



Eastland Group update **July 2008**

## Tough times but fundamentals still good

By Eastland Group chief executive Matt Todd

It has been a hard start to the year for Eastland as a region.

The New Zealand dollar has stayed high – especially against the US dollar, interest rates continue to climb, the share market has taken a real battering, oil prices hit new historical highs on an almost a daily basis which contributes to increased inflation, as well as food prices climbing very significantly.

It is a tough time to be an export lead provincial economy, especially without a dairy industry of any significance in the Eastland region to help shore up some pretty mediocre performances from the rest of the primary sector.

Over the past six months the outlook seems to have turned from optimism to pessimism, but I for one don't believe there is any need to be hiding money under the mattress just yet.

People are trying to compare the current downturn to the crash of 1987, but New Zealand and Eastland are in a fundamentally different, and a far more robust position, than 20 years ago.

Interest rates are high because the Reserve Bank has been trying to cool an overheated economy, especially in the housing market. This has taken a long time to work predominantly because most residential mortgages have some degree of protection through fixed term rates.

The result is that New Zealand has some of the highest interest rates in the developed world. In a global market place these high interest rates are attractive to people overseas. In order to invest in the New Zealand market they have to buy Kiwi currency, which

partially explains what has kept the dollar high. The other component is the credit crunch in the United States and their economic woes, which means the US dollar is considerably weaker than it has been historically.

The good news is that the cycle may well have peaked. The Reserve Bank has signaled interest rates will come down this year, meaning overseas investors are more hesitant to place funds here or are repatriating their cash investments offshore as they mature. The net result is that the dollar will depreciate and we are already starting to see this with the fall against the US dollar.

The main problem with a falling dollar is that imports start to rise in price, which fuels inflation. This is exacerbated by the climbing oil prices. The trick for the Reserve Bank is to reduce interest at a rate that stimulates the economy but contains inflation.

The Eastland region makes most of its income from food, wine and forest related products. The lower dollar will improve returns from these exports. It seems to me that given the global shortage of food and sustainable forestry, a region that can produce meat, fruit, vegetables, grain and wood as well as Eastland can is in a prime spot.

Overlay this with the growing affluence and desire for these products in Asia, especially China and India, and it is hard



to be anything but optimistic about the future of this region.

The meat industry needs to take a lesson from Fonterra and realise that small New Zealand companies trying to compete against each other in the global market place will only benefit the purchaser, not the New Zealand producer.

The forestry industry is well positioned to pick up on the growing demand for wood, as steel continues to increase in price, non-sustainable indigenous forestry practices in Asia are curtailed, and Russian logs continue to have increased export taxes applied to them.

And, the Eastland region is well placed to weather the current downturn and even better placed to come out of the starting gates first as the economy once again regains a head of steam. ⚙️

# Investing in the future

One of the grand old dames of Eastland Port has had a swanky revamp.

The Pukunui dredge is back in action after a two-and-a-half-month refit – and back in her much earned position as front line defender for the East Coast and crucial support for the multi-million dollar forestry industry.

Eastland Port is now the envy of many other ports with their spruced up new dredge, according to marine operations manager Captain Rob Mitchell.

The dredge had more than served her time with both the current and previous port owners and the refit was long overdue.

“Now that she is had such a complete refit, we’re in good shape for decades to come,” says Captain Mitchell.

It is now valued at \$1.4million.

The Pukunui, which means big stomach, was built in Hong Kong by Pacific Ship Building for the Auckland Harbour Board in 1958. Back then she was known as H4 and she spent much of her early life being towed around Auckland Harbour moving sand.

In 1983 she was bought by the Gisborne Harbour Board for \$80,000 – plus \$8000 to tow her to Gisborne.

Almost immediately she was converted to a trailing suction dredge by Monk Bros using parts off the old harbour dredge the AC – named after harbour master Alexander Carson.

The AC had been in service since 1935 and her beaching off Kaiti Beach in 1984 marked the beginning of the log yard reclamation.

For her refit, the Pukunui was towed to Nelson. The extent of the work required was not known until the 12 doors were removed and the underwater hull was closely inspected.

Once the doors were removed workers discovered the full extent of repairs required.

It was found the centerline girder box shape frame – which acts as the keel – was severely corroded. It needed to

be almost completely reconstructed. The 12 doors were beyond commercial repair and had to be replaced. The majority of the hull – 30 percent of which is riveted – and the air tanks, were in surprisingly good condition.

She also had Australian hard wood purple heart fenders fitted. Regular observers of the dredge will notice that they always return to their purple hue over night – no matter what has gone on the previous day.

“The work that has been done on Pukunui is invaluable and will stand her in good stead for another 20 solid years of service,” says Captain Mitchell.

“There’s not a dollar been spent on her that is not needed. Subsequent dockings for Pukunui will only be cut, shave and paint.”

That opinion was backed up by three attending surveyors.

Each year the Pukunui carries out about 600 hours of dredging to remove around 60,000m<sup>3</sup> of sand and silt.

Her hopper is 480m<sup>3</sup> and she carries 150m<sup>3</sup> of sand and silt, which is retained in suspension in a homogeneous mix.

Just how valuable the Pukunui is to the harbour was underlined last year.

“We had a problem develop in the mid channel which we targeted with the Pukunui and within a month managed to restore the channel to 10.1m deep,” says Captain Mitchell.

“If we didn’t have Pukunui we would have had to continuously call on third parties, wait for availability, all the while limiting who we could take into the port because of the channel depth, or lack of it.”

And there is no set pattern as to when or why the channel fills.

“Eastland Port simply cannot survive without the Pukunui. She is instrumental in keeping our channel open.” 🌊



Looking good... Eastland Port marine supervisor Charlie Jamieson (centre) with deckhands Jim Miller (left) and Nick Tupara, and their newly refitted dredge Pukunui.

## Meet Nick

The restoration of the Pukunui has a rather special meaning for one of the port’s longest serving employees.

Nick Tupara was working on the local water front when the Pukunui first arrived in Gisborne – although she wasn’t called Pukunui back then.

Nick started in 1955 as a wharfie. His brother, the late Ruka, was also on the wharves with him.

Things changed and Nick ended up working for the old harbour board.

He’s worked in all sorts of roles and he’d have it no other way.

“My passion is the ocean,” says this grandfather. “I love working each day on the ocean, and with different ships and the dredge. It’s a good business to work in.”

He remembers very clearly when the dredge first arrived.

“I was put on it straight away and an old friend showed me everything there was to know about it.”

Nick is rapt to see the Pukunui looking so smart.

“The work was most definitely needed and it’s nice to see how it looks now.”

As much as he loves the ocean, don’t expect to see him with a fishing rod in hand on his days off.

“When I’m not working, I’m quite happy just pottering around at home – I’ve got no patience for fishing.”

And he’s got no plans for retirement at the moment either. 🌊


# Keeping the port beautiful

Volunteers from Eastland Group are doing their bit to keep the port area spic and span.

The company has stepped up to support the Keep Gisborne Beautiful Scheme and will take care of the new port road through to Kaiti Beach.

Executive assistant Fiona Dawson, who is heading it for Eastland Group, says it is a worthwhile project for the company and a great way to put something back into the community.

“Once the Hirini Street Project is complete and we’ve had a good clean-up, we’ll look at landscaping the area.”

Volunteers will sweep through the area four times a year. It is the first time Eastland Group has been involved with KGB. 



*Ready to do some work...Eastland Group volunteers (from left) Stuart Armstrong, Fiona Dawson, Matt Todd, Ben Gibson and Maree Kingsbeer have put their hands up to help beautify the port area.*

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## Challenging job for Farams

**If ever there was a job that called for a steady hand, it was moving a tower on the Tuai to Gisborne 110kv line.**

It’s the Transpower transmission line that supplies electricity from the national grid to Eastland Network’s Gisborne and East Coast distribution network.

And it is no new task for Faram Helicopters. Joe Faram has been called on to do it a few times before, so he had no trouble stepping up to the plate to work alongside a specialized team from Electrix.

The tower itself is 33-metres high and is made up of four sections.

A temporary hexagonal tower was lifted into place in two sections for conductor support to eliminate power outage while work was being done on the primary tower.

Key to the success of such a job is a steady hand. Joe had to lift the sections with workmen stationed at each of the four corners to guide the legs of each

structure together while they were being lower. Anchor bolts were then inserted. “It calls for absolute precision flying,” says Joe, who had to hover the helicopter around 60-metres off the ground.

“We enjoy challenges like this especially because of the team we work with. Imagine swinging off a safety belt hanging from a steel frame some 30-metres above the ground while looking up to see a 600kg mass of steel being lowered down to you. Then having to guide the leg to align with a 25mm bolt hole – it is incredible to be a part of.”

The conductor too had to be carefully lifted between the tower and its temporary tower to ensure no loss of power during the operation.

“When you are working with live power lines, there is absolutely no room for error,” says Joe.


The team had to build a temporary tower, swing the conductor off the old

tower to this one, disassemble the old tower, shift it 15 metres to its new foundations, then reassemble it, while replacing any parts of the structure that required maintenance. Then the workers had to swing the conductor back and disassemble the temporary tower.

“And all the while I had to fly the helicopter within the top 10% of its performance scale – this is what it is all about.”

The work took five days in a very isolated area near the Ruakituri River, with all the equipment flown in and out.

They managed to complete the mission four days quicker than anticipated due to weather, good planning and everything going in accordance to the plan.

“It’s certainly very challenging and satisfying being involved in such a task.” 

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# Gaining space

The first of the much-heralded bookends are in place and their success is proving every bit as much as promised.

General manager – logistics, Andrew Gaddum says the bookends will allow Eastland Port to stack logs up to five metres high, increasing log storage efficiency between 10-15%.

Twenty new bookends have been delivered over the past month. Andrew has his sights set on more than 80 bookends at the port over the next three years.

“Our trials in October proved the efficiency gains of bookends, so we’re really pleased to get this project underway.”

Once the three year programme is complete the bookends will facilitate the storage of an extra 70,000-80,000 tonnes of logs a year, equivalent to around another half a hectare of land. 




C<sup>3</sup> operations manager Joe Clarke with the new bookends being used in the log yard.

# Efficiency on the rise

The Hirini Street Project is just about a done deal.

A wet start to the winter slowed the project down a little but General Manager – Logistics, Andrew Gaddum, says it is now down to finishing touches.

The completed project will allow the integration of the whole port footprint from the upper log yard to the wharf side, improving load out rates and making it more efficient and cost effective for customers.

One of the biggest benefits out of the project is port traffic management. The new underpass will allow trucks and machinery to go from the upper log yards to the wharf face without using public roads. 

# Eastland Port gift hand-delivered to Japan

When Lytton High School principal Jim Corder boarded his plane for Japan, he had with him a very special gift – a gift from Eastland Port to the Gamagori Port.

Jim and Lytton’s Japanese teacher Shingo Suematsu took a group of 18 year 11 and 12 students on a two-week cultural exchange to Japan – it’s a trip the school does every second year.

efficiency of Tokyo as a city.

“They were amazed to see students just heading home on trains at 9pm,” says Jim.

The students got to stay in homes so had a first-hand view of local customs.

“It was a huge lesson for our young people who live such very different lives here. Students there do enjoy a lot of the same things but they work very hard in terms of schooling and for much longer hours than in New Zealand. It is highly competitive for them just to get into university over there.”

He felt the Kiwis had come home with a new appreciation of life.

“While it was a big city and very exciting for them all, they saw it was not as easy to live there as it was here.”

Jim said the group had represented their school and region very well.

It is hoped a group from Japan will visit Lytton in July. 



**A special presentation... Eastland group executive assistant Fiona Dawson presents Lytton High School principal Jim Corder with a gift to take to Japan. With them are some of the rest of the touring party (from left) Simon Fisher, Michael Seymour, Shingo Suematsu, Gareth Higgs, Tim Burroughs, Katie Harkness, Kamen Geiseler, Matt File and Matt Dolman.**

Tucked away in his luggage was a hand carved paua abstract fish hook mounted on a square of hand woven flax and framed in recycled rimu.

While there they visited Gisborne’s sister city Nonoichi and sister port Gamagori, as well as Osaka, Kyoto and their own sister school Shimokitazawa Seitoku in Tokyo.

“It was a hugely successful trip,” says Jim, who presented the Eastland Port gift to the mayor of Gamagori.

“We were so well looked after and the students were astounded by the generosity of the Japanese people.”

They were also quite surprised at the

# The magic of mushrooms

Joe Faram has a whole new appreciation of mushrooms.

For the past six years he has been involved with Juken New Zealand and First Light Mushroom Company in a world first.

The world market for edible mushrooms is valued at \$US5 billion annually...and Gisborne is poised to cash in on that.

Right from those early investigation days when, together with Crop and Food Research, JNL and the First Light Mushroom Company looked at the possibility of growing gourmet mushrooms in New Zealand pine forests.

They've succeeded.

With the launch last month by agriculture and forestry minister Jim Anderton, comes the news of a potentially multi-million dollar industry that fits the bill so perfectly for the JNL forests. New Zealand can produce gourmet mushrooms at a time when nothing fresh is available in the Northern Hemisphere.

To date \$10 million has been invested by the First Light Mushroom Company into the venture.

Initially it will be the saffron, or saffron milk cap as it is known in the Northern Hemisphere, but later there are high hopes for a raft of other forest-grown mushrooms to be produced.

The mushrooms grow in a symbiotic relationship with the host trees, and could be a bigger earner than the forests themselves.

Faram Helicopters was involved with aerial surveying of properties suitable for the project, flying in VIPs, flying in men and equipment to the trial block sites, transporting planting stock, wild animal control, aerial filming and more latterly logistic planning for the commercial crop.

The mushrooms are perishable and First Light Mushroom Company general manager Sheldon Drummond says speed of delivery is paramount.



*A crop for the future... First Light Mushroom Company general manager Sheldon Drummond with agriculture and forestry minister Jim Anderton and a basket of the gourmet saffron mushrooms. Photograph The Gisborne Herald.*

Joe has been working with the company, evaluating air transport systems to connect with international flights. Small scale trial shipments have already been sent to the Northern Hemisphere.

"Many of the logistical aspects are already well fathomed but domestic air freight decisions will need to be made within the next few years as daily production increases," says Sheldon.

They're talking kilograms at the moment, which is expected to be tonnes by next year and then tonnes per day. The challenge will be getting them out of East Coast forests and onto tables in Europe, Asia and the United States.

Faram Helicopters support all of JNL's work, and have done since the late Toshio Nakamoto first flew the region looking to invest in forestry here.

Joe says he was impressed with the mushroom concept from the start.

"It's exciting for the region and another revenue earner for JNL," he says.

It has been a fascinating project to be involved with, and one that has opened a whole new world of the science of growing mushrooms to Joe.

The saffron mushroom is considered a delicacy in the Northern Hemisphere, which is particularly sought after in Europe and Northern Asia, where it

can only be gathered from the wild, so commands a high price.

Sheldon, who also heads up JNL's forestry, says world demand for such mushrooms continues to increase, yet worldwide production has fallen dramatically over recent decades due to deforestation and acid rain, among other things.

And in recent years it has been discovered that forest mushrooms have a high content of complex polysaccharides, which are considered to be key in cancer avoidance and cure, among other health benefits.

Sheldon says they have limited plantation areas fruiting at this stage but larger areas are set to produce the gourmet crop in the near future.

"The great thing about these mushrooms is that they are grown annually under pine plantations as a secondary crop until the pines are harvested. It is the perfect marriage of long and short term cash flows."

Joe and Sheldon have been mentoring one another for years – from the early days of Joe's first Hughes 500 and back when Sheldon first spoke of building a mill in Gisborne.

"We both have crazy ideas and always bounce things off one another," says Sheldon. "That's what good mates are for."

# Cessna 400 to debuts in NZ

Chris Barry is like a kid at Christmas.

The Flightline Aviation marketing and sales manager has already had a glimpse of the new Cessna 400 and can't wait to take the aircraft on its demonstration tour.

"To have a new Cessna so soon after launch is just fantastic," says Chris.

The aircraft was officially launched in February this year and is widely considered as one of the finest single engine piston planes ever seen.

"It's the perfect stepping stone between the Cessna 182 and Cessna Citation Mustang."

Interest in the Cessna 400 has been huge from enthusiasts all over the country – just as it has been in the United States and Australia.



The high speed, high performance and high altitude aircraft is made from the latest construction technology.

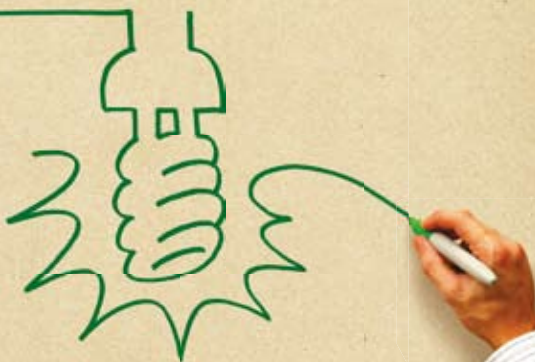
"This machine is like a super car of the sky. It's top of the line with a Garmin G1000 glass cockpit, integrated autopilot, flight director, climate control, four place oxygen system and speed brakes – it's an incredible machine."

Cruising at 235 knots (440 kilometres an hour) at 25,000 feet, the Cessna 400 is designed for speed and efficiency.

When Chris was in the United States he met with the Cessna Advanced Aircraft Club and says he had never encountered passion like this group felt for their planes. He's expecting nothing different when he takes the Cessna from Whangarei to Invercargill.

The demonstrator is for sale – for a rather sharp price – and Flightline Aviation is set to take delivery of a new Cessna 400 next year.

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## Simplicity the key

It's time to be prudent  
with the power

That's not a new or unique message at the moment, but Eastland Network is keen to encourage homes and businesses to follow the advice provided by the industry led electricity savings campaign.

General Manager – Energy, Brent Stewart, says historically Eastland Network customers have responded well to savings campaigns.

"Simplicity is the key to reducing power use and bills," says Brent. "We're not asking the sick or elderly to turn off their heaters, rather people should just follow the advice provided in the TV adverts".

This includes turning off lights in empty rooms and switching off appliances and electrical equipment that is not being used

In addition to the savings campaign, Eastland Network can use its embedded hydro and diesel generation, and load control equipment, to respond to instructions from system operator Transpower to further reduce power demand.

Brent is hopeful a successful savings campaign in combination with the use of embedded generation and load control will make the difference. ☺

### So, what do you think?

We'd love to hear from you. Please send your comments to [admin@eastland.co.nz](mailto:admin@eastland.co.nz)

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