

CHAIRMAN'S REPORT

Through constantly measuring our performance we demonstrate to our customers and society that we are absolutely committed to ever-increasing service, quality and reliability.

Mainfreight's 39th year – a record profit up 17% on the previous year, a satisfactory share price, two exceptional new directors – Sue Tindal and Kate Parsons, our CEO winning the “Leadership Award” from INFINZ, the Chairman inducted into the “Business Hall of Fame” and his 75th birthday spent walking the Milford Track with daughter Georgia. We also lifted our discretionary profit bonus – shared equally on a branch by branch basis between all team members – by 1% (from 10% to 11%). For the first time, our discretionary bonus was introduced into our European business at 10% of profits.

As is the way with business and life, there are always challenges. On November 14th 2016, Wellington and the South Island were rocked by a 7.8 magnitude earthquake, centred on Kaikoura – resulting in two deaths, and over 50 injured. At the time of writing, there have been 15,000 aftershocks. This earthquake cut the main road and rail links between Picton and Christchurch, leaving no rail options, and the only road link available through Spring Creek, on a road not designed to carry lots of trucks.

Like most challenges, some good things usually arise. In this case it has been the Government's and the business community's acceptance of

the absolute necessity of an efficient rail service (freight, passenger and tourist) which operates the length of the country on a daily basis.

The second benefit has been the rejuvenation of regular coastal shipping between Auckland and Christchurch and, to a lesser extent, Dunedin. Parts of the market are adjusting to a less frequent inter-island service but one with some competitive price pressures, in comparison with the madness of total long-distance trucking.

A third potential lesson has been the ability to import directly from overseas into a Christchurch warehouse, allowing businesses to assess the benefits of distribution locally, rather than previously from a city in the North Island.

In years past, I had a variety of bosses, most whom I respected because they were the boss. In seeking to recognise a good boss from one not so good, I asked this question:

“Would they make a good foreman?”

- Could they ask the workers to do a difficult or unpleasant job and expect them to do it?
- Could they do the job themselves?

➤ Could they take their people with them?

➤ Did they get the job done every day, week and year?

With 2017 being an election year in New Zealand and in some European countries, it is worth asking these questions of our politicians. Too many of them fail the test and are lost in platitudes, jokes, jibes, foxy words and sheer procrastination.

Housing

Our normal housing, through most parts of New Zealand, costs some ten times the net annual income of the family seeking to buy them.

These high prices (three times annual income was the price paid by buyers for many years prior to the early 2000's) have been progressively increasing for the past 15 years, and all governments have been aware of the problem. No government or local government has taken any meaningful action against this rising tide.

As *The New Zealand Initiative* has preached, “There are not enough homes being built to meet the demand.”

Why?

- > Planning restrictions make it difficult to increase population directly within the city boundaries.
- > Cities are prevented from growing outwards because of rural and urban boundaries.
- > New developments require infrastructure investment from local councils, which can only pay for such investment by rates increases.

The politicians, both local and national, must take action on this very fixable social disgrace. "The market" cannot sort out this problem. Real leadership and intestinal fortitude is needed now.

Education

By some standards our education is at satisfactory levels on a global average scale. However, only 30% of children from lower decile school areas are reaching the New Zealand average for level 3 NCEA.

This low level of success continues the establishment of a permanent socio-economic group of under-achievers in education, and it is our Maori and Pacific Island people who make up most of this group.

This group of under-achievers are more displaced than ever by our rising housing and rent prices. Without educational success they will continue to make a lesser contribution to society.

Business can play a bigger role in attempting to sustain and assist educational development. If the businesses and schools, particularly in lower decile areas, get together in a meaningful way, benefits will evolve. If the children understand more of how a business (from a farm, to a fruit shop, to an engineering factory, to a quarry) works and interacts, understanding

of possibilities will take place. Business people may be able to inspire children and parents to strive for success, and may be able to contribute to financing school wish lists, from computers to sports equipment, books to bus trips.

Can electorate and local politicians help make this happen?

Environment

Pollution and degradation of our environment is another area requiring strong political will.

Most cities provide bins for rubbish and bins for recycling. There is however no education, or ongoing exhortation, on how to recycle, why to recycle and whether it works. Is an unwashed bottle or can recyclable, or does it go into landfill? Should we recycle bottles with the lid left on? Should wine bottles have the lead seal removed? What happens to polystyrene, what happens to plastic bottles with pumps attached, what about empty aerosol cans? Much of this stuff is going to landfill because our local authorities don't tell us what is required. If recycling is just a myth, let us know, otherwise teach us to recycle for the benefit of the planet.

Our lack of respect for water and water quality is an indictment of governments going back decades. Various businesses and pressure groups have been allowed to pour chemical waste, animal entrails, milk, and human and animal effluent into our streams, rivers and sea. Fresh water rights for irrigation have been given, to the extent that some rivers run dry most years, and now we are giving water rights to export fresh water in plastic bottles.

Regulators could have stood against many of these past and present excesses, but chose to do nothing and leave the problems to our children and grandchildren.

A couple of years ago I heard a European billionaire being interviewed. When the slightly irritable reporter asked "well, how much money do you want" the billionaire answered "just a wee bit more."

And it is the "wee bit more" that has done so much to damage our environment – just a few more cows per acre, just a wee bit more water for irrigation, just another water bore in case it doesn't rain, just a wee bit more sewerage mixed with a wee bit more storm water, just a few more years raping our already depleted fish stocks.

The problems mentioned here are not fixed by the market. They are like law and order, the local and national politicians should be dealing with them and committing to solutions before the next elections.

Our thanks go to the Mainfreight team around the world for your effort and success and loyalty. Keep faith with our measuring of load efficiency, claim statistics, deliveries on time, timely payment of creditors, timely payment from customers, sales calls and success. These statistical measurements grow through to job satisfaction, promotion, new opportunities, the taxation we pay, and finally – demonstrate to our customers and society that we are absolutely committed and intense about ever-increasing service, quality and reliability.

It takes all this and more to reflect in our bottom line profit.

Thank you all for your efforts and belief over 39 years.



BRUCE PLESTED JUNE 2017