable business framework supported by specific metrics across consumption, environmental performance, community engagement and value creation.

Conclusion

Port Marlborough has made another significant economic contribution to the region during the 2019 year, once again delivering value to our Shareholder.

We've signalled that we are changing – that we're intent upon delivering continued and increasing value – and will measure this against a broader set of measures reflecting a philosophy of people, planet and prosperity through partnerships. We look forward to starting to deliver on this vision in the coming year.

Finally, we take this opportunity to thank each of our staff for their contribution to Port Marlborough, and therefore to our customers, shareholder, stakeholders and wider community.

He rau ringa, e oti ai – with many hands, the job will be finished.

K B Taylor ONZM
Chairman

R J Welbourn
Chief Executive

Changing our thinking

We’ve embarked on a journey to evolve our more traditional infrastructure-focused port business to a designed, sustainable operation; a best-in-class specialist port. This means realigning priorities and encouraging new thinking and behaviours to evolve as an organisation.

We know who we are

We’ve worked with our people to develop a clear expression of what matters to us and how we think, operate, act and interact – between ourselves, with our customers, with our communities and with other stakeholders.

One thing is clear to us: Port Marlborough’s legacy in our province runs deep. Our physical, operational and economic presence in the geography and communities of Picton, Waikawa, Havelock and the wider Sounds make a real difference to environmental, social and economic outcomes for these places and their people.

The port supports the success of others – our business and recreational customers, iwi, communities, industry stakeholders and our shareholder.

We recognise the beauty and importance of the Marlborough Sounds environment and the way it has supported our people, lifestyle and economy over centuries. It’s vital that we protect our unique environment to sustain future generations.

Our decisions have a far reaching, long lasting and cumulative effect – and they matter. We know that genuine success needs to be measured across environmental and social outcomes as well as financial metrics. We’re clear on what drives us, and we’re working hard to lead the way as an environmentally restorative port, driving success for Marlborough.

Giving life to our values

We’ve embraced the task of evolving our internal culture and decision-making to put people, the planet and prosperity through partnerships at the heart of the thinking and actions across our team everywhere, every day. We’re doing this by developing our leaders; and we’re realigning reporting systems, communications and business processes to deliver on our vision.

The safety, health and wellbeing of our people and all those operating and visiting our sites comes first. We value wellbeing – Hauora – and have invested in additional skills, training and engineering solutions in pursuit of our goal of zero harm.

We’re redoubling our effort and investment for Port Marlborough’s part in protecting the future through environmental guardianship and restoration – Kaitiakitanga – because we know that aiming for minimal environmental impact isn’t enough.

Our commitment to a partnership approach, working together – Mahi Tahī – embraces all of our partnerships – with staff, customers, iwi, communities and other stakeholders. We’re reaching beyond ‘corporate citizenship’, instead striving to be a genuine community partner. We’re actively developing new and stronger relationships, communicating more openly, and specifically targeting our support for community initiatives to those aligned with our values.

And overall, we seek to act with integrity – Pono – in everything we do, delivering excellence – Kairangatira – to our customers and excellent economic outcomes for our Shareholder and the region.

Leading the way as an
environmentally restorative port,
driving success for Marlborough

Hauora
Value well-being

We work together to sustain what keeps us healthy: physically, mentally, socially and culturally.

Kaitiakitanga
Protect the future

We consider the environmental, economic, community and cultural impacts of our decisions everywhere we operate.

Mahi Tahī
Work together

We operate at the heart of our community. We share ideas, understand, collaborate and celebrate.

Pono
Act with integrity

We keep our promises and do what we say we will do.

Kairangatira
Deliver excellence

We deliver excellent customer service and excellent commercial results.



Board of directors



Throughout the year the Board continued to drive Port Marlborough’s clear business strategy as Marlborough’s regional port and marina provider. Delivering a strong mandate for environmental stewardship and successful customer and community partnerships, the Board continued to support investment in the resources required to deliver incremental business growth.

Ongoing commitment to targeted investment in additional core business assets was demonstrated by the Board’s approval of a 252 berth extension to Waikawa Marina, timed for completion in 2021 subject to tender prices meeting budget.

Keith Taylor was appointed Chairman at the December AGM upon the retirement of Ed Johnson. Keith joined the Board in 2009 and has a wealth of executive and Board leadership experience across a range of business sectors. His deep experience of our business and established relationships with the Senior Leadership Team ensure valuable continuity as the company refocuses for the next phase of its development.

Jennifer Moxon joined the Board in February and brings significant executive leadership experience to the table, gained through an extensive career in the technology sector and focused on strategy, business innovation, business transformation and responses to digital disruption. Jennifer is the first woman to serve on the Port Marlborough Board and will bring welcome diversity.

The Board reviewed its committee structures in the second half of the year. The Audit and Risk Committee previously comprised of all Directors was restructured to a smaller group chaired by Matt Kerr. This Committee supports the Board in its oversight of the Company’s financial reporting processes, the independent auditors, and the Company’s compliance with legal and regulatory requirements; along with overview of wider business risk.

A new Board Health and Safety Committee has been established to further support the Company’s focus and commitment to advances in this area. The group includes all Directors and is chaired by Ian Boyd.



Recognising Ed Johnson Chairman 2008 – 2018

Ed Johnson’s deep business and governance experience underpinned his considered leadership of the Board from 2008 until his retirement last December. Ed and his Board supported management to reliably deliver a business strategy focussed on incremental, integrated and secure capital investment. The resulting productive capacity continues to fuel sustainable business performance and growth into the future. Ed’s Chairmanship oversaw increases in revenue (+50%), total assets (+30%), employment (+40%) and delivered dividends in excess of \$33 million.

Port Marlborough’s Directors, from left to right: Peter Drummond, Ian Boyd (Chair, Board Health and Safety Committee), Mathew Kerr (Chair, Audit and Risk Committee), Jennifer Moxon, Martin Fletcher, Andrew Besley and Keith Taylor ONZM (Chairman)

Senior leadership

Senior Leadership Team, from left to right: Rose Prendeville, Dean Craighead, Troy Tane, Rhys Welbourn, Anouk Euzeby and Gavin Beattie on the Link Pathway adjacent to the port’s covenanted salt marsh and the recovering estuary at Shakespeare Bay.



Rhys Welbourn Chief Executive

I ensure we have a clarity of purpose and are all working together to achieve the same vision; balancing decisions and outcomes in terms of people, planet and prosperity. The most important thing I can do is support and enable our people, our customers and our community in their efforts.

Rose Prendeville Capabilities Manager

Our work is about making sure we have the right cross-organisational capabilities to achieve our goals now and in the future. This includes forward planning for people, HSEQ systems, RMA planning, and risk. Most importantly we’re concentrating on developing a genuine sustainability mind-set that underpins planning and practice across the business.

Dean Craighead Chief Financial Officer

My focus is on optimising profitability and development opportunities, making sure we can continue investment in our assets and people to support future growth. My team delivers the company’s financial business services. Our move towards integrated reporting across community, environmental and financial outcomes sits well with me.

Troy Tane Port Manager

My team delivers professional pilotage, towage and land-based services so our on port customers can go about their business safely, and add value. We manage maritime safety and security, border and biosecurity across the port in close cooperation with regulators. I’m heavily engaged in making sure we’re prepared to meet the continually growing and changing needs of our customers.

Gavin Beattie Infrastructure Manager

I lead our engineering and workshop team to proactively develop and maintain our port and marina infrastructure. Our goals include long term resilience, innovation to continually improve environmental performance of our operations, and designing safety and sustainable outcomes into everything we do. I support my team to learn and develop their skills and knowledge.

Anouk Euzeby Commercial Manager

Meeting customer needs in a win-win way is the priority for me and my team. We provide facilities and services to support our customers’ business success. Our marinas team works hard to help our recreational boating customers enjoy their boating in the Marlborough Sounds. We appreciate connecting directly with the community through sponsorships that fit with our values.

Understanding what matters

We’re changing the way we measure success for Port Marlborough to drive improvement and create value across people, planet and prosperity.

What is most important to our customers, communities and wider stakeholders, and necessary for Port Marlborough’s operation? Where can our efforts have the most influence on better outcomes? We’ve been working to gain a deeper understanding of what is most ‘material’ for Port Marlborough, and therefore where our work and investment should be focused.

Our materiality issues were identified through existing understanding, analysis and conversations with our internal, customer and community stakeholders to provide a starting point for work and investment in support of our objectives. We’ll continue to develop this with more structured and quantified data and through a ‘deeper dive’ with our stakeholders throughout 2020. In turn this will drive prioritisation of the Company’s sustainability work plan.



What matters for Port Marlborough



Working to a framework



We've chosen to align our approach with the United Nations Sustainable Development Goals (UN SDGs), providing a reference for our sustainable development and action.

This widely accepted sustainability framework identifies seventeen specific goals to underscore global endeavours to change business practices, build infrastructure and shape society so that we can adapt to the challenges posed by climate change, resource scarcity, new technologies, an emerging-economy middle class, greater urbanisation and shifting demographics. The SDGs are increasingly adopted and recognised in New Zealand across business and society, providing a degree of common language.

Port Marlborough's priority issues align across eight of the seventeen SDGs.

Measuring what matters
Economic metrics for Port Marlborough's business success are well-established. During the 2020 year we'll be developing additional measures and expanding our reporting systems to baseline and then track our performance more broadly across people, planet and prosperity outcomes. Our first priorities are our fresh water usage, carbon footprint, the volume of waste we send to landfill, and developing a specific indicator around decent work. We're also evolving the way we measure and report our operational environmental performance across the business.

Transparent performance
Port Marlborough stands accountable for our decisions, our actions and the outcomes these bring. The Company's reconfigured website due for launch before calendar year-end will include information and specific metrics tracking our performance across our evolving range of measures.

Ngā tāngata katoa People



Good health + well-being

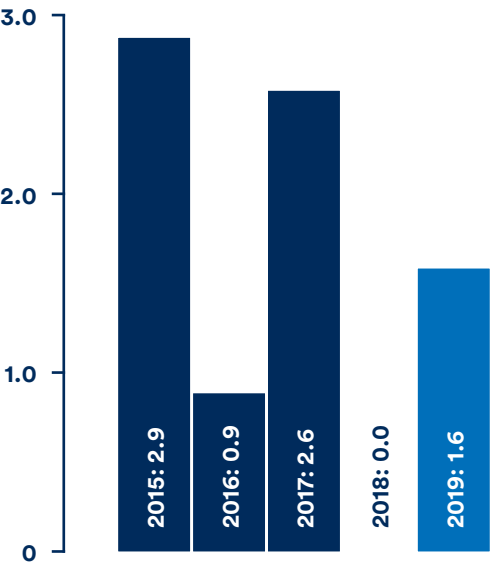
UN SDG 3

Partnership for the goals

UN SDG 17



Lost time injuries (LTI) per 100,000 hours worked



Our people and the communities around us make things happen. We’re intent on being a genuine community partner, making a positive contribution to all the communities we touch. We value our partnerships with iwi and seek to progressively grow our understanding of Te Ao Māori.

Health and safety
Our investment in Health and Safety leadership, systems capability and training is giving our people more confidence to act as we ask them to positively embed safety behaviours in their everyday work practices.

Overhaul of our internal Health and Safety support function has delivered a refreshed HSEQ team intent upon building trust, confidence and competence across the business. Their relationship-based approach

has increased staff engagement and reporting of safety events; identification of more safety improvements; better risk management tools and techniques; and team-based ICAM investigation methods.

During the year the port operational precinct became a fully access-controlled area, immediately improving safety, security and ease of operational management.

Safety outcomes across Port Marlborough operations are heavily impacted by the actions of port and marina users. Our teams have established specific User Groups with our operational partners across key high-risk operational areas. These structured partnerships with our on-port businesses (PCBUs) collaboratively assess risk and develop and implement safety controls in operational areas. In the coming year we’ll work with the user groups to improve drug and alcohol management on port in alignment with Port Marlborough’s Drug and Alcohol Policy.

Port Marlborough has joined the NZ Health and Safety Business Leaders’ Forum, signing a formal Statement of Commitment to a vision of zero harm. This pledge holds significant weight in our daily work and decision making, and helps to empower all of our staff to genuinely put safety first. We also partner with the Port Industries Association in identifying and driving industry sector safety improvement projects.

Health and Safety priorities for the New Year include introduction of ‘Just Culture’ practices for our team, review of fatigue management practices, and reinforcement of drug and alcohol policy requirements for all port and marina PCBUs.

Partnerships for people

We stay connected with our communities through regular interaction with community representatives including the Picton Regional Forum, Pelorus Promotions, Picton Business Group, the Waikawa Ratepayers’ Association and the Smart and Connected groups in Havelock and Picton.

We appreciate the opportunity to support community-based organisations, and prioritise partnerships that provide consistent community and environmental benefit. During 2019 we’ve fine-tuned our sponsorships to more fully align with our purpose and values.

Port Marlborough has ongoing relationships with these groups:

Community

- Port Marlborough Pavilion
- Picton Resource Centre
- Marina to Marina
- Picton Maritime Festival
- Picton New Year’s Eve Celebration
- Picton Christmas Parade
- Havelock Mussel Festival
- Marlborough Nelson Marine Radio
- Havelock Mens’ Shed
- Picton Food Bank
- Coastguard Marlborough Vessel Storage
- Marlborough Sounds Community Vehicle Trust

Education

- Marlborough Girls’ College
- Marlborough Boys’ College
- Queen Charlotte College
- Sounds Discovery Fund
- Queen Charlotte College Aquaculture Programme

Sport

- Marlborough Colleges Sailing Club
- Queen Charlotte Yacht Club
- Waitohi Rugby Club

Environment

- Kaipupu Sanctuary
- Picton Dawn Chorus
- Envirohub Marlborough
- Cawthron Marlborough Environment Awards
- Marine Farming Assn Environment Award
- Seaweek
- Totaranui 250 Trust

Port Marlborough sponsorships realigned for 2020

Actual: 2019
Budget: 2020

Community

Education

Environment

Sport



Sounds Discovery Fund

In 2018 Port Marlborough launched the Sounds Discovery Fund, aimed at encouraging a strong connection between school students and the Marlborough Sounds. Our hope is that greater appreciation and understanding of this unique environment and its human heritage will support our young peoples’ sense of care and guardianship.

This year the fund sent over 300 children from thirteen Marlborough primary schools on a full-day ‘Voyage of Discovery’ aboard the gaff-rigged pilot cutter Steadfast in Queen Charlotte Sound. The children sailed the vessel; sampled plankton; identified seabirds and dolphins; measured speed and depth using traditional methods; and used an underwater video camera to see what was happening on the seabed. This interactive and fun experience developed and led by Richard de Hamel of Otago University was an absolute hit with the students and certainly gave them a greater understanding of the ecology and biodiversity of the Marlborough Sounds.

In the coming year the Sounds Discovery Fund will help students engage in the Tuia 250 commemorations by bringing them to Picton to visit the voyaging fleet of waka, and tall ships Endeavour and Spirit of New Zealand.

Link Pathway

The Link Pathway is a community initiative conceived in 2005 by residents of the Inner Marlborough Sounds to connect local communities by a series of pathways. The vision grew to build a continuous pathway between Havelock and Picton, that included Anikiwa.

The Pathway traverses the port’s Shakespeare Bay land including our lowland podocarp forest and salt marsh conservation covenants, and accesses the foreshore at the head of the bay adjacent to a significant marine area. Link Pathway and the port worked together to protect these areas during pathway construction and use. In the forest, the pathway gives good visibility of significant trees while protecting root systems. Hydrodynamics of the salt marsh and access for birdlife are protected by use of a 100 metre timber boardwalk at the coastal margin.

Port Marlborough has contributed land access, engineering input and materials. Reused marina jetty timbers form the decking for the boardwalk and several other structures along the length of the Link Pathway. Historic hardwood piles recycled from Waitohi Wharf support the bridge connecting the Pathway across the front of the main saltmarsh inlet.

The port’s future operations and the Pathways connection through the Bay are both protected under a formal agreement that provides contingency for an alternative Pathway route should relocation be needed in the future.

Te Aō Tūroa Planet

Responsible consumption + production	Climate action	Life below water	Life on land
UN SDG	UN SDG	UN SDG	UN SDG
12	13	14	15



We’ve turned a more intense spotlight on our operations to measure and improve environmental performance. We’re partnering with others to learn, and to support better outcomes across the port, marinas and beyond.

Beyond compliance

Port Marlborough has an extensive range of environmental controls and monitoring programmes in place to overview and regulate our daily work consistent with environmental standards, resource consents and community expectations. We’re committed to evolving our environmental management practices, reaching beyond compliance to achieve a restorative approach over time.

We’re underway on developing a broader sustainability policy and associated work plan to align our effort

to projects that will deliver the most important gains. In the year ahead we will measure our carbon footprint, water usage and waste volume as primary metrics to set a baseline and underpin future reporting. Planning and reporting systems will evolve and environmental reporting metrics will be published on our reconfigured website when it is launched later in 2019.

Water

Fresh water supply is at a premium in both Picton and Havelock, and we’re intensifying our focus on water conservation.

Leak detection reduced water consumption at Havelock. Substitution of salt water for wharf washdown across a number of sites offers enormous savings potential upon implementation in the coming spring.

The nature of our operations and extensive paved areas in the port and marinas requires close attention to stormwater management to protect fresh water and sea water quality.

Renewed stormwater discharge consents were achieved for London Quay in Picton and Endeavour Stream at Waikawa. Improvements to the stormwater system on the Waikawa Marine Centre hardstand are achieving good results with the filtration system (using mussel shell filter media) now reliably removing higher levels of metals from the effluent.

Performance of the Havelock boat haul-out stormwater system was reviewed following a spike in discharge metal levels over summer, with improved levels in subsequent sampling.

Our focus in the coming year will turn to our port and marina User Groups to champion improved fresh water conservation, and best practice management of discharges.



Air quality

Emissions to air are a challenging issue across the port precinct where dust and exhaust emissions from vehicles, plant, trains and vessels are an everyday reality.

During the year our port team put in place additional housekeeping practices to minimise dust in the log yard. Since year end we've been trialling new dust suppressant materials that will, if proven, reduce yard dust this summer.

Vessel emissions have come under focus in Picton during the year due to increases in cruise ship visits, and ongoing performance of some individual vessels in the Cook Strait ferry fleet.

At the regulatory level we've worked with Marlborough District Council and the Port Industry to urge government to sign-up to MARPOL Annex VI. This would require all vessels in New Zealand waters to use low-sulphur fuels beginning as soon as possible after Annex VI takes effect internationally on 1 January 2020.

At the practical level we've worked with ferry and cruise customers to encourage improvements to emissions. The cruise industry has committed to action, pledging that all cruise ships entering New Zealand from January 2020 will use low-sulphur fuel or use compliant exhaust gas cleaning systems ('scrubbers'). The Cook Strait fleet has responded with localised technical improvements to better manage fuel systems, thus reducing emissions.

We're partnering with Marlborough District Council, Te Ātiawa and Guardians of the Sounds on a year-long project to measure air quality throughout Picton as a baseline for future improvements.

Biosecurity

Our operational staff manage biosecurity risk across the port and marinas in collaboration with the Ministry for Primary Industries, Marlborough District Council, Top of the South Biosecurity Partnership and our on port operators.

Marine biosecurity is actively managed through strict cleanliness requirements and risk profiling of incoming vessels, and routine in-water inspections across the port and marinas.

The ongoing marine threat from Mediterranean Fanworm arriving via vessels from northern waters was reinforced when a heavily fouled vessel was discovered at Waikawa Marina. The biosecurity response was swift with the vessel lifted and cleaned immediately. Our marinas team promptly followed up with educational communication to our customers and tenants outlining the risk and preventative measures associated with marine pests.

Waikawa Marina has achieved designation as the South Island's only Ports of First Arrival Transitional Facility, qualifying the marina to decontaminate biofouling on smaller incoming international vessels. This provides an important means of dealing with biosecurity risk from contaminated vessels entering New Zealand through local waters.

Two land-side biosecurity incursions occurred at Havelock early in the year when Plague Skinks entered the marina in mussel line bags brought in from Coromandel; and myrtle rust was detected on foliage in the marina car park. The Ministry of Primary Industries and Marlborough District Council managed both events.

Predator management

Port Marlborough's land in Picton, Waikawa and Shakespeare Bay provides excellent habitat for predators that destroy our native flora and fauna, so during the year we made a tangible commitment to improving the way we look after our own backyard.

An experienced member of our Caretaker team now spends a minimum of two days per week on predator control. He's worked with Picton Dawn Chorus to develop a comprehensive trapping plan with the initial focus on the areas closest to the Kaipupu Sanctuary fence line that serve as a 'feeder' for predator populations that then pose a risk to the Sanctuary.

High early catch results confirm that this programme is much needed, and is already making an important dent on predator numbers ahead of the spring nesting season.

Partnering for the planet

We're grateful for the opportunity to partner with a number of organisations who are well ahead of us on the transition to genuinely sustainable business operation.

Membership of the Sustainable Business Council provides us with a broad New Zealand sustainable business network, practice guides and continuing education and mentoring while requiring evidence of advancing sustainable practice by Port Marlborough.

The New Zealand Ports Environmental and Sustainability forum provides a strongly collaborative peer reference group, and the World Ports Sustainability Forum gives a window to best international practice.

Our partnerships with local environmental groups are an opportunity for us to support the incredible volunteer achievements of others, and to learn from them. Most notably, our connection with Kaipupu Wildlife Sanctuary goes from strength to strength. We're also forging important relationships with Picton Dawn Chorus, Envirohub Marlborough and Sea Week partners.

Kaipupu Sanctuary comes home

Heading towards Christmas 2018 individual environmental groups Kaipupu Wildlife Sanctuary, Picton Dawn Chorus and Envirohub Marlborough each found themselves in need of a new base for their activities.

Along with the Department of Conservation, Port Marlborough is a land owner and Foundation Partner of the Kaipupu Wildlife Sanctuary, and works with Picton Dawn Chorus in trapping on Port Marlborough's land holdings.

It seemed a natural fit for us to take those partnerships to the next level when we identified an opportunity to offer fully sponsored long-term

accommodation for these existing partners, and for Envirohub. A vacant area of our Auckland Street administration building (which we already share with DOC) was transformed into a new collaborative space thanks to fit-out funding support from Marlborough District Council.

The groups' coordinators can work now alongside one another; and the front of house area provides street frontage retail space and an area for talks, workshops and events. Because our organisations share the same building, the working relationships between these important volunteer groups, Port Marlborough and DOC are further strengthened.

Cawthron Marlborough Environment Awards

Port Marlborough is a proud Marine Category sponsor of the Marlborough Environment Awards. This year's winners were the Marlborough Girls' College Marine Team, who are on a mission to find a better way to protect the Marlborough Sounds.

As part of their Environmental Sustainability course, these eight students looked at previous management of the Sounds and realised there is an urgent need for better protection. Their proposal was to create a collaborative group of all the different stakeholders and give them powers to protect and manage the marine area, providing a new way forward. They drafted special legislation and won support from the Marlborough District Council to present it to the Prime Minister.

They've worked with the community, coastal scientists, university academics, the media and Cabinet ministers to create political pressure and raise awareness about the Marlborough Sounds.

We're really proud that our sponsorship has supported this imaginative, tenacious group of young people – and has recognised Marlborough Girls College for their innovative educational approach.



Decent work + economic growth

UN
SDG

8



Industry innovation + infrastructure

UN
SDG

9

Tōnuitanga Prosperity

Driving success for Marlborough

We're working hard to make this port the very best it can be: a port that leads, that lives and breathes strong relationships and excellent performance to drive our local economy.



Growing our team

Our business continues to grow in complexity and throughput thus providing opportunity for ongoing development of our people, and additional recruitment. 2019 has seen a number of new staff join the Company, most significantly in our engineering, marine and capabilities functional areas. A new Engineering Cadetship within the infrastructure team was filled by a school-leaver from Queen Charlotte College who had previously shown aptitude during work-experience with us. New roles of Marine Manager and HSEQ Manager were established to provide additional technical and leadership expertise for these critical functions.

We’ve continued to support and develop leadership and technical capability throughout the business, devolving decision making and providing increased opportunity and responsibility across our teams.

Our partnership with the Rail and Maritime Transport Union has again delivered positive outcomes for staff and for our business. Major achievements

have included introduction of the Company’s Drug and Alcohol Policy; and implementation of a Port Services Review project to refresh role content, improve roster structures and identify health and safety improvements for the Port Services Team.

Port trade

Total cargo throughput held steady at prior year levels, close to 800,000 Tonnes.

Forestry trade has continued to perform well. Log export volumes softened slightly but remain within 0.5% of five-year average volumes. Lower revenue was more than offset by an increased number of vessel visits and overall this business grew marginally on the prior year.

Subsequent to balance date the log market has suffered a fairly major adjustment in China, affecting all New Zealand ports. While some commentators predict an uplift later in 2019, log volumes across the port have dropped more than 20% over the first part of the new financial year.

We’re working with industry partners to diversify forestry exports in the longer term with a view to balancing market risk across different product streams.

A salt shipment in August 2018 boosted other trade revenue while barged logs, cement and fish continued at similar levels to the prior year.

Addition of our second harbour tug Monowai in the prior year has supported increased shipping activity. The role of the harbour tugs in protecting ferry berth infrastructure during heavy weather berthing operations has been increasingly well-recognised during the year with a doubling of ferry-assists over 2018.

Hire of Monowai to Southport for several weeks assisted overall performance of the marine services business unit.

Picton - Cook Strait ferry port

We’re proud of our position in New Zealand’s supply chain – connecting the North and South Islands. The Cook Strait ferry fleet visited Picton more than 3,100 times during the year at an average of 8.5 visits per day; carried close to

three million lane-metres of commercial freight and nearly 400 passenger vehicles; and brought more than 1.1 million passengers through Picton.

Year on year sector performance strengthened with recovering freight volumes. Record private vehicle and passenger carriage up 6.4% and 5.1% respectively on the prior year reflected ongoing growth in domestic and international tourism.

We’re strongly aware of Port Marlborough’s role in delivery and resilience of the Cook Strait service and are working with both operators to understand their future requirements.

StraitNZ’s continued growth is driving expansion of on-port commercial vehicle marshalling space, with additional area coming into operation prior to summer.

In January KiwiRail announced plans to purchase two new larger rail-capable ships to replace their existing fleet. Due in service during 2024, the new vessels will greatly increase rail capacity, and Interislander’s passenger capacity by

around 50%. We’re working closely with KiwiRail to establish feasibility options for the new port infrastructure the larger vessels will need. Critical aspects of our discussions are port resilience and sustainability in design.

Cruise

Cruise is an increasingly established driver for economic activity in Marlborough. The contribution of cruise to the local economy has grown from \$10 million in 2015 to \$24 million in 2019, or nearly 250%.

The number of cruise visitors grew 20% to 94,300 for the 2019 year, and 110,000 visitors are expected during the 2020 summer. In total 49 cruise ships visited Marlborough last season with 42 ships berthing in the port, four vessels anchoring and tendering passengers to shore, and the remainder cruising the Marlborough Sounds under pilotage.

Picton has earned an excellent reputation amongst cruise lines and inbound tourism operators. We’re known as a can-do port with strong community, local business, Destination Marlborough

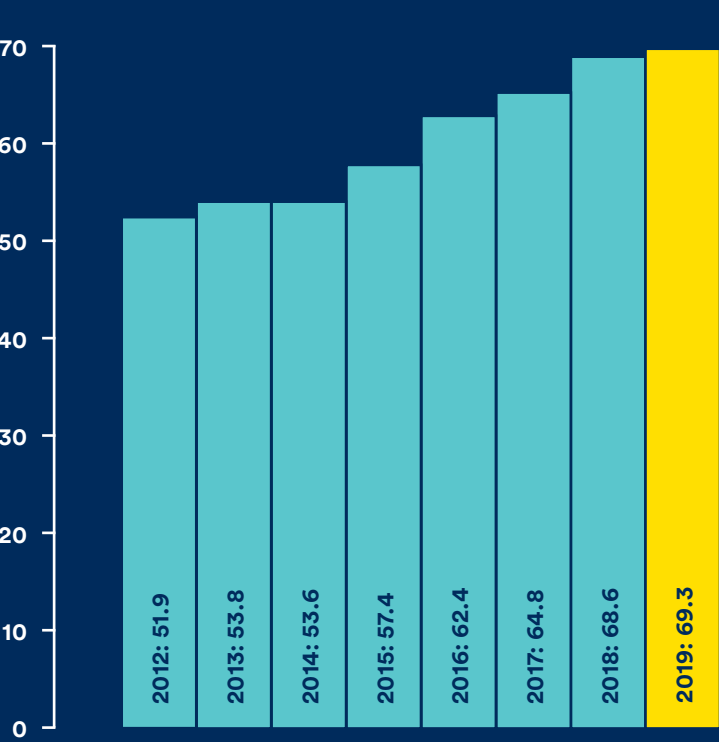
and Council backing – reflecting the genuine partnerships embodied in our collaborative ‘Cruise Think Tank’.

Marlborough’s readiness to respond was particularly evident when Ovation of the Seas made an unexpected visit at the start of the season, complete with 4,454 passengers aboard. With the Waimahara berth already occupied, Ovation went to anchor in the harbour and tendered passengers to the Picton Town wharf. Ovation’s senior crew were full of praise for the attitude and ease that they encountered from everyone involved in this impromptu visit.

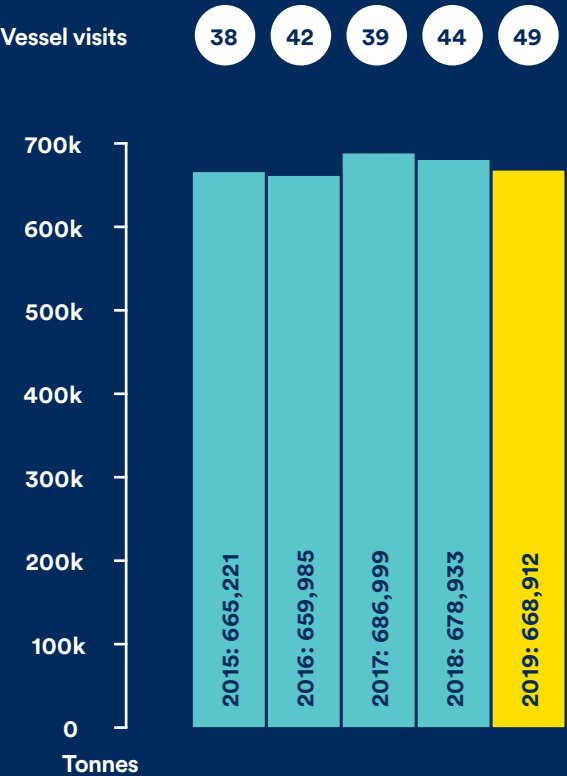
In January, Majestic Princess with 3,900 passengers unexpectedly diverted to Picton and was similarly well-accommodated. The region’s ability to accommodate this visit has resulted directly in eleven new bookings for the 2021 season.

Several initiatives are underway to ensure we accommodate increasing cruise activity alongside log export trade while maintaining high service levels to both.

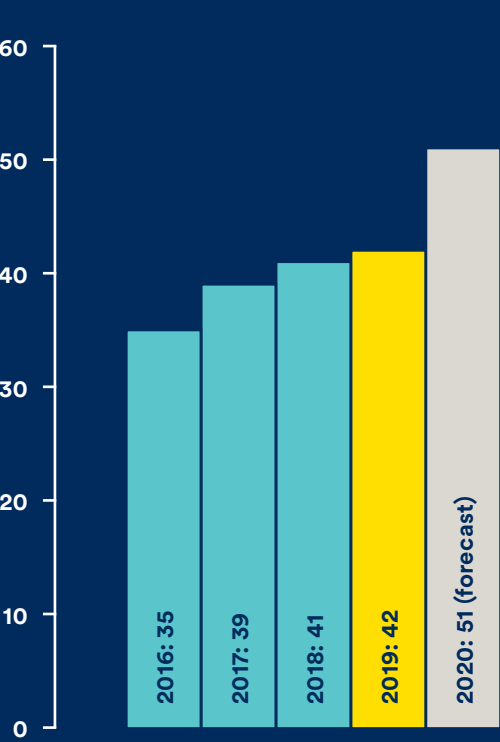
Staff employed (FTE)



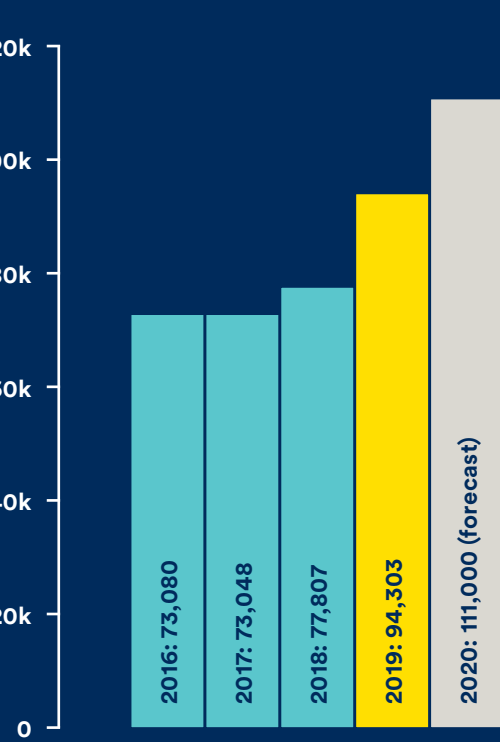
Shakespeare Bay log exports (JAS)



Cruise ship visits to berth



Cruise ship passengers



Marlborough Sounds Marinas – connecting people with the Sounds

Our Marlborough Sounds Marinas team provide services at Picton, Waikawa and Havelock Marinas that support the majority of Picton’s water-based tourism operators.

Average berth occupancy across all three marinas at 93.7% has increased 2% over the past year, reflecting 5% occupancy improvement at Havelock (now 85.9%) while Picton and Waikawa marinas remain close to full, underscoring the need for new marina capacity in Queen Charlotte Sound.

Boatsheds and secure boat compounds are effectively full across all three marinas. Twelve new large boatsheds constructed at Waikawa early in the year were leased prior to completion, with a further ten sheds due for delivery before calendar year end.

We’re working to increase recycling collection across the marinas operation and have introduced aqueous waste disposal and glass triage at Picton. Increased biosecurity vigilance and boat-owner education are a priority as we work hard to protect the Marlborough Sounds from invasive marine pests.

Refurbishment of Waikawa Marina jetties and floating jetties 1, 2 and 3 at Picton was completed during the year. At Havelock, an upgrade of trailer boat washdown facilities will be completed in spring.

Construction of the new Waikawa Northwest marina extension can’t come soon enough for some of our customers. We’re on track to award tenders prior to Christmas contingent on costs meeting budget expectations. Construction is planned from around February 2020 with first berths coming on stream later in summer 2021. Our Marinas team will kick-start a twelve-month promotional programme for Waikawa Northwest at the 2019 Auckland on Water Boat Show in October.

Planning to deliver in the future

Capital investment in core port infrastructure, marina capacity and integrated property development has continued through the year with a number of significant projects delivered across our business landscape.

Two new build premises were constructed on the Havelock Marina reclamation, at a total investment value approaching \$4 million for customers Clearwater Mussels and Cloudy Bay Clams. Both buildings were developed with close attention to customer needs, and with a strong emphasis on minimising additional demand on Council services which are at a particular premium in Havelock.

At Picton, continued growth in Marlborough Sounds tourism businesses has created opportunities for further development in the London Quay waterfront precinct. Eko-Tours has relocated to a previously vacant building, while Sounds Connection and Lochmara Lodge will tenant a new Port Marlborough building near the Coathanger Bridge, due for delivery prior to Christmas.

Marlborough Travel’s integrated tourism business model has continued to advance through their acquisition of existing Port Marlborough tourism tenants in Havelock and Picton. Growth in their vessel fleet has created an opportunity for us to invest in additional berth capacity in Picton.

At Westshore, continuing growth in demand for barge berths prompted construction of a second Westshore jetty during the year, and planning for additional Shakespeare Bay berths in the coming year.

We’ve continued our work with KiwiRail in feasibility planning around their intended new fleet implementation, currently timed for 2024.

Future planning for the port precinct has occupied our attention in the second half of the year. Supported by specialist port planners we’ve worked with port staff, customers and stakeholders to develop a Port Development Plan that will guide future sustainable port development. This Plan will be an invaluable tool in helping us to consider how best to meet the immediate customer needs while protecting future operational needs and development opportunities for this important regional asset.



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