



Eastland Group update **October 2010**

Growth and generation

by Eastland Group chief executive
Matt Todd.

There has been some information and negative opinion in the public arena about Eastland Group's decision to invest in generation outside the region, and also views expressed that the company should not continue to grow but that it should consolidate.

If I look back on the last seven years I can say with absolute certainty that the success of the company has been because it has been able to grow.

We have been able to develop a culture that has allowed us to retain and attract new talent and the financial success of the company has allowed us to be able to afford these people. I think that most of them enjoy working at Eastland Group because it is forward focused, it challenges them, it gives them both responsibility and accountability for key aspects of the business, it can pay them market rates for their skills and it acts with a sense of urgency and purpose. At Eastland Group we have people that want to get out of bed on a Monday morning and look forward to coming to work.

It is our fundamental belief that companies that don't grow begin to die. They immediately start to go backwards, they start to deteriorate and to shed capability and competency. The type of people that Eastland Group attracts don't, for the most part, want to be caretakers of some dusty old yesterday's businesses, where all they do is turn up from 9 to 5 and pick up a pay cheque.

What I know for certain is that if we stopped growing then our best and brightest would disappear, they would chase other positions that offered the challenges and professional satisfaction they desire.

Companies need to be measured on

their results and their outputs. The performance of Eastland Group has been very successful. It has since 2003 grown its asset base over 3 times, from \$80m to nearly \$300m. In 2002 the year before Eastland Group was formed the company made a profit of \$3.08m. In 2009 it was \$6.9m, last year as a result of the global financial crisis it was \$5.57m, while this year we are on target to have our best ever result.

This is real economic wealth that is being generated and returned to this region.

The NZX50 index, which tracks our 50 biggest listed companies was 2,631 in April 2004, in the last week of September 2010, 6 ½ years later, it was 3,236. If Eastland Group is compared to this index, then we have outperformed it by a considerable margin.

Yes Eastland Group has made some mistakes along the way, every business does, but our successes far outweigh our failures, and we most certainly learn from our mistakes.

Investment in new generation has been a part of our company strategy for at least the last 7 years. New investment opportunities in the Tairāwhiti Region have been difficult to find. What has made this form of investment doubly hard was a piece of legislation called the Electricity Industry Reform Act (EIRA) which put significant barriers in place and made investment in generation, by companies that also had an investment in an Electricity Distribution Business (e.g. Eastland Network Limited) very difficult.

Over the past 12 months we have been aware that the Government was looking at making significant changes to the EIRA and in fact the Electricity Industry Bill was passed by parliament

earlier this year and comes into force on 1 November 2010 as the Electricity Industry Act. This Bill repeals the EIRA and provides Eastland Group with the regulatory certainty that it needs to move forward with further investment in the generation sector.

Over the past decade electricity prices have gone up by about 70%, most of this has been in the energy side of the industry not the regulated distribution side where Eastland Network sits. The only thing that will effectively halt the rate of this increase in price is greater competition and more generation, basic supply and demand economics. This was part of Government's thinking when they moved to allow Electricity Distribution Businesses back into the energy side of the industry, by repealing the EIRA.

What is also self evident is that generation has been a very lucrative commercial investment over the past decade and Eastland Group believes that it has the skills and capabilities to be able to successfully compete in this sector.

All of this combined to give us the confidence to accelerate our generation investment strategy. Our recent investment in a 9MW geothermal generation plant in Kawerau is the first step in a strategy that we hope will allow us to aggregate a sizeable portfolio of renewable generation. We are actively looking at other geothermal opportunities as well as trying to pursue hydro generation opportunities on the East Coast.

We think investment outside the region is important, it provides commercial diversity as well as geographical diversity. *continued on page 2*

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On top of this the Government has signalled its desire for New Zealand's extensive geothermal resource to be more fully developed. The nearest

sizeable geothermal resource to Gisborne is in the Eastern Bay of Plenty, so that is where we have focused our intentions.

We believe the next few years for

Eastland Group will be very exciting, we accept there are some doubters, but ultimately we ask to be measured by our results.

Reinvesting in the future **through scholarship**

Applications are being called for the Eastland Group Tertiary Study Scholarship.

Each year the group gives a \$5,000 scholarship to a local engineering student. This year, the criteria has been opened to include those studying civil, mechanical or electrical engineering, which complement Eastland Group's businesses and operations.

Eastland Group human resources advisor Maree Kingsbeer says she is always impressed by the calibre of applicants from throughout the region.

"It makes it a very tough choice,"

she says. "The scholarship is such a wonderful opportunity for a lucky student as it helps in so many ways."

The scholarship recipient may have the opportunity of paid employment at Eastland Group during his or her university holidays. In the past students who have won scholarships have found the work component almost more helpful than the money as it gives them the chance to try hands-on all they have been learning.

"They've been fully involved with the running of the network and have just thrived on working as part of the team."

Applicants must write a 1000-word

essay on how winning the scholarship would be a help, and a little about his or her study and career aspirations. Applications must be in by October 31.

"The scholarships are all part of the group's very clear recognition, that it is our people who make us successful and innovative," says Ms Kingsbeer. "We value the communities we live in and the scholarship is just one way we can show that."

For more information head to www.eastland.co.nz or email maree.kingsbeer@eastland.co.nz

Slow and steady **wins the day**

A whole lot of rather fine dentistry-type work has been going on under the wharves at Eastland Port.

The one million dollar refurbishment of the number two and three wharves has been going on since January and is likely to run through into the new year.

The BH Ritchie and Sons teams are at the mercy of the weather and tides, and Graeme Ritchie says it has been rather fiddly work to complete.

The old concrete columns that hold up the wharves are being chipped out, the old steel reinforcing poles replaced and a new column erected.

"It's rather like fine dentistry work," says Graeme.

All 51 columns on number three wharf have been done and the team is now working its way along the 50 or so columns on the number two wharf. New fenders are also being put in place.


Eastland Port contract's engineer Neil Burgess says the project is going well.



Fine work calls for team work.... (from left) safety supervisor Chris Olsen, Eastland Port Neil Burgess, Graeme Ritchie, Len Rickett and Lindsay Pihema at work on the million dollar refurbishment of the wharves.

"Everything has run smoothly – it's just a time-consuming and tedious project. Some of these wharves are up

to 90 years old in places and were most definitely in need of refurbishment."

The work is part the port's ongoing re-investment in the Inner Harbour area. 

Top Team Effort Saves the Day for Sea Sparkle

Bad weather, lots of silt and tonnes of anchor and chain joined forces to create a challenge and a half for the crew of the Sea Sparkle and staff at Eastland Port.

The 189-metre Panamanian flagged log ship was anchored in the bay when they lost their port anchor. The weather had come in and the chain had run right out. The crew set about trying to find the missing anchor by dragging their starboard anchor, set a buoy to mark the spot, then headed for port to take on their load of logs.

Eastland Port and Wainui Dive were brought on board to organise a salvage operation for the 7.8 tonne anchor and 320-metres of chain, which in itself weighs 28.6 tonnes.

Eastland Port marine manager Charlie Jamieson said it was a tricky predicament for all.

Divers were put down to locate the anchor cable, which was buried in about half a metre of silt in around 22-metres of water. There was zero visibility, but the buoy marking the spot had held, so the missing anchor and chain were located. However, getting it back to the surface brought more challenges. After a day of frustrating breakages, it was back to the drawing board on dry land.

More divers were brought in from Auckland along with underwater cutting gear. The crews managed to cut off and bring back to shore around one third of the cable, which was lifted by crane off the Titirangi and the reattached to the Sea Sparkle.

When the ship set sail, it did so with a fleet of helpers. The Titirangi, Turihaua and the Turanganui were all involved in reattaching the remaining piece of

chain – which was still on the buoy in the bay – and the wayward anchor.

“Given the equipment we had to work with throughout the operation, it was a tricky mission,” says Charlie.

The entire mission spanned five days and there was plenty of praise for all.

“It was a great team effort from everyone involved.”

The Chinese operated ship set sail for Tauranga with all its equipment on board. 🇨🇳



A job well done...divers (from left) Dayne Goodwin, Aaron Adlam, Gareth Rossiter and Cliff Blumfield, who worked with crews from Eastland Port to reunite the Sea Sparkle with its wayward anchor. Photography by Dave Thomas, The Gisborne Herald



Flying in for a little action

It's on and it's going to be rocking.

The Harbour the Madness crazy day of full-on action is back again. With stacks of interest in the birdman competition and the always popular 1km and 2km harbour swim, Monday, December 27 will be a day NOT to miss at the happening Inner Harbour area.

Registration for the birdman is at The Works from 3pm, with the event getting underway with a parade at 5pm.

Last year's inaugural event proved a winner with the crowd and fingers are crossed many of those will don some wings and get in on the action, with the chance to walk away with some rather impressive prizes.

Up for grabs are goodies from The Works for the best male and female costumes, the longest distance and, of course, the supreme winner who also walks away with bragging rights for the year.

Organiser Bridgette Penny is laying down the challenge to corporates to get out there and let the community see

them in a whole different light. The harbour swim gets underway at 6pm and always attracts class fields for both the individual and team events. Keep an eye on www.eastland.co.nz for the latest information. 🌊



INNER HARBOUR

HARBOUR THE MADNESS

Monday 27th December 2010
Gisborne Inner Harbour

Registration 3pm at the Works

A day of crazy harbour-side action!

Including:

- GREAT PRIZES UP FOR GRABS!**
- BIRDMAN COMPETITION 5PM**
- 1KM & 2KM HARBOUR SWIM 6PM**

One source, many points

Eastland Group has a smart new logo for its growing generation arm.

The Eastland Generation logo – designed by Flavour – reflects the dynamic nature of energy generation and will represent the group's hydro and geothermal operations. Part of that is the Waihi Hydro Scheme, near Wairoa, and the KA24 geothermal power station in Kawerau – fitting in perfectly with the logo's very clear message of feeding multiple touch points from one source.

It is expected this sector of the company will grow in the

coming years as the group identifies more opportunities in the green energy field.

The 9 megawatt power station KA24



Eastland Group's 9 megawatt power station KA24 at Kawerau.



was bought earlier this year and at the time was one of the group's most significant purchases to date, bringing the total assets to just under \$300 million.

Group chief executive Matt Todd says the generation field is part of a long term strategy. The relaxation of electricity industry regulations allows companies with existing regulated electricity businesses like Eastland Network the opportunity to consider more options within the energy supply chain. 🌱

Time to groove with some new moves


Planning is well underway for the newly branded Eastland Group Harbour the Beat Jazz, Blues and Roots Festival next year.

The two-day event – set down for April 30/May 1 – has the support of the eateries and bars around the vibrant Inner Harbour area. Signed up to host musicians and fun for the new festival are Lone Star, The Wharf Bar and Cafe, the Gisborne Tatapouri Sports Fishing Club, Soho, The Works and The Emerald Hotel. Also offering their full support are Tourism Eastland, the Radio Network and Poverty Bay Blues Inc. Eastland Group is the main sponsor

of the event and organiser Bridgette Penny is keen to ensure it will become a regular and very popular fixture on the district's social calendar.

The group has supported two similar festivals in recent years, but it is hoped this will be bigger and better with its new look, date and feel.

It is planned that the festival will run from 9.30am through to 2am on Saturday, and 9.30am until 5.30pm on Sunday.

Musicians are being signed up for the festival, and tickets will be on sale in the new year. The new date coincides with the launch of New Zealand Music Month. 



Ultra-fast broadband essential to the region's economy

Eastland Group is continuing its bid to ensure the region gets ultra-fast broadband.

As one of 14 short-listed in the Government-driven Ultra-Fast Broadband initiative, Eastland is watching with interest the first-stage roll-out which includes entities from Alpine Energy (Timaru), the Central North Island Fibre Consortium (Hamilton, including Cambridge, Te Awamutu, Tauranga, New Plymouth, Wanganui, Hawera and Tokoroa), and Northpower (Whangarei). Group business development manager Gavin Murphy (right) says there's no doubt, the Crown's plan to get ultra-fast broadband throughout the country is essential for the Gisborne and East Coast region. "We see the Crown initiative as an opportunity to address the years of sub-standard communication up and down the East Coast and in Gisborne." Gavin gave an update to Gisborne's



Group Business Development Manager Gavin Murphy

Chamber of Commerce explaining that while many see ultra-fast broadband as just high speed internet, it was in fact, far more.

"With this bandwidth you can start to have internet connection, voiceoverdata, security systems, Sky TV, all down one fibre pipe, so you can bundle it all up in one package, one bill."

It was all the services of today and plenty more that hadn't even been hatched yet.

Eastland Group are driving improvements to both rural and urban broadband, and while they're seen at Government level as quite separate, Gavin says this region is different.

"They need to be more linked in our region," he says.

"If ultimately Eastland Group doesn't partake in the building of the system, we will still be doing all we can to make sure it gets here. It is critical to our economic development."

Eastland Group is part of the Central Fibre Consortium which includes organisations and groups throughout

parts of Bay of Plenty, Rotorua, Manawatu, Franklin and the Central North Island, among others.

"There's a lot going on behind the scenes," says Gavin. "We don't need to be first cab off the rank, but we're here to help in any way we can and are hopeful we can begin negotiations with Crown Fibre Holdings (CFH) at some stage."

In a release, CFH chairman Simon Allen said the three named in the first-stage roll-out had displayed the best proposals including a combination of access prices, funding provisions, industry experience and financial backing.

"On the basis that CFH successfully concludes binding offers with these parties, the government and its partners will be bringing fibre to a significant part of New Zealand, which marks a real milestone for this initiative."

CFH will continue discussions with the other shortlisted parties – of which Eastland Group is one.

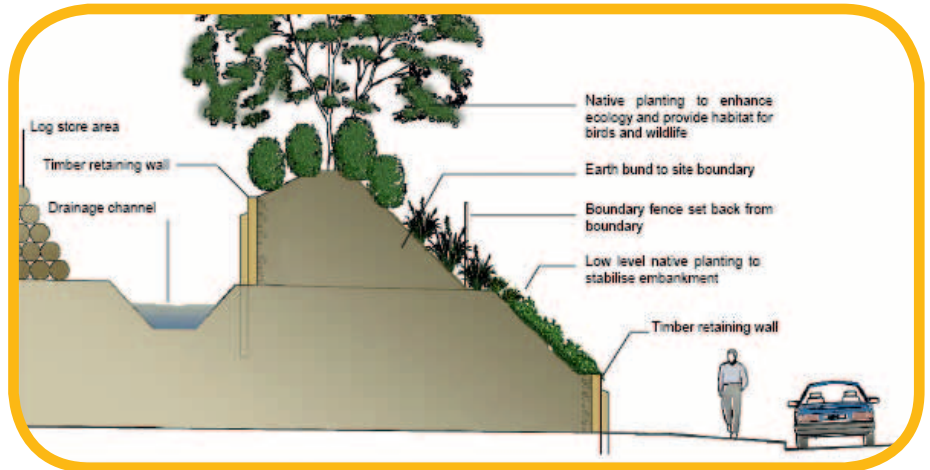
"All shortlisted parties remain important contenders for future negotiations of binding agreements."

CFH has been established to manage the crown's investment in ultra-fast broadband infrastructure over the next decade.


Cultural Assessment Completion Brings Project a Step Closer

Eastland Port's multi-million dollar upper log yard development project is a step closer with the completion of the cultural assessment on the impact the proposal is likely to have on this historic region.

Port manager Andrew Gaddum says the assessment has been done with the assistance of Ngati Oneone. He expects the resource consent for the project will be lodged with Gisborne District Council in November. The development will give the port another 1.5 hectares of general storage, meaning capacity for another 15,000 tonnes of logs at any one time – all up, that could mean an extra 150,000 tonnes a year. "This is very much an essential part of our 10-year development programme and one of the biggest developments and investments Eastland Group has made since it bought the port in




April, 2004," says Andrew. "We see it as vital to the on-going success of our port and it will ensure we can remain cost competitive for our clients and prosperous for our region." The work includes the removal of the fertiliser storage sheds, the levelling

of the 2.9 hectares, the addition of a special base for logs, a new storm water system and the addition of a 4-metre by 6-metre earth wall, which will be planted with native trees, around the site. Construction is set to start summer 2011-2012. 

Extra Space at Matawhero Storage Yard

Eastland Port is awaiting the outcome of a resource consent hearing before independent commissioners to see whether it has the green light for its Matawhero Cargo Storage Yard.

The yard would alleviate peaks in port export volumes, with space for up to 30,000 tonnes of logs on the three hectare block at any one time, while also allowing essential development work –

like the asphaltting of the existing port log yards – to be completed. Such space means the yard could increase the port's capacity by more than 300,000 tonnes a year. If they get the go-ahead, the port will put in new storm water treatment and hard stand the land. The decision is expected by mid October. 



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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