



Eastland Group update **April 2010**

Port Major **Asset to the Region**

by Eastland Group chief executive Matt Todd.

The years have brought challenges and changes for Eastland Group.

When Eastland Group, with the support of its 100% shareholder Eastland Community Trust, purchased the local port – from Gisborne District Council subsidiary Gisborne Port Limited – and established Eastland Port Limited in 2003, we faced a number of very significant challenges.

We had acquired a business with some serious operational issues. The Jody F Millennium beached in early 2002 and while Eastland Port didn't inherit the legal liability associated with this accident, it did inherit a number of regulatory restrictions and a port that was perceived by industry to have some significant safety issues.

We employed people with strong technical maritime skills and through management attention and effort by the likes of Captains Wayne Turner, Rob Mitchell and Charlie Jamieson, the port has put those bad years behind it. We can never be complacent but I know the Eastland Port team is very focused on making operational safety the number one priority both on land and in the water.

We now have access to four fully qualified marine pilots a highly experienced and competent team of marine services personnel, and an equally capable team to deal with the land side issues.

In 2003 the port also faced the problem that its assets were in need of attention, both in terms of remedial maintenance and to accommodate the long anticipated increase in forestry volumes. Over recent years we have invested more than \$8 million into the assets

and infrastructure (excluding the not-inconsiderable investments on property in our Inner Harbour).

Over the next five years we plan to spend an additional \$17 million in capacity and efficiency improvement, \$11 million on maintaining the existing asset, and an additional \$29 million on capacity improvement. So we are heading towards a total investment – additional to the purchase price – of \$65 million over our first 15 years of ownership.

Obviously this level of expenditure is not guaranteed, it requires a close understanding of what the customers' needs are, and it requires my management team to make a strong and compelling business case to my board of directors.

What it should signal however, is that Eastland Group is prepared to invest money in this key piece of regional infrastructure when it is needed.

Andrew Gaddum, the port's general manager, has worked tirelessly over the past two years to make sure that we have fit for purpose infrastructure – accepting that both over investment and underinvestment are highly undesirable outcomes.

There was a lot of skepticism about forestry when we took over the port - the wall-of-wood had been promised but never arrived. Our initial assessment suggested the skepticism was unfounded – that the wall-of-wood was real... after all, the trees were in the ground, but there was some ability to slide the age the trees were harvested depending on market forces.

As a result the harvest increase in this region has been much later and much steeper than many had predicted. In 2004/2005 the port exported about 373,000 JAS/tonnes of logs, in 2008/2009 it was 699,000 and in the

financial year ending 31 March 2010 it will be 1,200,000 JAS/tonnes.

This level of growth is very hard to manage but investment in new roads, weigh stations, gantry cranes, and scaling stations has helped us to manage. That is not to say we don't still have issues.

We recognise that with this volume of product through the port, we create issues. Dust is a problem in summer and mud in winter, however part of the aforementioned expenditure is to look at hard standing our log yards with asphalt over the next few years. This may seem like a reasonably straight forward project, but current estimates are that it will cost \$9 million to complete.

The development and success of the port is symbolic of the development and success of forestry in this area. We might grizzle at the number of logging trucks on the road, but if we think about the number of jobs that are associated with each truckload of logs, and the economic benefit this generates for the region, we may be a little less quick to criticize.

Chief executive of the Eastland Wood Council, Trevor Helson, an association that Eastland Port is a member of and works very closely with, estimates that the forestry sector currently employs 1450 people directly – if you use an economic multiplier this equates to more than 3600 people.


Trevor says that the port is a crucial component to the success of the wood industry in this region and without it they would not be able to service their customers nearly so well. However this success requires a high level of cooperation to maintain a good flow of product across the wharf and to the markets around the world, without which

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both the wood industry and the port will be severely impacted.

Trevor makes no secret of the fact that he is more than happy with the excellent level of co-operation we have today,

and they look forward to that being maintained well into the future to the mutual benefit of all within this region. 

New project expands footprint

There's a big project in the making at Eastland Port.

Record increases in export volumes and expected increased demand has led to the need for more room.

"Our port footprint is proving restricting," says general manager – logistics, Andrew Gaddum.

The port is planning to redevelop the upper log yard, expanding storage capacity from its current 80,000 tonnes to 95,000 tonnes. It is planned that the 2.9 hectare site will be cleared of buildings, levelled and a special base put down to ensure a solid and suitable footing for the tonnes of logs to be stored there.

"We are working to a zero balance, which means no fill will be taken from the site and none added."

A 4-metre by 6-metre earth wall will be built around the perimeter of the site and planted with natives. We have had extensive consultation with landscape gardeners to ensure anything planted is what Captain James Cook and botanist Joseph Banks would have seen on Titirangi Hill when they sailed into the bay.

An internal fence will be entirely

screened by the thousands of trees we will be planting.

A robust storm water system will be put in place to ensure any discharge from the site is properly disposed of.

"We expect to export around 1.2 million tonnes of logs in the current financial year, and while this is unprecedented, it is only the tip of the iceberg," says



Andrew.

"The sustainable harvest for the region is 3.4 million tonnes of logs. Forestry is an industry that will continue to grow,

continue to provide opportunity and employment for our whole region, putting more money in the pockets of the people of our region."

The flow on effect is substantial – forestry companies will require more workers, the port will need to increase its staff, trucking companies will need more drivers and so many other opportunities will be created.


"Generally speaking for every new job in the forestry industry, three other jobs are created in the local economy."

Andrew says the planned development will make the site far more ascetically-pleasing for neighbours, while also cutting noise and dust.

The multi-million dollar project is part of the 10-year development programme and one of the port's biggest developments and investments Eastland Group has made since it bought the port.

"We see it as vital to the on-going success of our port and will ensure we can remain cost competitive

for our clients and prosperous for our region."

The project is expected to be completed in the summer of 2011-2012 

New Price Structure Reflects Challenges


Eastland Network has overhauled its price structure and lines charges to better reflect the challenges of the region.

Eastland Group chief executive Matt Todd says the rise was inevitable, when considering physical layout of the network coupled with the increasing costs the business faces in maintaining and upgrading the network.

Plenty of work has gone in behind the scenes, including a significant review of

price structure and lines charges, which will come into effect from March 31, 2010.


"Eastland Network continues to face rising costs for maintaining and renewing an aged network," says Matt. "Those costs outstrip revenue growth and are compounded by costs we have to bear to meet new regulatory requirements."

Eastland Network has been identified as having some of the oldest assets in the country and along with supplying energy to consumers spread over a large area with difficult terrain, makes maintaining the network a challenging exercise. 

Just Letting You Know

Eastland Port is keeping its neighbours up to date with a community newsletter.

The port has been working closely with its Community Liaison Group and the manager Andrew Gaddum says the newsletter is the next logical step.

The first issue of the newsletter is just out and covers the planned development of the port's upper log yard, with drawings, photographs, a time line and other vital information. 

Aligning Companies to Meet Demand

Being adaptive to the challenges and demands of the ever-changing aviation world is key to survival in the current economic climate, according to Flightline Aviation's new general manager Carl Jepsen.

With a strong background in aviation and management, Carl is tasked with realigning Eastland Group's aviation division, including Flightline Aviation and Skysales Aviation, across the bases in Auckland, North Shore, Christchurch and Dunedin.

For 16 years Carl was an engineer but has spent the past decade working for a variety of global blue chip companies, and more recently completing an MBA at Auckland University.

He's relishing his new challenge.

"We need to ensure our companies are aligned in the best way to meet the demands of that ever-changing general aviation market in New Zealand," he says. "Now more than ever, the market

is price sensitive and we need to focus on volume to remain competitive. Ensuring our cost structure correlates to the demand is a critical success factor."

One of the biggest challenges he is facing is creating an efficient logistics system that carries through all divisions of the company.

"Globally logistical systems are significantly more efficient than they were 10 years ago, and those efficiencies seem to be compounding with the use of technology and modern transportation systems. The use of Six Sigma methodologies and Just in Time principles has become the industry standard.

Carl says while it is easy to sit back and do nothing, thinking the market will come right, the reality was that tough



Carl Jepsen

decisions needed to be made.

"With change being constant, we need to be adaptive and have with solid proactive strategies. Being a good company is no longer acceptable, we need to be a great company."

When not making the tough calls on aviation, Carl is likely to be found on the BMX track with his five year old son Rocco. Both are keen and active BMX racers, with a solid cheering team in his wife Megan and three-year-old daughter Bianca.

NZ's Largest Log Scaling Station Opens

The opening of Eastland Port's \$1 million-plus log scaling station is another reflection of the on-going positive growth forestry brings to the region.

Around 50 workers, families and dignitaries gathered to mark a special day, not just for the port, but for the region as a whole, as Mayor Meng Foon cut the ribbon to open New Zealand's biggest log scaling station.

C3 chief executive Dean Camplin said it marked a fantastic day for the forestry industry.

"It reflects how the industry has matured in this region. The promise has been here a long time and has now been realised."

C3 operate throughout all 12 of the nation's log export ports, and the new three bay 650 square metre station set a benchmark for the rest of the country.

"It is a superior facility and the very best we have in New Zealand to work from. It is a statement for the future."

Dean said the region's forestry had experienced approximately 30% compounding growth over the past four years – and all C3's customers were indicating that would continue.

While it came with a caution that there needed to be balance within the industry and the maturity profile of the forests, Dean said Gisborne and the East Coast was well poised to benefit.

Eastland Port manager Andrew Gaddum had high praise for key people involved in the project, including Project 44 Construction, its manager George Horsfall, and the port's project manager Annalise Hughes.

"Not many projects run this smoothly and on time," he said of the three month effort.

"This station is a real bonus for the port and a vast improvement on the



Setting a benchmark... dignitaries at the opening of Eastland Port's new log scaling station (from left) Project 44 Construction manager George Horsfall, Reverend Temple Isaacs, Mayor Meng Foon, C3 chief executive Dean Camplin, Reverend David Hawea, Eastland Port manager Andrew Gaddum and Eastland Port project manager Annalise Hughes.

original facility, and is a demonstration of the port's commitment to the region's forestry industry," he said.

The design had been a collaborative effort between the port and C3, and will be leased by the national company.

At its peak, the station will be able to process around 25 trucks an hour.

The station was blessed by Reverend Temple Isaacs and Reverend David Hawea.

The first trucks cruised through the new scaling station at 4am the morning after the opening.

Harbour Feels the Surge

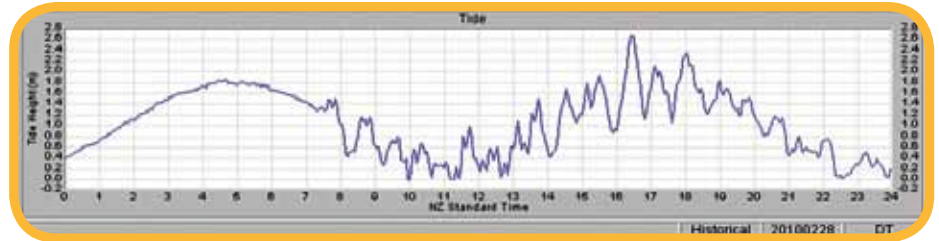
A stormy day on Sunday, February 28 may have created a whole different scenario at Eastland Port.

Instead, the tsunami that followed Chile's massive earthquake did mean rather radical tidal surges and the evacuation of vessels of all sizes, but port services manager Deane Craw says it could be a completely different situation had the weather been rougher.

"The initial small upsurge was followed by a rapid reduction in the sea level which prompted concern over how

quickly and how far the level would rise when the water returned." All was graphically replicated on the port's tide gauge, with surges continuing for days after the quake. "In the end the most marked variances were around 3pm and 5pm, the latter

of which saw the Inner Harbour fill to a level very close to the top of the river training wall," says Deane. "One can only speculate on what might have been if we were experiencing storm conditions on top of this extreme surge." 🌊



Great Opportunity for Young Scholars

Reinvesting in the future of the electricity industry is the responsibility of all involved, according to Eastland Group chief executive Matt Todd.

As the old guard of Eastland Group's scholarship boys head into their last year of study and two new ones begin, Matt says it is the obligation of the industry to train people for the future. "Everyone was grizzling a few years ago that there were no young people in the industry but the only way that will happen is by us encouraging them into it," he says. "The industry has an obligation to train people with a long term view on it all – we may not get some of these scholarship winners straight back to Gisborne to work after their degrees, but in the future they may well come home."

When Eastland Group initially established the scholarship programme, applicants were thin on the ground. These days, they are inundated with high quality students.

"It's heartening to see and good to be able to give them the opportunity to get out and live and work in the industry." Scholarship winners get \$5,000 a year towards university costs and paid work during their holidays.

Multi scholarship winners Ryan Ainsworth and Mikaere Ngarimu spent their summer holidays working for the network – something both thoroughly enjoy. Cousins Josh Gardner and Blake Burgess, 2010 scholarship recipients, are looking forward to the same.

Twenty-year-old Auckland University student Mikaere (20) says the work experience component of the scholarship is invaluable.

"It's awesome being able to put all that theory into practical while we are here," he says. "We have the chance to work throughout the network too, which is very interesting."

This is the second year Mikaere has been awarded an Eastland Group scholarship, and he says he'll be relieved to finally finish his Bachelor of Engineering degree. As part of his degree he needed to complete 800 hours in the field, and his summer holiday work means he is just about there.

"This scholarship is a huge help and the guys we work with here are a good bunch."

Twenty-one-year-old Canterbury University student Ryan Ainsworth is in his last year studying mechatronics engineering but says he hasn't yet discounted going back to do his masters.

The four time recipient of the Eastland Group scholarship also loves the work experience side of it.

"We've very lucky," he says. "I have friends struggling to find jobs in



Hands on and loving it... (left) Mikaere Ngarimu and Ryan Ainsworth at control central as part of their holiday work experience at Eastland Network.

engineering, so to have an opportunity like this is great."

Seeing the scope of opportunity available to him once he finishes his degree is also very enlightening. "It's great to be able to learn about all aspects of the network – this is a fantastic career path... it's very interesting and something I enjoy a lot."

This year's recipients are both at Canterbury University – 17-year-old Josh is entering a four year mechanical or civil engineering degree while 18-year-old Blake has opted for electrical engineering.

Both boys are former students of Lytton High School and are volunteer rural fire fighters.

"To be awarded a scholarship like that that includes money and work, is a huge bonus," says Blake. 🌟

Stronger Relationships in the Pipeline

"Eastland Community Trust (ECT) holds a portfolio of investments in trust for the people of Gisborne. The largest of these investments is its 100% shareholding in Eastland Group. The ECT Trustees appoint an independent board of directors to govern Eastland Group and require the company to operate in a fully commercial way. Eastland Group provides revenue to the ECT by way of dividends and interest on capital notes."

A man with a strong community passion is the new Eastland Community Trust general manager.

Family man Leighton Evans has stepped from manager of Quality Rooding Services' (QRS) Gisborne branch into the new role, and he's looking forward to the challenges and opportunities it will offer.

"I am passionate about the Gisborne region and excited about being a part of continuing to build the trust legacy of providing great services, good investment opportunities and a lifestyle we can be proud of," says Leighton. "I am intent on establishing a strong



Leighton Evans

connection between the ECT, community leaders and the wider community, and looking forward to driving projects that make a difference to Gisborne long term."


Leighton grew up in Gisborne, attended local schools and after a stint at university, worked for Gisborne District Council.

For 10 years he worked in a number of roles at council, from looking at natural resource issues through to being the city's water engineer. Three years ago he became Gisborne manager for the Wairoa-based QRS in an effort to further his commercial experience. But now it is again time for a change.

"The opportunity with the Eastland Community Trust was an ideal step for me," he says. "This gives me the chance to work in a role that can make a difference while offering a whole host of new challenges."

The father of five is a keen footballer, loves fishing and is one of the leaders at the Zion City Dwellers Youth Club which offers a weekly programme for teenagers to share experiences they may not otherwise get.

Trust chairman Gary Alexander said he looked forward to the benefits that would come from having a person solely dedicated to handling trust business as a first priority.

"We look forward to working with him and sharing the trust's vision through greater networks and strong relationships." 

Inner Harbour Rocks Through Summer

Gisborne's Inner Harbour area has been a hub of fun, entertainment and laughter over the summer months.

Between bird men and women, competitive swimmers, kayaks, racing boats and musicians from all over the globe, the place was simply humming.

And key organiser for many of the events, Bridgette Penny says they're keen to do it all over again next summer.

"Harbour the Madness Day was a huge success," she says. "It seems people just love seeing others dive and jump into the water dressed in crazy costumes."

She says crowd numbers well exceeded expectations and she's hopeful a few more will enter the fun birdman



competition next year. The supreme award went to Peter Murphy with Claire Davies receiving the prize for best female competitor.

And to prove that the team at Eastland Group are prepared to walk the talk, Andrew Gaddum won the prize for longest distance, and Matt Todd the best male costume.

The harbour swim was another great celebration with Chris

Dawson winning the 2km open swim, Georgia Harris the 1km swim and Kennedy Lexmond and Jakob Tenet the teams event. Plans are underway for next year and are likely to include a corporate challenge.

Eastland Group chief executive Matt Todd says it was fantastic to see so many people at the Inner Harbour

enjoying a near perfect Gisborne summer's evening.

"That's just what we want," he says. "We want people to enjoy the asset the area is. It was most definitely a lot of fun."

The two day Eastland Port International Jazz and Blues Festival was also very well attended and Bridgette says they are looking to continue it again next year.

The group's ongoing sponsorship of Gisborne Speedway continues to go from strength to strength with another fantastic season well underway.

"Our sponsorship partnerships are all part of our raison d'être," says Matt. "We believe in supporting and reinvesting in our people, their families and the wider community." 



Photographs by Brett Mead

Japanese Photographs Captivating

With a 10th anniversary in the wings, entries in the annual Gamagori Gisborne Sister Port Photo Competition were always going to be something special.

Gisborne's popular vote could not separate the top two photographs. Kazuyo Owake and Hideo Yokota won first equal after the 540-plus votes were counted.

Gisborne District Council community development officer Barbara Dockley said she was rapt with the incredibly high standard of the 35 Japanese entries and hoped local photographers would step up to the mark when the call went out for entries.

The very diverse Japanese entries hung at the HB Williams Memorial Library for

two weeks and were admired by hundreds.

"The photographs were such beautiful quality," says Barbara. "They've been printed on top quality paper and some feature things we just don't see here – they're incredible."

The local organising committee will shortly get together to finalise details for the Gisborne competition.

"With it being the 10th anniversary, it would be great to send a really strong selection of photographs over to Gamagori for judging," says Barbara.

The two cities are tied by their link with the ocean and involvement in the sister port programme.

"It's all part of extending the connections we have around the world." 🌊



Fire in the sky...Gamagori's Hideo Yokota with his photograph that won first equal by popular vote in the Sister Port Photo Competition.

Tsunami Warning Empties Port

It didn't take long for Eastland Port marine operations manager Rob Mitchell to make the call to evacuate the port.

And when he rallied his troops, none even batted an eyelid at the thought of heading to sea with the two tug boats, pilot boat and dredge. A large ship had sailed the night before, so there were no others to worry about.

"Our guys did an excellent job," says Rob. "Some of them have young families and they were called to arms on very short notice. It's probably most dangerous on their way out – imagine facing a 30-foot wall of water in that small pilot boat...it takes a lot of guts and they just got on with the job.

"Being at sea is the safest place but the transit time from port to out there is the most dangerous time of all."

Over the past five years, the port has had three tsunami alerts, so the team has everything down to a fine art. This was the first time they have moved the tugs to sea.

This time they took the vessels three miles outside the harbour limits into 40-metres of water.

By 7.15am the port was pretty much cleared.

Heading out with the port vessels were a number of privately owned yachts and boats.

"Next time I think a few will take lunch with them. It turned into a pretty long day for some as they weren't back in port till mid afternoon. It was a good exercise," says Rob, who initially got the call at 3.30am from his Hawke's Bay colleagues. "The assets were protected, no-one was hurt and nothing was broken."

Rob says the surging in the harbour meant the water would go from low tide up 1.8-metres to a high tide within 25 minutes.

"It was interesting to watch on the cameras," he says.

The first surge was recorded at 8.12am.

"I was watching it on my lap top and the tide was going out, but just stopped dead and then started coming straight back in. We had three very powerful surges, including one that drained the river outside council to a puddle."

The biggest surge was at 5.30pm when it was high tide.

"We are always looking to learn from these experiences, to make sure everything runs as it should in a real emergency," says Rob. 🌊

Moko Come Home...

Moko the friendly dolphin was kept safe in Gisborne waters over the busy summer months thanks to support from Eastland Group and the Eastland Community Trust.

The two financed crews from the Waikanae Surf Lifesaving Club, with guidance from the Department of Conservation, to shadow the dolphin seven days a week for about a month. It wasn't a tough decision for the group and trust to make either, according to Eastland Group chief executive Matt Todd.

Moko moved to Gisborne from Mahia and spent around four months in the first city of the sun and was an active 'performer' at the Eastland Port Harbour the Madness day, before heading to Bay of Plenty in mid January.

Fingers are still crossed he'll be back. 🌊

So, what do you think?

We'd love to hear from you. Please send your comments to admin@eastland.co.nz

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