
TRANSCRIPT OF PROCEEDINGS

**MARLBOROUGH SALMON RELOCATION ADVISORY PANEL
PUBLIC HEARING**

**HELD AT
MARLBOROUGH CONVENTION CENTRE,
42A ALFRED ST, BLENHEIM,
ON 18 APRIL 2017**

Appointed Panel Members:
Professor Peter Skelton, CNZM (Chairperson)
Mr Ron Crosby
Mr Alan Dormer, MNZM

[9.00 am]

- 5 CHAIRPERSON: Good morning, everybody. These hearings of the Marlborough Sounds Farm Relocation Advisory Panel are resumed and today we are going to hear the case to be put before us by the King Salmon Company Limited.
- Mr Davies, you appear for the company?
- 10 MR DAVIES: I do, sir, yes. If I could ask Graeme Aldridge first to do a mihi to you.
- CHAIRPERSON: Certainly, thank you very much.
- (Māori content)
- 15 CHAIRPERSON: Kia ora. Just before you start, Mr Davies, my microphone seems to have died and unnatural death. I wonder if something can be done about it?
- 20 MR DORMER: Yours is probably more important than mine, shall we just swap microphones?
- CHAIRPERSON: No, they are all important.
- 25 (off mic conversation)
- CHAIRPERSON: Yes, thank you, Mr Davies.
- 30 MR DAVIES: Thank you very much for this opportunity to present. My legal submissions will focus on the regulation making power. They are a bit dry which is why I attempted to relegate them to the end of the presentation rather than the start, so apologies for those who are listening.
- 35 CHAIRPERSON: You see the Panel, Mr Davies, we are used to dry legal submissions. We have had years of them.
- 40 MR DAVIES: You will be very familiar then with the sort of submissions that I am going make. New Zealand King Salmon supports the Minister making regulations in this case. We are of a view that the outcome of this process will be an improvement environmentally, socially and economically.
- 45 The proposed regulations constitute strategic planning for finfish farming and agriculture and it will bring almost all farms within a consistent benthic and water quality framework. The alternative is a poorer outcome for the environment, a loss to the community resulting in lost job opportunities in the Marlborough Sounds.

5 In terms of what I'm going to cover in my submissions, I am going to
deal with the regulation making power, particularly the matters which
the Minister must be satisfied of before making the regulations in
respect of the Marlborough Sounds Resource Management Plan,
government policy, whether the matter is of regional or national
importance, the provisions must give effect to the NZCPS and their
regional policy statement, and the provisions must not conflict with any
10 national environmental standards, of which there is no relevant one at
present.

I will respond to the argument that the Minister is --

15 CHAIRPERSON: Do you have that? Excuse me.

MR DAVIES: Sorry, you should have the submissions on behalf of New Zealand King
Salmon.

20 (off mic conversation)

MR DORMER: Sorry to have troubled you, thank you. Right.

MR DAVIES: So I am at paragraph 3 of my submissions. Essentially I take the
25 matters in the order which they are found in sections 360(a) and (b) and
then address whether the Minister is bound either by the Board of
Inquiry decision or the decision in the Environment Court, which is an
argument that some of the submitters make. Then I will address some
of the other technical issues raised by the Ministry of Primary Industry
proposals and other submitters.

30 So starting with the regulation making power, I am sure you are all
familiar with section 360(a) and I will not read that to you.

35 CHAIRPERSON: Yes, we are now.

MR DAVIES: But there is a suggestion, talking about 360(a)(i), that it relates to the
management of aquaculture activities in the coastal marine area. The
Royal Forest and Bird Protection Society of New Zealand Incorporated
(Forest & Bird) will argue that the use of section 360(a) is limited to
40 amendments to insert or omit provisions and does not extend to any
changes to enable new occupation of the CMA by new salmon farms
where they are currently prohibited. This submission turns on the word
"management" and its definition. I submit that the word "management"
should have the same meaning as found in section 5(2), sustainable
45 management, and that the powers under section 360(a) are able to
provide for the use, development and protection of coastal marine area
for aquaculture activities.

- CHAIRPERSON: Just pausing there for a moment, I am not quite sure I am with you on this. The meaning of sustainable management in section 5(2) has a number of elements to it, doesn't it?
- 5 MR DAVIES: It does, yes. Yes, so if I understand the Forest & Bird submission correctly, they are saying that management does not extend to creating new space.
- CHAIRPERSON: Yes, I think I have read that.
- 10 MR DAVIES: And my response to that is, well, management means the use, development and protection. The sustainable element in section 5(2) obviously is broad topic and I will get back to that when I cover section 5(2).
- 15 CHAIRPERSON: So you are saying that management includes making provision for?
- MR DAVIES: That's right, yes.
- 20 CHAIRPERSON: So in the planning sense?
- MR DAVIES: Yes, so development. Management includes development and I draw from section 5(2) as a useful definition of the word "management" and consider that the word "management" in 360(a) should have the same meaning as sustainable management in section 5(2).
- 25 CHAIRPERSON: Okay, thank you.
- MR DAVIES: I then quote from Hansard in paragraph 8 and the Minister, when introducing the Bill to the House said effectively that he is able to create new space. I can read that entire quote if it is helpful. But the use of the power will not in itself enable any of the contract activities to go ahead, applicants will still need to apply for consents in accordance with normal processes and those consents will be judged on the environmental production merits of the Resources Management Act.
- 30
- 35 So plainly the Minister is anticipating creating new space as a result of enacting this change to the law.
- 40 CHAIRPERSON: Now, which Minister was this?
- MR DAVIES: That was Phil Heatley.
- CHAIRPERSON: Was he the Minister for the Environment?
- 45 MR DAVIES: No, he was Minister for Fisheries.

CHAIRPERSON: Oh, he introduced it? I thought it was an amendment to the RMA. Sorry, yes, it was an amendment to the RMA through the aquaculture legislation.

5 MR DAVIES: It was through the 2011 aquaculture legislation which, I mean, essentially that change was a return to the regime which existed prior to the 2004 reforms and prior to the 2002 moratorium, but with amendments and this is one of those amendments.

10 CHAIRPERSON: My recollection about referring to Hansard, it's usual to refer to the third reading speech because by then the Bill has been through its second and subsequent select committee processes. I haven't had a chance to see whether there's any reference by the Minister in his third reading speech.

15 MR DAVIES: I think I had a look and tried to find something useful. This was the most useful part of Hansard. I could go back and double check the --

20 CHAIRPERSON: If you could check the third reading, just to see whether there was anything in there that might be helpful.

MR DAVIES: Yes. I did read the select committee report and I've checked the SOPs and there wasn't anything in there which -- the issue with Hansard of course is that you often don't get a neat encapsulated statement of the purpose of legislation, particularly when it relates to a small part as it does here. But this particular paragraph did actually relate to those provisions, so it was the clearest provision but I will go and collect up all of the Hansard references and provide those to you.

30 **[9.15 am]**

CHAIRPERSON: It might be useful too if you look again at the select committee report to see whether there are any submissions in opposition to this.

35 MR DAVIES: There were plenty by a number of the parties who are going to submit an opposition to you and the complaints which they made are the same complaints which are made in the submissions before you. But I can certainly collect those too, if that would help.

40 CHAIRPERSON: Thank you.

MR DAVIES:

5 So as I read what the Minister says there, he was deliberately introducing a provision to enable the creation of new aquaculture space. The present situation is that the creation of new space in return for the surrender of old space, which amounts to a relocation. I know, Mr Dormer, you raised that in questions with other people and I will come back to that later, but that plainly fits within the word "management". Reallocating resources is a management function in my submission.

10 So turning then to section 360(b), the pre-conditions for making regulations are set out in section 360(b) and I have quoted part of that section at paragraph 11. It requires the Minister to have regard to the provisions of the regional coastal plan which will be affected by the proposed regulations, consult a number of parties and have particular regard to a section 32 report before recommending the making of regulations.

15 In addition to that, I am paraphrasing here, it must accord with government policy, it must be either of regional or national significance, it must give effect to any national policy statement the, the NCPS, and any regional policy statement, and the regional coastal plan as amended must not duplicate or conflict with any national environmental standard. I will deal with each of those in turn, with the exception of the last point which doesn't arise here.

20 The first point I wish to make is that the Sounds' plan expressly recognises the fact that plan changes are necessary for species other than bivalves. So the plan was prepared leading up to 1999 and it expressly states as one of its issues that it has not addressed the question of finfish farming. I have provided a casebook - I don't know if you've got a copy of it - and at tab 1, just so it is easy to reference, I have provided you with issue 9.2 from the operative plan and I also quoted in my written submissions. There's a discussion about the marine farming industry and its importance at 9.2 and then there is a paragraph which I follow up in the written submissions which can be found on page 9-4 of the plan. And it says this:

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40 "In addition ongoing research is constantly occurring as to other means of aquacultural production involving species other than the present predominant species of mussels and it is possible that some other species may involve lesser environmental effects on the environment through having less visible surface structures. The current plan provisions are based on the predominant bivalve marine farm structures. It may be necessary for these provisions to be readdressed by plan change."
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5 So in that statement I interpret the plan as saying we anticipate that plan changes will be required to deal with effectively salmon farming, particularly as technology changes. Here the evidence will be that hi-flow aquaculture has become far more possible as a result of changes in technology and as a result of that this plan change seeks to address that. It is not inconsistent with the plan but when the plan expressly provides for, and effectively invites, plan changes of this nature.

10 MR CROSBY: Before you go on, Mr Davies, the quote that you've got in your submissions ends with a full stop after the phrase "plan change" but just looking at the actual copy which you provided us in the casebook the sentence actually continues, "... as has been achieved for the three sites for the salmon farming industry." What are those three sites?

15 MR DAVIES: Those three sites would be the -- sorry, what I have quoted from is in fact from the consent order. Those three sites were as a result of the EPA changes.

20 MR CROSBY: So when did that wording in that case, and how did it get into the --

MR DAVIES: It would have been inserted as part of the changes approved by the Board of Inquiry.

25 MR CROSBY: I see.

CHAIRPERSON: What page is that? 9-4?

30 MR DAVIES: Yes, so the quote that I have given from issue 9.2 is actually from the consent order, Treble Tree Holdings Limited and then there was those additional words which were added as a result of the Board of Inquiry process.

CHAIRPERSON: Right, thank you.

35 MR DAVIES: And I note that as part of that consent order that included Friends of Nelson Haven, Minister for the Environment, Minister for Conservation, Nelson Marlborough Conservation Board and others.

40 A further indication how the plan treats finfish as an exception can be found in the rules component of 9.2.2 and there the plan says:

45 "Beyond coastal marine 2, at the 50 metre from low water mark and beyond 200 metres from low mark marine farms non-complying activities in those areas marine farming and finfish farming may be appropriate and it is recognised that consent may be granted by resource consent application."

So again finfish farming does not fit within the traditional ribbon development being within between 50 and 200 metres from shore.

5 MR DORMER: Sorry, Mr Davies, can I take you back to the point raised by Mr Crosby. In your paragraph 13(a) you have a passage in quotation marks, the one that Mr Crosby referred you to.

MR DAVIES: Yes.

10 MR DORMER: From what is that a quote?

MR DAVIES: It is a quote both from the current operative plan and also part of the sentence -- sorry, it is part of the sentence from the current operative plan and it is a quote from the consent order in 1999. So the current
15 operative plan says:

"It may be necessary for those provisions to be readdressed by plan change as has been achieved for three sites for the salmon farming industry."
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And those words "as achieved for three sites for the salmon farming industry" were not part of the consent order in 1999, having been inserted by the Board of Inquiry in 2013.

25 MR DORMER: Page 9-3 and 9-4 is what?

MR DAVIES: That is the current operative Marlborough Sounds Resource Management Plan. So the current operative regional coastal plan.

30 MR DORMER: Sorry to interrupt you, thank you very much.

MR DAVIES: No, no, that is fine. So the plan itself provides for plan changes to re-evaluate provisions for farming species other than bivalves, despite these express provisions a myth has developed that the present zoning in the plan was intended to be enduring resolution of all issues regarding allocation and space for agriculture. There are a number of difficulties with this argument but the primary difficulty must be that, in fact, the plan expressly records the changes anticipated, these provisions appear to have been overlooked in the - I shouldn't say
35 submissions, I should say evidence of Sylvia Allen.

The second related difficulty with attempting to derive anything out of the plan is it has been found on a number of occasions to offer all things to all people. I quote in footnote 8 a series of Environment Court decisions, including Judge Kenderdine, Judge Thompson and Judge Jackson, all of whom have found the plan to be open textured in the sense that --
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CHAIRPERSON: To be what?

5 MR DAVIES: Open textured, in the sense that it does not provide any direction as to where aquaculture should be and where it shouldn't. Initially that arose out of the Kuku Mara line of cases, which were seeking Mid Bay marine farming and the plan said nothing about whether farming should be or should not be in Mid Bay. Then in Port Gore there was a decision, which was a renewal of a discretionary activity in the CMZ 1 zone and a question of whether the plan provided any direction there and the Court said it didn't. Then in Davidson, which was an application around the headland in Beatrix Bay, again there the Court found that the plan does not provide any direction.

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15 So the submission or evidence to the effect that the plan does provide some direction is contradicted by a long list of Environment Court decisions.

20 Next point I would touch on very briefly is government policy. That is really a matter for others. There is government policy that can be found in the NZCPS, the Aquaculture Strategy and the Natural Resource Business Growth Agenda 2015 and I do not understand there to be any substantial argument that what the Minister has proposed to do is not in accordance with government policy.

25 In terms of regional or national significance, King Salmon currently employ 452 team members and, as such, is one of the largest employers in the top of the south. Four hundred shareholders in New Zealand King Salmon live in the top of the south. The site was granted relocation and 17 surface hectares of suitable salmon farming space will eventually produce \$350 million of revenue. The PwC estimate for NZ King Salmon head count at the top of the south would increase by 261 over a 15 to 20 year period and increased regional GDP would total \$32.9 million per year. King Salmon's own estimate would be for a total headcount of about 900 by 232, 800 of which we would base in Nelson and Marlborough. This takes into account the expansion into higher value channels with more production, better use of by-products as well as future growth from the three EPA sites.

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5 Some submitters criticise the approach taken by PwC because New Zealand King Salmon's proposal will attract employees from other workplaces which pay less for and less profitable. The likes of Trevor Offen and Kevin Kelso would deduct the cost to the economy of these lower performing jobs being removed. King Salmon makes no apologies for improving the income and well-being of New Zealanders. Part of the difficulty with Mr Offen's analysis is that he fails to assume that as a result of higher paying jobs being offered by King Salmon people would choose to enter into the workforce. He assumes there would be no migration to Marlborough from other regions. He assumes that all of this would happen instantly so that the labour market would not have time to adjust.

15 There is no doubt that economic model has limitations but there is equally no doubt that the expansion of New Zealand King Salmon's production would enable substantial amounts of New Zealand products to be exported to the world. The benefits will be regionally and nationally significant and in my submission are the relevant sections.

20 CHAIRPERSON: Perhaps before you move on to your next topic, the reference to Mr Kelso --

MR DAVIES: He is produced a very brief report which was annexed to, I think, the EDS submission. Essentially he criticises input/output modelling and would prefer a cost benefit model.

CHAIRPERSON: Would prefer?

MR DAVIES: A cost benefit analysis.

CHAIRPERSON: Oh yes.

MR DAVIES: And they are two different economic models, both of which result in different outcomes at certain points in time but I will let the experts talk to you about the appropriateness of one versus the other.

40 The critical issue in this case, in my submission, is consistency with the national policy statement and the provision is slightly curious in that it says:

[9.30 am]

45 "After amendment the regional plan must continue to give effect to the NZCPS."

Which tends to suggest that giving effect to the NZCPS is a question of degree rather than absolute fact, but in my submission nothing turns on that. This proposal will continue to give effect to the NZCPS.

5 I do not intend to repeat or replace the comprehensive analysis which has been undertaken by and on behalf of MPI in respect of this matter but I wish to comment on three matters. Firstly, why a site relocation process is consistent with the landscape and natural character provisions of the NZCPS, why the proposal is consistent with the indigenous biodiversity provisions of the NZCPS and why the proposed changes are strategic.

10 I will start with landscape and natural character. New Zealand King Salmon submissions is that policy 13 and 15 of NZCPS do not prevent all activity in areas which are designated outstanding, rather the policies prevent activities which interfere with the values that have made those areas outstanding. I am deliberately putting emphasis on
15 the word "values" because I am going to repeat it a number of times over the next few minutes.

20 I will develop this argument in three elements. Firstly I will set out why the NZCPS and demonstrate why the values of the landscape features and natural character are the determining elements, then I will address the case law and more specifically King Salmon in the most recent **Man O' War** decision to identify why that is and then I will apply the reasoning to the facts as MPI have presented them.

25 The NZCPS itself. There has been a lot of focus on the policies of the NZCPS but I wish to start with the objectives. Over the page, objective 2, and I have quoted that in full and I will read it:

30 "To preserve the natural character of the coastal environment and protect natural features and landscape values through recognising characteristics and qualities that contribute to the natural character, natural features and landscape values and their location and distribution, identifying those areas where various forms of subdivision use and development would be inappropriate and protecting them from
35 such activities and encouraging restoration of the coastal environment."

Then objective 6 continues:

40 "To enable people and communities to provide for their social, economic and cultural well-being and their health and safety through subdivision use and development recognising that the protection for the values of the coastal environment does not preclude use and development in appropriate places and forms, and within appropriate
45 limits."

5 So focusing on the word "value" it is a significance, desirability or utility of something. If the objective of the NZCPS is to protect the values then the policy should reflect that and, indeed, they do. While in policy 13 there is some discussion of values, it is most clear in policy 15 and I won't read that, but as you can see from the underlying words there is a repeated reference in that policy to a series of values which boils down to -- I say a three-stage process but actually I want to change that to a four-stage process, if I may.

10 The first stage is in fact to identify the relevant landscape, feature or natural character. So that is a critical stage. Then from there describe and characterise the feature, the landscape, the natural character, determine whether the landscape or natural character is outstanding and, of course, the feature and then, fourthly, identify the values that
15 caused the landscape, feature or natural character to be outstanding.

MR DORMER: So you would have a new (a)?

MR DAVIES: I would have a new (a), yes.
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MR DORMER: Which is what?

MR DAVIES: It is firstly to identify the feature or identify the landscape or identify the natural character area, or area of natural character. I think that is
25 important because if it's not a landscape and if it's not a feature then it is not a matter which section 6 bites on. There is something of a tendency for, as one recent commissioner has described it, an unsteady hand to be drawn over maps and from that a series of rules developed. But, in fact, if it's not a landscape or it's not a feature then the policy at
30 13 doesn't happen in effect.

CHAIRPERSON: What is the difference between that and describing and characterising?

MR DAVIES: Well, I think you have to identify its geographic boundaries. So rather
35 than describing the characteristics or -- describing and characterising are probably the same thing, but firstly you have to identify what the landscape is, what the feature is and then the second stage is to describe and characterise them.

40 MR DORMER: So you said that if it is not a feature or a landscape it is not something on which section 6 bites?

MR DAVIES: That's right.

45 MR DORMER: The wording in your (a) is identify the feature, the landscape or area of natural character?

MR DAVIES: That's right.

MR DORMER: Now, when you came to repeat the submission you said if it's not a feature or a landscape section 6 doesn't bite.

5 MR DAVIES: That's right.

MR DORMER: But what if it's an area of natural character?

10 MR DAVIES: Then it does. So the natural character provisions aren't limited to any particular geographic limitation, so the obligation is to protect all natural character in a coastal environment and then the NZCPS adds to that in terms of providing some additional guidance.

15 MR DORMER: Sorry, start again.

MR DAVIES: Sorry, the Act and the NZCPS do not describe a minimum area or maximum area over which natural character must be protected. All natural character in the coastal environment must be protected to some extent. But when we talk about landscape and natural character, the provisions, it must be the landscapes that must be protected and the features that must be protected but with natural character there is no equivalent area with geographic limitation.

25 MR DORMER: Okay.

MR DAVIES: That process is consistent with the NZILA practice note, which I have provided a copy to you in the case bundle, and that document also contains a discussion around values which states that a landscape value derives its importance from people and communities, including tangata whenua, which attach to particular landscapes and landscape attributes.

30 A landscape evaluation, according to the NZILA, is the process of identifying and/or comparing landscape values.

35 CHAIRPERSON: That is at tab 3 in your bundle?

MR DAVIES: It is, yes.

40 So in terms of case law, the starting point obviously is the Supreme Court decision and the Board of Inquiry found that the Papatua farm was adjacent to an outstanding natural landscape and was in an area of outstanding natural character. The effect on that landscape and the natural character was high, the board itself found that the application would be contrary to policies 13 and 15 of the NZCPS. The Supreme Court decision consequently did not need to consider whether the policy had been contravened, there was already a factual finding or judgment of the Board of Inquiry to that effect. The question for the Supreme Court was what the consequence of such a finding was.

I will start with the minority decision because there is a bit of interplay between the minority and majority decision. But William Young in the minority said:

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"I consider it a corollary of the approach of the majority is that regional councils must promulgate rules that specify as prohibited any activities having any perceptible adverse effect, even temporary, on areas of outstanding natural character. I think that this would preclude some navigation aids and it would impose severe restrictions on privately owned land in areas of outstanding natural character. It would also have the potential generally to be entirely disproportionate in its operation and any perceptible adverse effects would be controlling irrespective of whatever benefits, public or private, there might be if an activity was permitted. I'd see these consequences as being so broad as to render implausible the construction of policies 13 and 15 proposed by the majority."

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The majority appear to respond as follows:

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"It is suggested that the approach to policy 13.1(a) and 15(a) would make their reach overbroad. The argument is that because the word 'effect' is widely defined in section 3 of the RMA and that definition carries over to NZCPS any activity which has an adverse effect, no matter how minor and/or transitory, would have to be avoided in an outstanding area falling within policies 13 and 15. This, it is said, would be unworkable and we do not accept this.

25

The definition of effect in section 3 is broad. It applies unless the context requires otherwise. So the question becomes, what is meant by the words 'avoid adverse effects in policy 13.1(a) and 15(a)? This must be assessed against the opening words of each policy. Taking policy 13 by way of example, its opening words are, 'To preserve the natural character of the coastal environment and to protect it from inappropriate subdivision, use and development.' Policy 13.1(a) relates back to the overall policy stated in the opening words. It is improbable that it would be necessary to prohibit an activity that has a minor or transitory adverse effect in order to preserve the natural character of the coastal environment, even when that natural character is outstanding. Moreover, some uses or developments may enhance the natural character of an area."

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So as the Court of Appeal indicated in **Man O' War**, much turns on what is sought to be protected. It must be remembered that the decision in King Salmon took as its starting point the finding of the board that the effects of the proposal on the outstanding natural character would be high and there would be a very high visual effect on an ONL.

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5 The Court of Appeal goes on to observe that in the context of the **Man O' War** case the ONL would not be amicable to the ongoing use of Man O' War's land for its current uses, which include vineyards, olive groves and pasture farming. The combined effect of the Supreme Court's decision in **King Salmon** and the Court of Appeal's decision in **Man O' War** is to reject the notion that every activity which can be seen in an ONL must be prohibited, rather it is important to identify those values inherent in the landscape and natural character that make the area outstanding and then to avoid the effects on those values. In that way the concern of William Young J expressed in his assenting judgment would itself be avoided.

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15 Now, in terms of this case we have the Marlborough District Council 2015 Landscape Study which Mr Hawes took you through and it takes a broadly similar approach to those outlined in the submissions. That is starting on page 14, the authors seek to identify the relevant landscapes and features. Then on page 15 proceed to discuss the assignment of values to the landscape before on 17 and 18 breaking those values down into biophysical, sensory and associated values.

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25 In 2014 the Natural Character of the Marlborough Coast report takes a similar approach with a difference that rather than words values it uses attributes at least when its discussing its methodology, although when one turns to the text of the document itself it replaces the word "attributes" with "key values".

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35 New Zealand King Salmon adopts the report of John Hudson. In John Hudson's assessment he followed the approach mandated by the NZCPS and by the NZILA best practice guide. He first identifies the proposed change of each of the farms, identifies the potential viewing audience and assesses the sites sensitive to change. He then identifies the site's key values and the effects on those values after allowing for any appropriate mitigation, then forms a conclusion. In my submission, that approach accords with the NZCPS as well as the Supreme Court and the Court of Appeal decision in **Man O' War**.

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45 There are contrasting views been given by Dr Steven for the Kenepuru and Central Sounds Residents Association and Mr Brown for EDS. It is a matter for the Minister as to whether or not he accepts or rejects those opinions. But, briefly, Dr Steven agrees that there will be no effect on relevant features in the Waitata Reach apparently due to Dr Steven's definition of a feature as excluding and I say landscape, seascape, it is more the sea, that he sees the feature does not include the sea.

5 Dr Steven would define the entirety of the Waitata Reach, which includes all the visual catchment from Maud Island through to the Chetwode Islands as a landscape, which he would rate as outstanding. He views the effects of the proposed farms as being significant but in the alternative he says that even insignificant effects need to be avoided, remedied or mitigated on the basis that form and colour is insufficient mitigation. He states that the farms should be avoided.

10 [9.45 am]

15 Dr Steven does identify relevant values at paragraph 70 but those values he describes are values which he states applies to all of the Marlborough Sounds and, if I understand him correctly, the conclusion is that none of the Marlborough Sounds is suitable for any intrusion of structural elements. He has a further difficulty in light of the **Man O' War** decision and whether an area is outstanding needs to be determined in regional terms. Quoting from the Court of Appeal:

20 "The question of whether or not the landscape may be described as outstanding necessarily involves a comparison with other landscapes. We also accept that the adjective is a strong one importing the concept the landscape in question is of special quality. However, we suspect little is to be gained from applying a range of synonyms to what in the end involves a reasonably direct appeal to the judgment of the decision maker, whatever comparator is taken. The ultimate question is whether the landscape is indeed able to be described as outstanding. We do not accept Mr Casey's argument that a comparison of landscapes with landscapes that may be described as outstanding on a national basis. The fact that the word 'outstanding' has been construed in a section dealing with matters of national importance does not support the Man O' War Station submission.

35 We see no reason why a landscape judged to be outstanding in regional terms should not be protected as a matter of national importance, the legislative policy being achieved by the protection of outstanding natural landscapes through the country on this basis."

40 So there is nothing of the sort of exercise which the Court of Appeal anticipates in Dr Steven's evidence. It may well be that Dr Steven has identified the methodological clause and it will work. Nevertheless, if he proposed to take that approach he would need to identify the values which justify Waitata Reach being outstanding relative to the rest of the region.

5 Mr Brown does not appear to deal with outstanding natural features described in the Boffa report at all but he appears to adopt the Boffa Miskell characterisation of features as landscape areas. While Mr Brown agrees with Mr Hudson that the farms will have a relatively minor effect at the local and site level, he disagrees with Mr Hudson at a broader reach level. Quite how the effects increase the further the viewer is from the farm is not, in my submission, adequately explained.

10 It is New Zealand King Salmon's evidence that it has managed to construct salmon farms which have substantially less impact than those anticipated by the Board of Inquiry and in most viewing conditions Waitata and Kaupaua are only noticeable at distances of less than 1 kilometre. This has been achieved by substantial attention to detail. It is not immediately apparent from reading Mr Brown's evidence
15 whether he has been to Waitata Reach following the installation of the new farms. Ultimately the question for the Minister is whose evidence to accept.

20 CHAIRPERSON: So, Mr Davies, who are you calling as a witness?

MR DAVIES: We are relying on the evidence of Mr Hudson.

CHAIRPERSON: You say it's New Zealand King Salmon's evidence.

25 MR DAVIES: Oh, that is simply an observation of the people who work on the farms, it is not expert evidence.

CHAIRPERSON: So King Salmon relies on Mr Hudson with landscape expertise?

30 MR DAVIES: That's right. That's right, yes.

CHAIRPERSON: Right.

35 MR DAVIES: In terms of indigenous biodiversity the Minister must ensure that in relocating salmon farms the regional coastal plan will continue to give effect to policy 11 of NZCPS. Critically that will require avoidance of effects on king shag species of which there are less than 1,000 individuals left in Marlborough and who reside exclusively in Marlborough.

40 The Environment Court in its recent decision, **Royal Forest and Bird Protection Society v Golden Bay Regional Council**, holds --

45 CHAIRPERSON: Bay of Plenty Regional Council.

MR DAVIES: Bay of Plenty, sorry, Regional Council.

CHAIRPERSON: A somewhat different place, isn't it?

- MR DAVIES: Yes, apologies. Holds that implication to the phrase "must be avoided" is context dependent. After citing paragraphs 100 and 131 of the **King Salmon** case the Court states:
- 5
- "Of critical importance in this regard is whether or not the words 'must be avoided' used in the Regional Coastal Environmental Plan policy NH4 require a simple binary calculation as to whether or not all effects are avoided or not. It is clear that the Supreme Court in interpreting the word 'appropriate' acknowledged that its mean varied by context. We have concluded that even for words such as 'avoid', the context must go further than simply the wording in the plan but the context for the individual case for application."
- 10
- CHAIRPERSON: What was the context of that case?
- 15
- MR DAVIES: That case was determining a regional rule -- sorry, a district rule in relation to --
- CHAIRPERSON: A district rule?
- 20
- MR DAVIES: I will just double check that.
- CHAIRPERSON: Well, Bay of Plenty Regional Council.
- 25
- MR DAVIES: Yes, it Bay of Plenty Regional Council, sorry, it is regional rule. And it's the rule dealing with natural heritage. In Bay of Plenty indigenous biodiversity, natural character and landscape are all part of the natural heritage chapter.
- 30
- CHAIRPERSON: Natural heritage chapter, all right.
- MR DAVIES: Well, they are all given a grouping natural heritage and they are all considered together. I provide a copy of this case in the casebook and perhaps we could turn to NH4, which is at the back of the document.
- 35
- CHAIRPERSON: Yes.
- MR DAVIES: So if we turn, for example, to page 15 of the judgment. It's a black and white copy and it says the council's proposed changes are in red but a copy of NH4 is there.
- 40

5 What Forest & Bird were advocating for in that case was a situation where -- I think they started from a position that all effects needed to be avoided but one of the issues was transmission lines going through an area designated as an indigenous biological diversity area. That is significant indigenous biological diversity. I think immediately they recognise that even in the coastal environment, because of the national environmental standard on transmission lines, there couldn't be an absolute prohibition on Transpower maintaining its lines through that area.

10 But then the question came, okay, if it is not a national grid matter but it's simply local power lines or some other regionally significant infrastructure, whether or not the designation, as in indigenous biological diversity area, trumped any infrastructure or other development which is being proposed. The Environment Court essentially held no. It said there has got to be some real world approach and, hence, the quote which I've highlighted.

20 CHAIRPERSON: Getting close to what I've envisaged would happen one day, where you get two national policy statements in conflict.

MR DAVIES: Well, yes.

25 CHAIRPERSON: It actually hasn't happened in this case.

MR DAVIES: It hasn't happened here.

30 CHAIRPERSON: No, but it would be an interesting argument then.

MR DAVIES: Well, yes, and the Supreme Court does suggest some ways of trying to cut through that. I think actually there's another High Court decision that was released, I think, on transmission lines and I think the answer was that in fact the NZCPS, if there are irreconcilable conflict the NZCPS has the senior document, although I can't find any justification of that in the legislation but the NZCPS does hold sway in that context.

MR DORMER: I think it's on the basis of the specific overriding the general.

40 MR DAVIES: Yes, yes.

CHAIRPERSON: Yes, that could be right, yes, and it's a mandatory document, whereas ...

45 MR DAVIES: Yes.

CHAIRPERSON: Okay, we might be getting a bit off the point.

MR DORMER: It's good though, isn't it?

CHAIRPERSON: Yes.

5 MR DAVIES: The first form of effective avoidance is site location and deliberately
most of the sites are beyond the depth where king shags are generally
understood to forage. So that's a deliberate choice in order to attempt
10 to avoid a conflict between salmon farming and the king shag. In
addition, the proposed farms are not adjacent to breeding or roosting
sites and, consequently, birds at those sites would not be subject to
interference by the farms.

15 Noise has been assessed by Dr David Thompson of NIWA as unlikely
to affect king shags, as predicted noise levels are below typical ambient
noise levels:

"King shags are unlikely to be excluded from potential foraging habitat,
as their prey species are unlikely to be excluded."

20 Dr David Taylor has provided a report to you, which states which
flounder, which are the predominant prey species, have also been
observed directly beside salmon farms in the Marlborough Sounds, so
they're likely to move in and feed in and around the located farm areas:

25 "Based on feeding ecology of these species and personal observations
of the epifauna at the site, I conclude that it is likely that which flounder
would return immediately to fallowed sites, such that they represent
fertile feeding grounds."

30 The report does goes on to state that:

35 "Other species may take 6 - 12 months to recolonise a departed site but
studies have shown that witch flounder make up 90 per cent of the king
shag diet. Location of the proposed farms are also over areas where
depths are greater than generally reported as typical foraging areas."

40 Finally, it has been postulated that salmon farms may change water
characteristics, resulting in impacts on king shags and that is why there
is a proposed staged and adaptive approach to increasing level of
nutrients in the water column. The Peer Review Panel has set initial
levels following the EPA process and they were advised through Best
Management Practice Guidelines for water column effects, which is a
process due to commence in between 12 and 24 months. Consequently,
45 this is unlikely to be a factor influencing king shags.

I guess the short point is we're starting at the presently consented levels
or close to it and then evaluating properly from there. I also make the -
-

MR CROSBY: Sorry, just before you go on, what powers does that Peer Review Panel have?

5 MR DAVIES: They have the power of reporting to council and their reports are public. I think that's probably their most effective power. Ultimately, it's for the council's regulator to decide what to do with that information. But if the recommendation and the Peer Review Panel was not to proceed with an increase in feed, it's very difficult to see
10 how an increase could in fact occur. So it is a soft power, rather than a hard power but, ultimately, the council and not the Peer Review Panel is the regulator and --

CHAIRPERSON: That would be provided for in the consenting process.
15

MR DAVIES: It is provided, yes, yes. In the schedule of standards, which has been observed do read like additions, there is the provision for a Peer Review Panel. For these farms it's intended that the Peer Review Panel be the same Peer Review Panel, which has already been set up in respect of
20 the EPA-consented farms.

CHAIRPERSON: Right. The EPA ones are operating under the same system, are they?

MR DAVIES: Yes, yes, yes, yes. There are differences between what the standards are proposed in this Plan and what the conditions are in terms of the EPA consent but those differences aren't material to this. The proposal was very much that they work in tandem.
25

CHAIRPERSON: Yes.
30

MR DAVIES: Maybe this is more relevant to strategic management but I have included in the papers a report prepared for the Friends of Nelson Haven in relation to king shags and they make four recommendations in their work:
35

"The breeding ground needs to be legally protected. There needs to be an advocacy programme established to encourage set net users to adopt practices that minimise seabed by-catch and that pest quarantine measures be introduced and techniques need to be developed to establish shags at new colony sites."
40

5 Interestingly, and even though that paper, as you will see in the materials, does deal with at some length the effects of mussel farms and salmon farms or particularly mussel farms, there's no recommendations in that report in respect of mussel farming. As I understand it, other than business as usual, there is no of those protections in place. I might have thought that if we are going to protect the king shag, some of those measures might be introduced, rather than focusing on aquaculture as the only potential cause of impact on king shags.

[10.00 am]

10 Forest and Bird has circulated a paper by Paul Fisher. Mr Fisher has undertaken a review of the relevant planning instruments and he takes the position that:

15 "Any absence of information is a basis for inconsistency with the NZCPS. There is a lack of scientific work in some areas. All of the evidence which does exist points to there being no impact on king shags. More importantly, the proposal to shift existing farms from shallower areas which are targeted by king shags to deeper areas represents an improvement."

I think, as Dr Fisher acknowledges:

25 "There is an energetic cost to diving deeper and if more shallower areas are opened up it will be an improvement to the king shag habitat."

Mr Fisher does:

30 "Welcome efforts being undertaken by the aquaculture industry, the Marlborough District Council and others to comprehensively work on a question of king shags to provide an integrated monitoring programme for the Marlborough Sounds. Part of the information which will flow from that programme is to be provided as conditions of this relocation."

35 Part of the monitoring of the project will be a real-time monitoring of key biological indicators. Monitoring data is presently taken monthly, although sometimes weekly. The ability to have monitoring information every 15 minutes or so will revolutionise the understanding of the underlying physical processes. That information, coupled with other research being proposed, will provide the information which Mr Fisher says we lack.

45 There may be, as part of legal submissions before you, some reference to the R J Davidson Family Trust litigation but in that case, as the High Court notes at 98:

"The applicant chose not to call independent expert evidence on the king shag and its habitat."

5 In that case the Environment Court talked of caution of dismissing the application under section 104(6) on the basis that it lacked the necessary information. In this case the MBI has called the necessary expert evidence. Mr Paul Taylor's evidence on the impact of salmon farming on the prey species of king shag is new, that is to date the only people who have commented on the impact of aquaculture on king
10 salmon prey are avian ornithologists and we now have a fish expert talking about ethics on fish.

15 It certainly clarified the view of bird experts that there has been an effect on fish preyed on by the king shag as unfounded. To that I should add the most recent report undertaken by Dr Dave Taylor, so there's a Paul Taylor and a Dave Taylor. Paul Taylor is the fisheries expert and David Taylor from Cawthron is the --

20 CHAIRPERSON: Is he one of the MPI experts?

MR DAVIES: Cawthron were asked to provide a letter of report to you in respect of the relocation process and how soon the prey species of witch flounder will return to a fallowed site. That's recently been put on the MPI website, as I understand it. It goes to the question Mr Dormer has been asking and I will get to it, about what value the relocation aspect of the proposal has and how you can consider it. But certainly, in a factual sense, the scientists are saying that the prey species of king shag, which will return instantaneously and other species such as opal fish, will return between 6 and 12 months, so that's a ...

30 MR DORMER: So that's Dr Dave Taylor, is it?

MR DAVIES: Dr Dave Taylor says that.

35 MR DORMER: Dr Dave Taylor, yes.

MR DAVIES: Mr Paul Taylor is talking about the exclusion of species, such as witch from newly created salmon farming sites. He is talking about whether witch flounder will be excluded from --

40 CHAIRPERSON: Because of the salmon farm activity.

MR DAVIES: Yes, yes. Obviously they're going to be excluded from pens in that area but they're not going to be excluded from the surrounding area, for the reasons which, he says, in fact they're going to increase the amount of feed for the witch flounder because they prey on the species, which will increase in number as a result of the salmon farming at present.

CHAIRPERSON: In particular the polychaete worms, is it?

MR DAVIES: In particular polychaete worms, yes.

5 CHAIRPERSON: Could I just go back to the previous page because I'm not sure that I understand this? You say the Friends of Nelson Haven have recommended a number of steps to be taken.

10 MR DAVIES: No, that's a report by people who appear to be ...

CHAIRPERSON: It's their people.

15 MR DAVIES: Yes, they commissioned a report, yes, by UCN, Wetlands International Cormorant Research Group. I've attached the paper to the submissions, so that you've got a copy of it. They're International Union for Conservation and Nature, Wetlands International Cormorant Research Group. One is the Chair of that report.

20 CHAIRPERSON: This is all to protect the king shag but nothing really to do with salmon farming, is it?

25 MR DAVIES: Yes. The point that I'm making that in a strategic sense there are things which could be done and which have been highlighted in this paper, which are not being done and yet an awful lot of effort has been put into the king shag, the effects of salmon farming on the king shag. I'm suggesting that that effort may be misplaced.

30 It's a strategic issue in terms of the NZCPS but really that's not an issue for you, other than to say there is low-hanging fruit here which ought to be taken before drawing the slightly tenuous bow that these salmon farms are going to have impacts on the king shag. Certainly, the evidence all points to the fact that it won't. There is suggestion - and you will doubtlessly hear submissions - that you should be approaching this on a precautionary basis.

35 The fact that these steps haven't been taken, I mean it would seem to be to me slightly incongruous if the Minister was to say, "No, there is a risk to king shag; this shouldn't go ahead". Meanwhile, these recommendations, which were in a report from 2012, except the cover says 2012, inside the document it says 2011 but we'll call it 2012 because that's what it says on its cover, those recommendations haven't been followed. I would have thought that if there is a genuine concern, those matters should be attended to before -- as being the most obvious steps that need to be taken and have been recommended to be taken in respect of the king shag.

45 CHAIRPERSON: You are really offering this in answer to what you anticipate will be an argument put to us --

- MR DAVIES: Yes, yes.
- CHAIRPERSON: -- by the Friends of Nelson Haven.
- 5 MR DAVIES: Yes, yes. I guess it's a riposte to the suggestion that a precautionary approach should be taken. Well, if a precautionary approach should be taken then at least those steps should be taken. But the fact that those steps haven't been taken and we don't have a decline in king shag numbers, does point to the fact that they're relatively --
- 10 CHAIRPERSON: May not be as necessary for a precautionary approach, yes. Is that what you're saying?
- 15 MR DAVIES: Yes, yes, yes, although obviously I mean some of those things are -- King Salmon could contribute to it, certainly could contribute to an advocacy programme but the majority of those things require regulation.
- 20 CHAIRPERSON: Yes, that's what I thought too.
- MR DAVIES: Yes, yes, yes.
- CHAIRPERSON: Yes. All right.
- 25 MR DAVIES: So, strategic planning, in my submission this project is the --
- MR DORMER: I'm sorry to interrupt once more.
- 30 MR DAVIES: That's all right.
- MR DORMER: But I just want to get quite clear, I'm just moving on a little bit from the point that the Chair has just discussed with you, paragraph 61 --
- 35 MR DAVIES: Yes.
- MR DORMER: -- just so that I've got it clear in my own mind, that integrated monitoring programme that you were discussing there at length, it relates to water quality characteristics.
- 40 MR DAVIES: It does, yes, yes, yes.
- MR DORMER: Right, okay, thank you.
- 45 MR DAVIES: There's a suggestion that the water quality will, in turn, have an effect on the king shag and currently we have monthly and sometimes weekly water quality sampling. Here we've got the opportunity to have real-time monitoring --

MR DORMER: Through the buoys.

5 MR DAVIES: Through the buoys, yes, yes. As a result of that, we will know tidal influences, storm influences and all of those things, we'll be able to capture. As a result of that, we can have far greater confidence that these salmon farms aren't simply going to have the affects which they are predicted to have by the modelling. If there is a problem identified appropriate response can be -- that would quickly, rather than waiting for months of monitoring reports.

10
15 In terms of strategic planning, one of the criticisms in the Supreme Court decision was a lack of strategic planning. In my submission this project is the essence of strategic planning. It has sought to identify the best location for salmon farming, having regard to landscape, natural character, indigenous biodiversity and other key concerns. What is recognised in these proposed regulations is that shifting farms within Marlborough can create substantial improvements across environmental, economic and cultural values.

20
25 By contrast, the current situation is not strategic. They've been identified as locations which suited the technology and consenting regime at the time but they haven't been required to comply with best practice. One of King Salmon's farms, Waihinau, has no controls on environmental performance, other than a generous feed cap and anti-fouling. I must add to that that King Salmon don't seek to abuse that but the reality is that they have, in some areas, very light-handed environmental regulation. The identification of appropriate locations within the Marlborough Sounds for salmon farming setting thresholds and determining acceptable limits to change through one consolidated process is strategic planning in terms of, I say, section 7, it should be policy 7 at the NZCPS.

30
35 A criticism which had been made through all of this that this should be resolved through the council planning process but I make four submissions in respect of this. Firstly, the plan itself anticipates plan changes for non-bivalve species. Secondly, the Environment Court criticised the current plan as lacking strategic direction in 2002, that is the "all things for all people" quote.

40 CHAIRPERSON: The what?

MR DAVIES: The "all things for all people" quote in 2002.

45 CHAIRPERSON: Yes, yes, yes, yes.

MR DAVIES: It's Kuku Mara in 2002 but in 2017 the council was close to releasing a plan for aquaculture. In the meantime Marlborough is losing opportunities to improve the environment, increase the amount of monitoring undertaken in the Marlborough Sounds and increase the job opportunities for Marlburians and there is no guarantee that a first schedule process will result in a strategic outcome.

5

I observe that plans are incredibly complex; resources are often limited. The first schedule process is unlikely to have resources given to a single topic when compared to the process which MPI has promoted here.

10

Finally, the regulations need to give effect to the regional policy statement and I'll come back to this topic but that means the operative regional policy statement, not the proposed regional policy statement, in terms of section 43AA, which is the definition of a regional policy statement.

15

CHAIRPERSON: Right, is there a proposed regional policy statement?

MR DAVIES: The Marlborough Environment Plan, which is the --

20

CHAIRPERSON: It's going to be both, isn't it?

MR DAVIES: It's everything, so it's a regional policy statement, it's a regional plan, it's a regional coastal plan, it's a district plan, so it's all of those things in the one document, which is ...

25

CHAIRPERSON: It's a one plan.

MR DAVIES: It's a one plan, yes. But the section doesn't require you to have regard to proposed regional policy statements, only operative regional policy statements because that's the definition of a policy statement.

30

I'm not proposing to repeat the work undertaken by MWH. I'll make two submissions. Firstly, Mr Allen, in his submission at paragraph 121 observes that the RPS provisions are updated and potentially, inconsistent with the NZCPS 2010. That may be the case but the legislation still requires consistency with the RPS. The second submission obviously is that the "all things for all people" quote applies equally to the operative RPS, as it does to the operative plan.

35

40

[10.15 am]

I then propose to deal with a series of technical matters, if what preceded wasn't technical enough. The first matter is a submission which may be made to you by Mr Ironside because he's put it in his materials. It derived from a letter which Mr Ironside wrote in 21 September 2016, which he's annexed to his summary of concerns and he states that the Minister is in some way bound by the New Zealand King Salmon Board of Inquiry and in my submission he is not.

CHAIRPERSON: That's the material we've got, isn't it?

MR DORMER: Yes.

CHAIRPERSON: Yes.

MR DAVIES: If I understand Mr Ironside's argument correctly, he states that the Board of Inquiry decision constitutes a *res judicata*, although, Mr Ironside, apologies for the misspelling, uses the term factual threshold and ecological threshold. But I think reading his paper he is meaning a *res judicata*.

I then set out the classical definition of *res judicata*, which I'm sure you're familiar with and I won't bore you with but I make two submissions. The issue before the Board of Inquiry and the issue which the Minister will face is not the same, either in terms of statutory context or in terms of subject matter, so it's not the same issue. There can be no effective *res judicata* in a changing situation and that is recognised both in the United Kingdom and New Zealand that *res judicata* is inapposite in the planning context.

The issues are not the same and in this I propose to demonstrate why, in a factual sense, that's correct. The context of the decision before the Board of Inquiry includes New Zealand King Salmon's existing farms from Waihinau Bay, Forsyth Bay, Crail Bay, Ruakaka, Otanerau, Clay Point, Te Pangu and the consented KPF site at Danger Point, just inside the entrance to Port Ligar. So, that was the initial context; this case is different.

There is no longer a proposal to farm at Kaitira, White Horse Rock, Te Pipi, Papatua, Kaitepeha or Ruaomoko. New Zealand King Salmon is volunteering to swap space at Crail Bay, Waihinau, Forsyth, Ruakaka and Otanerau in return for granting the new sites. The KPF farm at Danger Point remains a mussel farm. Consent for that site to be converted to a salmon farm was refused by the Environment Court on a timing sense. The council had granted the KPF site prior to the Board of Inquiry decision. Subsequent to the Board of Inquiry decision the KPF site was refused by the Environment Court. In the footnote 28 I've provided references to where the Board of Inquiry says that the KPF site was assumed to be there for its purposes.

5 There is a full set of new evidence in respect to the effects of the new proposal which was not before the Board of Inquiry. The proposal before the Board of Inquiry was a tightly-grouped set of salmon farms and if the board had granted all seven sites there would have been seven farms clustered around four adjacent headlands; this is in Waitata Reach.

10 The principal proposal was found more diffuse. Distances between Blow Hole Point and Horseshoe Bay is some 14 kilometres. The evidence will be that the Kopāua site is difficult to make up from Waitata and vice versa. Consequently, in New Zealand King Salmon's view, the only possible effect if one of viewing groups of farms separately but sequentially, which is a very different proposition to that
15 which the Board faced.

The learned authors of Spencer Bower and Handley: Res Judicata, state that:

20 "The issue of stock only applies if the issue in the second proceedings is the same as the one decided or covered in the first."

25 The short point is that the circumstances are very different. In addition, the Minister in this case is proposing to use the powers under section 360(a) of the Resource Management Act. The statutory test under section 360(b) is different to that faced by the Board. The Board was charged with a concurrent application under part 7(a)(4) of the RMA, so it's a different statutory context and a different factual context and, consequently, there's no issue of estoppel here, certainly not the same
30 issue.

35 But to buttress that submission I make the submission that there's no effective res judicata in a changing situation and I'm not going to try and pronounce that case name, it's Romanian or something but I'm not going to get my tongue around it, Lord Bridge said:

40 "A decision to withhold planning permission resolves no issue of legal right. It is no more than a decision that in existing circumstances and in the light of existing planning policies development, it is not one which would be appropriate to permit. Such a decision cannot give rise to an estoppel per rem judicatam."

45 The New Zealand courts have taken a very similar approach, so **Smeaton**, which I'm sure you're familiar with.

CHAIRPERSON: Yes.

MR DAVIES: The Supreme Court, as it then was, stated that:

"The Planning Tribunal is not bound by its previous decisions. It is free to consider each case on its own facts and merits. Failure to take previous decisions into account cannot be regarded as an error of law."

5

There's **Pigeon Bay v Arigato**, which discuss precedent:

"Precedent which is beneficial in effects which promotes the single purpose of the Act should not necessarily be declined merely because of its possible precedent effects."

10

Again, the suggestion that every case needs to be dealt with on its merits. Then **Shotover Park Limited**, which is a High Court decision considering two decisions of the Environment Court in Queenstown, one dealing with the plan change, the other dealing with a resource consent, both of which dealt with the same land and, effectively, the same subject matter; it was a supermarket or retail development. In considering with the authority's like for like, the High Court held that:

15

"The plan appeals and resource consent appeals were asking different questions and involved different statutory considerations. Division considering the plan appeals was, therefore, not obliged by law to consider the reasoning on divisions on the consent appeals. When considering the plan appeals it was admissible but not mandatory for one division of the Environment Court to engage with the reasoning of the other division which considered consent appeals."

20

25

In the words of the House of Lords:

"The decision to refuse planning permission for further salmon farming in Waitata Reach resolves no issue of legal right. It does not give rise to an estoppel in terms of the New Zealand case law. While the Minister may choose to have regard to earlier situations, he is certainly not bound by them, especially as a statutory context under which the decisions are made are quite different."

30

35

The second point I wish to deal with is a point raised by the Environmental Defence Society and that is a criticism of plans being prescriptive. The society argues:

40

"The proposed relocation documents should only focus on environmental effects to the extent necessary to determine whether the proposed areas should be rezoned is appropriate. The specifics of individual proposals should be assessed when the coastal permit is sought."

45

I think that the essence of what is being said here is that the Plan, effectively, prescribes a form of consent which would be made and argues that that should not occur. The question is whether or not that's permissible. The starting point is obviously the Act. There's nothing in section 63, purpose of regional plans, section 66 matters to be considered by Regional Council, 67 contents of original plans or section 68 regional roles which would prevent the sort of planned provisions being imposed here. In fact section 68(5) says that:

"The rule may apply throughout the region or only to parts of the region, may make different provision for different parts of the region and different classes of activity with effects arising out of activity and be specific or general in its application."

Obviously this is very specific but it seems to be expressly provided for by section 68(5). Also use the Environmental Defence Society in King Salmon decision in aid, although admittedly this was a slightly different context. It proved the Court of Appeal's decision in **Auckland Regional Council v North Shore City Council**, talking about whether policies can effectively bend rules:

"In short, therefore, a policy in New Zealand, coastal policy statement, cannot be a rule within the special definition of the RMA. It may, nevertheless, have the effect of what ordinary speech would be a rule."

If a policy can be a rule, can a rule tightly prescribe the sort of consent that can be applied for? In my submission, the answer is, yes, it can. This style of drafting has been used in Tasman and I haven't provided you with a copy of the Tasman Resource Management Plan but 35.1.4.2 where that specifies:

"A set of standard conditions applicable to aquaculture consents to the extent that they are applicable."

Admittedly, I think there's 52 standards in this case and there are five in the Tasman Plan but I simply observe that the salmon farming is more complicated in regulatory terms than mussel farming. There are good reasons why the Plan is so prescribed. King Salmon is the holder of finite resource consents. The purpose of the Plan change is to enable the existing rights to be exchanged for new rights. It is undesirable in those circumstances for New Zealand King Salmon to get less or more from the process than the Minister intends.

- 5 Finally, this is a situation where we have as much information now as we are ever likely to have during a resource consent process. Consequently, we are in the position now to make the decision in respect to those applications. As observed elsewhere, the Plan is up for renewal. The detailed provisions need not survive the planning process. That is not, however, something which the Minister needs to concern himself with.
- 10 CHAIRPERSON: Yes, just pause there, would you? The proposal here is to seek a new zone --
- MR DAVIES: Yes.
- 15 CHAIRPERSON: -- for these up to six relocated, so-called relocated salmon farms.
- MR DAVIES: Yes, yes.
- CHAIRPERSON: That's a form of spot zoning, isn't it?
- 20 MR DAVIES: Yes.
- CHAIRPERSON: You think there's nothing wrong with that.
- 25 MR DAVIES: Spot zoning is used as a technique in many plans and, yes, so long as it integrates with the whole --
- CHAIRPERSON: That's the problem that the Marlborough District Council is raising. They suggest that there should be perhaps some provision made within the zone 3, yes. What do you say about that?
- 30 MR DAVIES: I did deal with that in my written submissions but I'll --
- CHAIRPERSON: Do you? You're coming to that. Okay, if you're coming to it, that's fine.
- 35 MR DAVIES: I'll run through it now though. Certainly, I can see that it's not attractive to have a proliferation of zones. It's not attractive to have every single activity in its own separate zone because that does away with zoning. You could very easily or relatively easily create a situation where you use CMZ 3. The only caution I have in that regard is that the Supreme Court decision does suggest that we should be very mindful of the hierarchy and within the Plan there is the hierarchy of objectives and then policies and then rules, of which zoning is a species of rule.
- 40

5 We need to be sure that we're not simply creating an exception but we are creating a planned deliberate policy and rule choice to create these new farms. One of the concerns which I always have is when one, in the planning sense, is creating an exception, instantly the inference of creating an exception is that it's something you've added on to the Plan, rather than something which has deliberately been created and flows from the objectives and policies of the Plan.

10 But whether or not you use the CMZ 3 and simply create a subset of the CMZ 3 zone, which contain the provisions which MPI have drafted or whether you use CMZ 4, that doesn't matter to a great degree. The important part of this is to have, firstly, the objectives and policies consistent with the rules and, secondly, to have, as a schedule, what's proposed in appendix 4(a), which is the detailed set of standards, which farming in this area should mean.

15 CHAIRPERSON: All right.

20 MR DAVIES: Paragraph 92 of my written submissions I deal with the question which Mr Dormer has raised with a number of people.

[10.30 am]

25 CHAIRPERSON: Sorry, there was one other question I had before you moved to that and it arises out of paragraph 91. So, we've got this situation, as I understand it now, where we've got an operative Plan, this is the proposed changed to the operative Plan.

30 MR DAVIES: Yes.

CHAIRPERSON: There is a proposed new Plan --

MR DAVIES: Yes.

35 CHAIRPERSON: -- which doesn't have an aquaculture chapter in it at the moment.

MR DAVIES: That's right.

40 CHAIRPERSON: It's the subject of a number of submissions.

MR DAVIES: Yes.

CHAIRPERSON: Yes, so it's only starting on the track really.

45 MR DAVIES: Yes.

CHAIRPERSON: So, just assuming for the moment that this Plan change proceeded and became part of the operative Plan --

- MR DAVIES: Yes.
- CHAIRPERSON: -- where will it stand when the proposed Plan progresses?
5
- MR DAVIES: The proposed Plan will replace the operative Plan.
- CHAIRPERSON: Yes.
- 10 MR DAVIES: This zoning may or may not survive that change; that's not a matter for the Minister or for you and ...
- CHAIRPERSON: It's not a matter for us.
- 15 MR DAVIES: No.
- CHAIRPERSON: This exercise could well end up being repeated in a relatively short space of time.
- 20 MR DAVIES: The entire plan is going to be reviewed, so I can go further than that and say it will be repeated, not necessarily --
- CHAIRPERSON: Unless this plan change remained operative, notwithstanding the Plan because there's nothing in the new plan about that.
- 25 MR DAVIES: Yes. Certainly ...
- CHAIRPERSON: Or, alternatively, and I'm thinking a bit as I say this --
- 30 MR DAVIES: Yes.
- CHAIRPERSON: -- the amendments to the RMA, the recent ones just passed, provide two alternative processes in schedule one, other than the normal schedule one.
- 35 MR DAVIES: Yes.
- CHAIRPERSON: One is a collaborative process, the other is a special sort of fast-track process. It gives the Minister the ability to make changes to plans.
- 40 MR DAVIES: Yes.
- CHAIRPERSON: Are you familiar with that?
- 45 MR DAVIES: I have read it.
- CHAIRPERSON: Yes, you might like to think about it.

MR DAVIES: Yes.

CHAIRPERSON: It seems to me that that might be one way of dealing with this, so that the Minister could be asked to put this Plan change into the new Plan --

5

MR DAVIES: Change, the new Plan, yes.

CHAIRPERSON: -- about a first schedule process.

10 MR DAVIES: Yes. If I recall correctly, that process says that once you've done a consultation exercise you don't need to repeat it, yes, yes.

CHAIRPERSON: Yes, yes, that's the burden of it I think, yes.

15 MR DAVIES: Yes, yes. I think that's the extent to which I have read it but it may well be the solution here but --

CHAIRPERSON: Yes, because otherwise it could get very messy, couldn't it? I mean this is a major exercise really for the people involved, not just the proponents of the Plan change but those who are opposed to it.

20

MR DAVIES: Yes, yes.

CHAIRPERSON: It seems undesirable at least that that process should be repeated in maybe a year or 18 months' time.

25

MR DAVIES: Yes, yes. For better or for worse and probably for worse, we have set up a process where we have rolling mandatory reviews, plus resource consent. So, if you get a 20-year resource consent for aquaculture you are likely to get in practice one, one and a half Plan reviews within that period of time and then every 20 years you've got to obtain a resource consent.

30

35 Certainly, the current regime is such that you're ending up, effectively, running a full resource consent case for many farms every ten years or so, that's not effective. It is doubling up, as you observe. Perhaps the changes to the Resource Management Act will resolve that and certainly I'll have a look at that.

40 CHAIRPERSON: You see I hear what you say about saying, "Well that's not a matter for us or the Minister".

MR DAVIES: Yes.

45 CHAIRPERSON: I'm not yet satisfied with that answer.

MR DAVIES: Right.

- CHAIRPERSON: Because, of course, there's a challenge to the Minister's use of his powers under section 360 anyway.
- 5 MR DAVIES: Yes.
- CHAIRPERSON: If it was done by the first schedule process the situation mightn't arise.
- MR DAVIES: Yes, but just that that --
- 10 CHAIRPERSON: Because you'd weave it into the new Plan.
- MR DAVIES: Yes, and it would, of course, be one thing among many, which have been dealt with as part of that Plan review process. Certainly, if it was done via the first schedule process it wouldn't have the amount of scrutiny and the amount of effort that's gone into this process.
- 15 CHAIRPERSON: It wouldn't?
- MR DAVIES: I don't think so because you're dealing with so many other issues at the same time. You've got landscape provisions and natural character provisions, indigenous biodiversity provisions. The ability of councils to resource themselves properly to deal with these matters it's a challenge. Certainly, this process does have far more resources put into a few provisions than the council's able to put towards this entire --
- 20 CHAIRPERSON: That's because King Salmon is contributing?
- MR DAVIES: That's in part, yes, and MPI are able to call on its in-house resources as well.
- 25 CHAIRPERSON: But I'm right, am I, King Salmon is contributing to --
- MR DAVIES: It is contributing, yes.
- 30 CHAIRPERSON: -- those reports?
- MR DAVIES: Yes, it has contributed to those reports, yes, yes.
- 35 CHAIRPERSON: Yes. All right.
- 40 MR CROSBY: It flows, I think, possibly from your exchanges you've just had with Professor Skelton but just a sentence that you put near the end of paragraph 91, "The detailed provisions need not survive the plan review process." What are you meaning by that?
- 45

MR DAVIES: If a resource consent application is made on the operative Plan, then section 87(b), I think, means that the application continues to be dealt with under those Plan provisions, irrespective of any change in Plan. It may well be that this process simply sets up those initial resource consent applications. It may be appropriate for these and I haven't given it detailed thought. It may be appropriate for these provisions to continue, it may not be. But that's not necessarily a matter which will have -- it's a matter for long-term decision making. It may be appropriate for these provisions to remain in the Plan for one review and in 15 years' time see where we stand.

MR CROSBY: Do I understand from that answer that you're really envisaging a situation where the lacuna, if you like, at the moment in relation to the proposed Plan of there not being any aquaculture provisions means that if this process follow in its path and the Minister was to make regulations and a plan change occurred to the operative Plan, resource consent applications for the relocation sites would be in, dealt with before the proposed Plan had a new chapter relating to aquaculture?

MR DAVIES: Yes. Certainly, we'd be seeking that this change occurs. It's beneficial for the environment and it's beneficial for the company.

MR CROSBY: Yes, actually it is two-fold.

MR DAVIES: If we were given the opportunity we would be moving on this reasonably quickly.

MR CROSBY: Right, right. I just needed to understand that sentence. Thank you very much.

CHAIRPERSON: Right, how much more have we got to go with you?

MR CROSBY: I knew wouldn't finish it before morning tea.

CHAIRPERSON: No. We might take a break at this point, if that's convenient for you.

MR DAVIES: Sure, no problem.

CHAIRPERSON: We'll resume at 11 o'clock.

MR DAVIES: Good, thank you.

CHAIRPERSON: Thank you.

ADJOURNED [10.40 am]

RESUMED [11.09 am]

CHAIRPERSON: Thanks, Mr Davies.

5 MR DAVIES: Before the break we were discussing the possibility of repeating this process in 12 or 18 months' time and one thought, which I had over the break, was this; once salmon farming is established it becomes far less controversial. I say that because in recent times King Salmon has renewed both its Clay Point and Te Pangu applications. Neither of those resource consent applications went to a hearing, and I think in both cases they were non-complying activities, so it does emphasise the fact that over time once something has been established it becomes far less controversial. It's the establishment which creates the controversy.

10
15 In the case of Te Pangu the council also authorised a site sift and, if I recall correctly, a small increase in tonnage in terms of discharge. So it wasn't as if King Salmon were simply seeking to replicate what they had but they had managed to achieve an incremental gain as part of that process as well.

20 CHAIRPERSON: Okay, thank you.

25 MR DAVIES: So in my written submissions at paragraph 92 I'm answering Mr Dormer's question and that is how one is to treat what is put up to you as a relocation process. King Salmon's position is that the proposed new locations stand on their own merits independent of the site relocation process and that is new farms could be provided for in these locations in the operative plan. The fact that there is to be --

30 CHAIRPERSON: Well, they can't be, can they, because they're prohibited?

MR DAVIES: So the point is that as a result of this process --

CHAIRPERSON: Only if the zoning is changed.

35 MR DAVIES: Only if the zoning is changed.

CHAIRPERSON: Yes.

40 MR DAVIES: I guess the point at paragraph 92 is not expressed particularly accurately but the point of paragraph 92 is that the sites stand on their own two feet and the relocation is not the primary justification for them.

Paragraph 94, the proviso to this is cumulative effects and the sites -- what that will mean is that there is no prospect of additional discharge resulting from both the old farms and the new farms being operated at the same time. The new sites will be cumulative with only those sites which stay. So in terms of effects on water column, effects on landscape, anywhere where we're considering cumulative effects the cumulative effects of operating the existing farms and the proposed farms can be discounted.

I note this, and I do return to this later, but I am just noting this very briefly here, there may be a complication if some new sites are granted and King Salmon needs to transition off old sites and there may, for practical purposes, need to be some sort of transition. Now, that won't exist if all six are granted but if less than six are granted some thought needs to be made as to how these sites are to be transitioned and that is after fish are introduced to the new site no new fish should be introduced to the site that is to be surrendered and then King Salmon is required to decommission its existing site as soon as practicable and in any event no later than nine months after fish -- sorry, paragraph 2 should be; to remove all fish from its existing site as soon as reasonably practical and in any event no later than nine months after fish are introduced to the new site and then the old site is decommissioned no later than six months after the last fish is harvested.

MR DORMER: So in paragraph 2 we delete the word "decommissioned" --

MR DAVIES: "Decommissioned" and "remove all fish from".

MR DORMER: From, yes.

CHAIRPERSON: And in any event ... did you say?

MR DAVIES: And in any event no later than nine months after fish are introduced to the new site. That's simply to allow for the prospect that some of the new sites are to be granted. If they're all granted King Salmon will be able to manage within those six new sites and the six old sites to create an orderly transition.

CHAIRPERSON: Well, then you need to rephrase the last part of it, don't you, because it's all in the context of decommissioning but if you read it, and as you want it now, you might be able to leave the fish there for nine months.

MR DAVIES: Yes. So the new smolt will be introduced to the new site while the old fish are being harvested from the old effectively and there's a nine month overlap for fish and there's a further six month overlap for structures.

CHAIRPERSON: Well, shouldn't you say, "The fish are to be removed from the existing site and the site is to be decommissioned no later than nine months"?

[11.15 am]

5

MR DAVIES: So what that provision allows for is that the structures remain without fish for a period of up to six months.

10 CHAIRPERSON: Yes, but when you decommission the site you take the structures away, don't you?

MR DAVIES: You do, yes.

15

So in terms of cumulative effects; in King Salmon's view the site swap proposal ought to take into account the fact that King Salmon has the ability under its existing consents to discharge at levels often in excess of the recently agreed best management practice guidelines and this process represents an opportunity to bring the entire Marlborough Sounds fin fish industry in line with those best management practice guidelines. When assessing cumulative effects at least in the short and medium term it's appropriate to have regard to the benefits of removing those farms.

20

25 The CMZ3 or CMZ4 point I've already covered but the short point is that -- I cover the points that I've just made.

CHAIRPERSON: Yes.

30 MR DORMER: Can I go back to the cumulative effects issue?

MR DAVIES: Yes.

35 MR DORMER: Now, if we're talking about water quality I can understand very clearly what you say is relevant. If we're looking at a new farm site which, for the sake of discussion, we might come to the view the structure is not particularly picturesque, the environment in which it's to be placed is, and that the new structure will then have an adverse effect on the amenities, to use a word that's not be found in the relevant passage of the Act. The new structure will have an adverse effect on the amenity. To what extent can we take into account, in arriving at our recommendation, the fact that this adverse effect on amenity is offset by an improvement in the amenity of the Sounds three or four bays' away or 10 kilometres away when another farm gets closed?

40

45 MR DAVIES: The conservative approach is to say that you shouldn't take that into account and --

MR DORMER: Should not?

MR DAVIES: Should not take that into account and the reason for that is the existing rights which King Salmon have expire, they're finite terms, so they will expire in 2024, but the present applications are for a longer term than that. So instantly if you're going to be using one to justify the other that might be problematic in that sense.

5

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15

Offsetting; if you use the word "offsetting" typically in terms of the mitigation hierarchy that becomes below avoid remedy or mitigate and then offset, so it is not effects avoidance in that sense and consequently you can't avoid policy by using offsetting. It depends on how you define your landscape, if landscape is the issue, because if you were moving farm within one landscape, Wahinau to Blowhole for example, then you could say that the effect on that landscape, bearing in mind I'm taking quite a -- you've first got to identify the landscape then go through that process. So if you're working within the same landscape and you're shifting a farm you could say that there is no net adverse effect there because you are operating within the same environment.

MR DORMER: Landscape unit, whatever.

MR DAVIES: Landscape unit or whatever. So in that then limited sense you could possibly take that into account but if you were moving a farm from Otanerau, for example, which is next to ALOV, area of outstanding landscape value, in the current plan and you're moving just into Waitata Reach for example, that's plainly not within the same landscape and so it would be an offset, which is, as I say, further down the mitigation hierarchy.

25

So unless it's within the same landscape unit it won't address the void policy. The conservative approach in that he says, have regard to it in terms of cumulative effects on the basis that you can't have both operating at once but the sites have got to stack up on their own two feet otherwise we end up in a difficulty potentially.

30

MR DORMER: I suspect that's right and I'm grateful for your help. To me the essential killer point to the offset argument is the fact that the current sites have got a limited authorised life and I'm glad to hear that you're not saying, that to suggest that we should grant or recommend the grant of approval for these new sites for 20 years or longer in exchange for the giving up of rights that expire in 6 or 7 years anyway; no, it doesn't wash, does it?

35

40

- MR DAVIES: Yes. Certainly there may be arguments that they should be extended but as we presently stand that's not the bundle of rights which King Salmon has. It may have an expectation of obtaining a renewal but that's certainly no guarantee. So I think it's important that these new sites do stand up on their own merits and to some limited extent one can have regard to the effects, particularly around cumulative effects.
- 5
- MR DORMER: So it's not really a relocation, you don't have to answer this. I suspect it's not really a really a relocation. It's the establishment of six new farms in better places.
- 10
- MR DAVIES: Yes, in return for the disestablishment of six new farms. I understand the point you're making.
- 15
- MR DORMER: Thank you very much.
- CHAIRPERSON: Do you want to pursue that?
- MALE SPEAKER: No.
- 20
- CHAIRPERSON: Right, page 24.
- MR DAVIES: Page 24.
- 25
- CHAIRPERSON: Yes.
- MR DAVIES: Some of the submitters certainly make reference to the proposed Marlborough Environment Plan and how one is to use that plan in the context of this decision-making and, as the heading suggests, in my submission it only has peripheral relevance and that is, there's nothing in section 360A or section 360B which requires a reference to a proposed plan. The closest one gets is the provision which requires the statute to be consistent with the remainder of the Act. As part of that one might have regard to a proposed plan and then the question is a question of weight.
- 30
- 35
- 40
- So in paragraph 100 I deal with the proposed plan issue and draw your attention to section 43AA which refers to that provision and observe in paragraph 101, it's difficult for the minister to give much weight to a plan which the council and thereafter the Environment Court and the Minister of Conservation may change in the future but having regard to it would be appropriately cautious in my submission.

5 Where this has a practical implication is in terms of the Blowhole Point sites, which, as we've previously observed, are within outstanding natural features. So it's within an outstanding natural feature in the proposal plan but is not in an area of outstanding landscape value in the operative plan. There is conflicting authority on whether a plan is determinative beyond identified exceptions.

10 So the question then becomes, well, because it's not in an area of outstanding landscape value and, as I note in the footnote, that effectively means an outstanding natural landscape and feature, whether or not the operative plan is determinative for present planning purposes.

15 "A plan is conclusive except in the case of invalidity, incomplete coverage or uncertainty of meaning."

That's from the Supreme Court decision.

20 "A plan is not conclusive when it predates some higher order instrument which it needs to give effect to."

25 So that might suggest that the 1999 plan here is not conclusive and there are a series of cases which treats the plans only as a starting point. There's **Chance Bay**, a decision of High Court in Marlborough, to do with marine farms and **Unison**, obviously both predate the King Salmon decision. Whangaroa Maritime Recreational Park Steering Group postdates the King Salmon Supreme Court decision but only by a few days. Then New Zealand Transport Agency in the context of historic heritage and Clearwater Mussels both treat their plan as only a starting point rather than the end point.

30 There are a series of cases which state that outside invalidity, in complete coverage or uncertainty in many plans are conclusive and they would include the KPF decision, which is the Danger Point Salmon farm which is in the Waitata Reach. **Thumb Point Station Limited v Auckland Council** and the **Davidson** decision.

35 Now, the operative plan was not prepared in light of the 2010 Coastal Policy Statement however the thrust of the New Zealand Coastal Policy Statement is the consequences of finding an ONL or ONF, not how to identify one. To the extent that the CPS does list matters of assessment almost all of those matters are listed in appendix 1, volume 1 of the operative plan. They seem to be roughly based on Wessy(?) factors or something which approximates Wessy factors.

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5 The exception I note in the footnote is wildlife and cultural and
associative elements are not specifically referred to in appendix 1 of
the operative plan but they were referred to - or at least all but wildlife
- in the NZCPS 1994 which obviously predates the 1999 plan. In
Clearwater Mussels the Environment Court found that the mapped
ALOV in the operative plan was not conclusive.

10 But turning back to the written submissions at paragraph 108, policy
15 15 changed the consequences of finding that an area was an ONF or
ONL but in the case of Marlborough at least did not significantly
change the matters of assessment for identifying an ONL, an ONF, but
certainly King Salmon submits the minister should take a cautious
approach and make an assessment both under the operative plan and
the proposed plan but giving the proposed plan little weight overall.

15 MR DORMER: Now, before you go on, there was another case, which I recall reading
about in one of the update journals within the last month or three which
I tried to find over the weekend and was unsuccessful. So it's in the
Wellington CBD. It's to do with a historic or alleged historic
20 building --

MR DAVIES: The **Basin Reserve Flyover** decision?

25 MR DORMER: No, because it's a very, very recent decision which was only noted in
the Brookers, or whatever they call it these days, updates this year. So
it's probably a decision going no further back than August or September
of last year, that I thought may have contained some relevant dicta and
I'm sorry I can't be more clear --

30 MR DAVIES: That's enough. I'll find that over lunch.

[11.30 am]

35 MR DORMER: Well, you clearly are a better man than me anyway, Mr Davies, but I've
spent well over an hour looking for it and I couldn't find it. I don't
know.

MR DAVIES: Yes. No, that's enough. I'll track it down.

40 CHAIRPERSON: Have you finished with that?

MR DORMER: Yes, thank you.

45 CHAIRPERSON: Just remind me, the Unison Networks, that's a windfarm case, isn't it?

MR DAVIES: It is, yes.

CHAIRPERSON: In the Tararuas or somewhere?

- MR DAVIES: That is right, yes. I think the back of Dannevirke or somewhere like that.
- 5 CHAIRPERSON: Yes. Is that the case where the Environment Court decided that notwithstanding that a bit of it wasn't part of an outstanding landscape they decided it did have outstanding values.
- MR DAVIES: That's right and it went to --
- 10 CHAIRPERSON: Notwithstanding that the Plan didn't identify it as such.
- MR DAVIES: That's right.
- 15 CHAIRPERSON: Yes, and that was upheld in the High Court.
- MR DAVIES: That was upheld in the High Court, yes.
- CHAIRPERSON: That's the case we were thinking of, I think, rather than the one plan case.
- 20 MR DORMER: That case suggests that the mere fact that the area around Blowhole Point is not characterised in the Plan as being in an area of outstanding natural whatevers.
- 25 MR DAVIES: Yes.
- MR DORMER: We cannot, on the basis of the Unison case, take that as final. We may be, on some analysis, obliged to make our own conclusions as to whether or not the Blowhole Point sites are within an outstanding area of natural feature.
- 30 MR DAVIES: I think the starting point is the King Salmon decision and the King Salmon decision appears to say, at 90, and I think I've put the King Salmon decision, at least I hope I have -- it's the last tab of the casebook.
- 35 MR DORMER: I spent most of the flight down from Auckland last night reading it again.
- 40 MR DAVIES: It's one of those decisions that -- it's like a movie that you keep on re-watching and you notice new things in it.
- MR DORMER: Isn't that so right, yes.
- 45 MR DAVIES: Every time I read it I can find something useful but anyway, paragraph 90 is the particular part and I think on page 472 of the report ... I think I'm going to have to come back to that and find what I'm -- no, it's not 90.

- MR DORMER: It's all right, think about it, you've got plenty of time to come back to it.
- 5 MR DORMER: I might need to come back to that.
- CHAIRPERSON: Yes, that's a different matter I think.
- 10 MR DAVIES: It's a different matter. I think I've given the wrong reference. I'll come --
- CHAIRPERSON: Come back to us on that.
- 15 MR DORMER: Because it's a very different story if we have to make an assessment as to whether or not the Blowhole Point sites are within an outstanding natural feature.
- MR DAVIES: No, I'm wrong, it is in there. It's just buried. So it's talking about whether a --
- 20 CHAIRPERSON: Where are you now?
- MR DAVIES: It's on page 472.
- 25 CHAIRPERSON: Page 472, yes.
- MR DAVIES: Yes, of the report and then it's talking about whether a reference to part 2 is necessary if something's been covered by the NZCPS and what it says is:
- 30 "It is difficult to see that part 2 is either necessary or helpful in order to interpret the policies or the NZCPS more generally absent any allegation of invalidity, incomplete coverage or uncertainty of meaning. The notion that decision-makers are entitled to implement aspects of the NZCPS if they consider that appropriate in the circumstances does not fit into the hierarchical scheme of the RMA."
- 35 So what I say there is, well, if that applies to the NZCPS it also applies for the Plan.
- 40 CHAIRPERSON: To a plan.
- MR DAVIES: Because a plan must give effect to the NZCPS so why do we need to keep on referring back to the Plan if the NZCPS has already given effect to it?
- 45

5 So there's got to be invalidity, incomplete coverage or uncertainty of meaning and there's a series of Environment Court cases, all by Judge Jackson, who actually quotes that as something of a mantra and they've all been reasonably recent decisions and I haven't put those in the casebook but I can, in that he is -- I think Davidson is the -- and possibly the Infinity Group decision which I've referred to there.

CHAIRPERSON: Yes, I am familiar with the Infinity case.

10 MR DAVIES: All of which -- of course you would be. All of which will be -- so there's --

CHAIRPERSON: It's the same thing he's saying there.

15 MR DAVIES: It's the same thing so the question then is, well, is the finding of ALOVs invalid, incomplete coverage or uncertainty of meaning? Well, I would be saying no to all three of those. But then is says:

20 "The plan is not conclusive when it predates some higher order instrument which it needs to give effect to."

25 That's why I've gone and looked at the NZCPS and says, "Well, is there anything in NZCPS which tells me something that I didn't already know? Is there some sort of assessment method which is different?" The only aspect that I can find that isn't covered either in the NZCPS -- sorry, the only aspect which I can find which is in the NZCPS 2010, which is not in either the 1994 NZCPS or appendix 1 to volume 1 of the operative plan which is the appendix which sets out how they are going to assess ALOVs is wildlife. So wildlife is the only matter which doesn't seem to be expressly referred to in the operative plan as a landscape --

CHAIRPERSON: Value.

35 MR DAVIES: -- value. I'm not sure that that's necessarily incomplete coverage but I'm saying, "Look, if we take a cautious approach we say okay the operative plan didn't implement the NZCPS because it didn't know about it when it was implemented in 1999 so we'll take into account the proposed plan but we'll give it very little weight given where it is in the statutory order of the things". I think that's where we end up and the consequence of that is to say, "Look, you can hear evidence from others as to landscape values which aren't included in the Plan" and you can make findings based on that.

40

5 Of course the values argument, which I've articulated previously, in my submission addresses any alleged problem with policy 15 in that the proposed location of farms in this site does not interfere with the values and John Hudson says that. I also draw some partial support from that from Stephen Brown where he says, "At least at the site level there isn't an effect". He's more concerned about the effect on the Waitata Reach overall and there he and John disagree.

10 CHAIRPERSON: I suppose that's what the board was doing actually. In the previous cases it made a finding, didn't it, about outstanding landscape?

MR DAVIES: It did, yes.

15 CHAIRPERSON: When the Plan didn't actually identify it?

MR DAVIES: Yes. That would apply in Unison because Unison was the law at the time.

20 CHAIRPERSON: Yes.

MR DAVIES: Yes, but now we have the Supreme Court which says, "Apply the hierarchy except --"

25 CHAIRPERSON: Yes, where it's all obviously been addressed.

MR DAVIES: Where the Plan covers the field, don't look any further.

CHAIRPERSON: Yes, but that's not the case here?

30 MR DAVIES: Well, you can certainly say that the operative plan did not apply the NZCPS because obviously it predates it by some considerable period. When you actually have a look at the methodology in the operative plan and you have a look at the NZCPS 2010 and the NZCPS 1994 you can say that the only thing which was missing was wildlife but having said
35 that I guess the other point, which the Supreme Court doesn't allow for, is that times change. The landscape may have improved over that period of time bearing in mind that's a landscape assessment which was undertaken in the mid-1990s and we're now 2017 so we're 20 years on. There's been change in attitude. Has there been a change in the physical
40 environment? Has there been a recognition of values which weren't previously recognised? The Supreme Court decision does tend to suggest that actually things stand still once you've written your plan which isn't necessarily what happens in the real world.

45 Consequently I think the cautious approach is to have a look at the proposed plan, take into account the fact that those areas are identified as ONFs in the proposed plan but ultimately give the plan little weight.

- MR DORMER: But giving the plan little weight is one thing, and let's assume that I agree with you that that's appropriate, but if the landscapes that the new plan does recognise as being highly significant, beautiful, wondrous, whatever, are indeed in our view possessed of those, worthy of those descriptions, the fact that the plan is new and we're giving the plan little weight doesn't mean we can't give those values great weight.
- 5
- MR DAVIES: No, that's right.
- 10 MR DORMER: Because that's what happened in Unison, isn't it?
- MR DAVIES: I think Unison does need to be read in light of the Supreme Court in King Salmon but certainly you -- I don't want to discourage you from making your own assessment on landscape and making findings as a consequence of that because certainly while you can go and read the methodology and it appears that they've answered the questions which still need to be answered, with the exception of wildlife, it does seem that the cases do support a re-evaluation in appropriate cases and this may well be one of those.
- 15
- 20 MR DORMER: Okay. Now, can you just hold for a minute while I write down that and I'll read it back to you?
- MR DAVIES: Sure.
- 25 MR DORMER: Okay. I've got two notes. The first is that Mr Davies accepts that the Panel can take account of evidence concerning landscapes that is greater in its coverage than the 1996 plan, is it?
- 30 MR DAVIES: I think it was operative 2003 but the consent -- for landscape I don't know.
- MR DORMER: I'll just say the operative plan.
- 35 MR DAVIES: Operative plan. I think it's 2003.
- MR DORMER: Okay. So Mr Davies accepts that we can take account of evidence concerning landscapes that are greater in their coverage than the operative plan?
- 40
- MR DAVIES: Yes.
- MR DORMER: Yes. And the second one, and I didn't get it down as fully as I wish, I'm sorry. I don't want to discourage you from making your own judgements on landscapes and you went on to say ...
- 45
- MR DAVIES: Well, in making recommendations accordingly.

MR DORMER: Making recommendations in the light of that judgement?

MR DAVIES: That's right.

5 MR DORMER: Thank you very much, sir.

CHAIRPERSON: Okay. Just a note, you might like to note that the **Infinity** case has been appealed to the High Court.

10 MR DAVIES: Right.

CHAIRPERSON: I'm not sure what the errors of law are. I only found out the end of last week. I'm not sure what the questions of law are but you might --

15 MR DAVIES: I'm going to deal -- because I deal -- come on to deal with part 2 and again refer to **Infinity** in that light.

[11.45 am]

20 There is no express reference to part 2 in section 360(a) or (b). However, section 360(a)(2)(b) requires that the amendment must not be inconsistent with and is subject to the other provisions of this Act. For example, subpart (1) of part 7A. Certainly within that a cautious approach would be for the Minister to consider part 2.

25 CHAIRPERSON: Isn't a weird way of saying it?

MR DAVIES: Very.

30 CHAIRPERSON: "Is not to be inconsistent with and is subject to." If it's subject to it, it's subject to it, isn't it?

MR DAVIES: Well, except if you read the Supreme Court decision and we can keep on coming back to that. That describes the word -- no, sorry, if you read the High Court decision in **Davidson** because, of course, "subject to" is referred to in section 104. **Davidson** was a resource consent case. The question is whether or not you apply King Salmon to resource consent decisions or whether it's confined to plan changes, and the question of if it's subject to part 2 surely you've got to think about it and deal with it. The answer from the High Court was "no". It's simply, as I've just identified from paragraph 90, a final check in the sense of -- in the case where it's incomplete coverage or uncertainty. In fact, that's what Judge Jackson in **Infinity Investment** said. At paragraph 36 I quote his decision:

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5 "Importantly, the weight to be attributed to a higher order instrument when having regard to it under section 104(1)(b) will also be affected by whether that instrument post-dates the earlier plan. If it does there can be no assurance that the high order statutory instrument was considered let alone given effect to. In effect, there are three situations to consider: (a) if there is no relevant incompleteness, ambiguity or illegality in the regional (or district) plan and it gives effect to the higher order instruments, then less weight needs to be given to the latter; (b) there is the situation where there are no relevant difficulties in the regional (or district) plan but there are later, higher instruments which must be had regard to and, if the district plan is inconsistent with them (obviously it does not give effect to post-dated higher instrument), given considerable weight; and (d) finally if there is some incompleteness, ambiguity or illegality in a regional (or district) plan which at first sight brings part 2 of the RMA into play, then there may still be no need to refer to part 2 because there are higher order instruments in the statutory hierarchy (which must be considered under section 104(1)(b)) which will remedy the problem in the regional (or district) plan. That is especially so if the higher instruments came into force after the relevant local authority plan."

CHAIRPERSON: That could be the question of law.

25 MR DAVIES: And that could be a question of law. I think the greatest assistance the Minister could be, if you assumed that you did have to have regard to it, noting, of course, that unless -- if someone makes a submission that it's inconsistent, illegal, or ambiguous obviously go there. But in terms of even outside that having regard to part 2 is useful -- would, in my submission, give assistance to the Minister.

30 I'll make two final comments. Firstly in **Davidson** the High Court concluded that the Environment Court was not required to consider part 2 of the RMA beyond its expression in the planning documents. That was a situation where -- interestingly enough it's the same situation that you're in, in the sense that we had a NZCPS which was not given effect to or at least post-dates the operative plan. There was -- at that stage there was no proposed plan at all. Nevertheless the High Court concluded that there was no obligation to take into account part 2.

40 Even if you do take into account part 2, according to the Supreme Court decision part 2 is open-textured, that is it provides for the protection of the environment as well as for its use and development. What that is telling me is that a part 2 assessment really has the imprint of whatever you decide the effects are as to whatever you're going to conclude is right for part 2. So I don't think it's necessarily that onerous to have regard to part 2 in that context.

What follows is some technical comments in relation to the planning provisions. I might simply skip through these so that you know what they are but I'm not necessarily going to read them.

5 Paragraph 113 is order of relocation priority and King Salmon is assessing a slightly different order from that contained in the MPI document. I think --

CHAIRPERSON: You're seeking a change?

10 MR DAVIES: A change. So there's a change to the order so the first farms to move are the Crail Bay farms and the last one to move Waihinau.

CHAIRPERSON: Did Mr Lees refer to that?

15 MR DAVIES: He's got a slightly different order to that.

CHAIRPERSON: Has he?

20 MR DAVIES: Yes, he has. They're essentially in order of --

CHAIRPERSON: So you seek a change to the proposal in that regard?

25 MR DAVIES: That's right, yes. Of course, that doesn't necessarily have any impact if all six are granted but in circumstances where they're not.

30 Paragraph 116 deals with the size of Waihinau channel. I think that's been corrected. There was an erratum which came out more recently but there has -- in order to fit the number of pens in there needs to be 2.5 hectares essentially or at least 2.6 hectares.

CHAIRPERSON: Yes, there was an erratum notified by the Ministry, yes.

35 MR DAVIES: The next section is on staging of feed increases. Now this is going to be dealt with by Grant Lovell in his evidence where he talks about the challenge of accurately predicting how much feed animals are going to require in the future. I make a series of suggestions as to how feed caps could be altered in those paragraphs. I think the important one to note is that the Board of Inquiry responded to this evidence with a 15 per cent flexibility figure but requiring the limits to be maintained on a three-year rolling average. So that's the approach the Board of Inquiry took and King Salmon would be seeking here. There also is some discussion about the increments and whether or not they are realistic. Again, all of this is going to be deal with when Grant Lovell gives evidence. All I'm providing is the changes which King Salmon seeks.

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5 There's discussion around feed composition and whether or not it needs to simply be able to calculate how much nitrogen there is in the feed or maintain a log. There's quite a complex calculation in order to calculate that. If there's a problem obviously it can use its records to go and generate that information but there's a question of whether or not it has to be able to provide that on demand or allow some days for it to provide that information. We're suggesting in those paragraphs that it's better to deal with -- it's better for King Salmon to be required to respond to a specific request rather than to have always have that information on tap which requires a significant amount of calculation.

10 There's discussion around water quality standards and simply highlighting the fact that scenario 13 is a maximum discharge scenario, and even under those scenarios there isn't a particular issue identified by MPI. Of course, it will take some considerable time for King Salmon to be able to get up to those discharge levels if they are able to get there at all. Paragraph 137 I note some practical examples from 2016 monitoring where it stated that some anomalous results were obtained where at control sites the amount of oxygen in the water was depleted but that was unrelated to a farm event. In fact the cause was never found but there was no problem immediately adjacent to the farm but at the control sites. At the Tory Channel mouth there was a deficiency in oxygen noted. There was no real -- so it's why a trigger investigation response model is important. That has been proposed in these conditions.

25 Paragraph 139 I describe the benthic water quality standards. There's one element in there which is in fact more lenient than what the best management practice guidelines propose, and King Salmon would -- have agreed to implement the best management practice guidelines and don't want to take advantage of an error in drafting. I think it's -- so all monitoring stations rather than simply the average of monitoring stations should be beneath the certain critical threshold. That's a drafting issue but King Salmon doesn't want to take advantage of something which is inconsistent with the guidelines that they've signed up to. Again, there's a suggestion at 43(c) that a range of nitrogen compounds are to be monitored. Ammonium nitrous oxide, nitric oxide are components of total nitrogen. King Salmon's advice is that total nitrogen is the key measure and the automatic monitoring equipment are probably going to be set up only to measure total nitrogen and the various components of nitrogen aren't important, it's how much nitrogen is getting into the environment that is.

5 There's the effects of artificial lighting. Again, this is a technical issue but certainly the advice which King Salmon receives from Cawthron repeatedly is that this is not a real environmental effect. It has been studied significantly in terms of the work that Cawthron have done and they do not recommend the level of monitoring which seems to be anticipated here. Again, that's a drafting issue which needs to be tidied up.

10 The heavy metals and organohalides; copper and zinc are in feed and copper can be found in antifouling products, although antifouling products are not proposed to be used here. Organohalides are strictly regulated and controlled in feed and not introduced into the environment at material concentrations. The suggestion is that as a consequence that condition needs to be looked at. There is no need for
15 each farm to prepare its own specific monitoring report to address those issues.

20 King Salmon should be able to place structures in the water prior to the baseline plans being approved. Currently the Plan requires that no structures are in the water before the baseline plan is approved. King Salmon would agree that no fish or no feed should be discharged, effectively no fish should be introduced to the water, until the baseline plan is approved but in terms of sequencing it would be useful to be able to place structures in the water prior to the baseline plan being
25 approved.

30 In paragraph 146 King Salmon wishes to use its existing peer review panel rather than create a new one and condition 51 should make that clear.

35 Condition 54 attempts to specify twine diameter so that it's obviously of sufficient gauge to be detected acoustically by dolphins. That's not a provision in the EPA conditions. If it's an issue you should specify now the twine diameter, whoever's come with that provision, rather than -- but, in reality, King Salmon's existing operation does not involve a significant number of dolphin entanglements and that provision can be deleted.

40 There's a further deletion to paragraph 54, biosecurity management plan is a question of being regulated both under the Biosecurity Act and under the consent. The industry has entered into a government industry agreement to manage biosecurity risks. The suggestion here is to say that we're required to have biosecurity management under the consent if it is not being comprehensively managed under the
45 Biosecurity Act just so that there's no possibility that the two regulations will conflict.

[12.00 pm]

5 The final question I wish to address is the question of workshops. I know on the first day of the hearing you suggested to Mr Ironside that he produce a list of people who might attend a workshop. I don't know if that's progressed at all.

CHAIRPERSON: Yes, we've got that.

10 MR DAVIES: You have, okay.

CHAIRPERSON: Have you not got it?

15 MR DAVIES: I haven't got it but I've suggested my own list of people just on the final page of the document. In my view there should be a landscape workshop which is to be attended by experts only which is John Hudson, Dr Mike Stevens and Steven Brown. There could be a stakeholder workshop for navigation at Tio Point. They could be the harbourmaster, who may invite the consultant Maritime Marine, KiwiRail, Port Marlborough and Navigatus, MPI, Te Ātiawa and King Salmon. There should be an expert witness on the king shag; Paul Fisher, David Thompson, David Taylor and Paul Taylor. I've had mixed reports about this and someone might be able to clarify it but if Mr Shoecart(?) is appearing as an expert witness then obviously he should be part of that. It has been suggested to me that he was not appearing as an expert witness but I can't find the email which refers to that so I'm a little bit confused about that. If he's appearing as an expert then, of course, he should be part of that.

20
25
30 It's been suggested to me today that perhaps there should be a planning workshop as well which would involve -- it's a question of whether or not it should be a stakeholder workshop or a purely professional planners' workshop. That's perhaps a question for you. It might well be a stakeholder workshop might be appropriate, but certainly Sylvia Allen and Frances Lojkin and I think Rod Witty from Department of Conservation is in the back of the room who has indicated an interest in attending that workshop as well. It does make sense that there's someone from King Salmon representing their interests as well. Perhaps some of those matters that I've dealt with in the last five minutes can be tidied up as part of that workshop.

35
40 CHAIRPERSON: Yes. If you see Louise she might be able to provide you with that. I've got a copy somewhere.

45 MR DAVIES: No, that's fine. I just thought over the weekend --

- CHAIRPERSON: It's EDS and Friends of Nelson Haven, there's been a list put out. What we were proposing to do at the moment and we'll get the appropriate MPI people as well - and there may be others, I don't know - is to set aside probably a day towards the end of the hearing when we will have those topics dealt with, with us so we avoid having to make reports to us and that. We would be there.
- 5
- MR DAVIES: Right, essentially a "hot-tub" I think they're called in the jargon.
- 10 CHAIRPERSON: Yes, I wasn't going to use that but that's what I really mean. Are you happy with that?
- MR DAVIES: Yes, absolutely.
- 15 CHAIRPERSON: Yes, I think that would be a sensible way of dealing with it so that the relevant witnesses can debate in front of us and we can ask questions.
- MR DAVIES: No, that's a worthwhile --
- 20 MR DORMER: There are all sorts of qualifications one puts upon the usefulness of hot-tubbing but I think it sounds all right here.
- CHAIRPERSON: I think we can probably manage that. All right. I think we were thinking towards the end of the hearing just so that you can plan for this, 9 or 10 May, somewhere around about there, 10 May at the moment looks like the last day. Is that right still?
- 25
- FEMALE SPEAKER: So 9 May is probably going to be the last day of presentations with the 10th being available.
- 30
- CHAIRPERSON: MPI will have an opportunity to respond so we'll do this first and then do that. Thank you very much for that comprehensive piece of work you've done, Mr Davies.
- 35 MR DAVIES: I apologise for the --
- CHAIRPERSON: No, we're grateful to you for it.
- MR DAVIES: -- length and dryness but if we could -- Grant Rosewarne will give evidence before you.
- 40
- CHAIRPERSON: Okay, thank you.
- MR ROSEWARNE: For my submission I'm planning to really deal to my presentation, not to the submission that I put in, just covering the major points and allowing the Panel to ask any questions.
- 45

5 First looking at our purpose and vision. New Zealand King Salmon is all about creating the ultimate salmon experience. We do that to really guide behaviours when people aren't being supervised. We're always looking at what's the unifying theme that helps our people make the right decisions when they're out there in the field, for example. There might be a batch of feed that's got water on it, it's mouldy. If that's fed out to the fish will it lead to the best salmon experience down the track? If I'm processing some salmon and I've had to take it outside and it's not in the cold chain during some sort of delivery process, will that lead to the best outcome? The answer to those questions is "no". This helps people decide how they're going to respond and how they're going to ensure that that ultimate salmon experience gets to the final customer.

10
15 We often -- we're a very long-term company. We talk about: why does the company exist? That's really to enrich the lives of our customers, our team members, our shareholders. We definitely want to positively contribute to the communities in which we operate, including the natural environment. We also want to play into regional prosperity and we want to reward our partners and suppliers fairly. We want to make Marlborough salmon as famous as Marlborough sauvignon blanc.

20
25 We talk a lot about sustainability. For us this means that we can go on in perpetuity. We believe that to be the case. We want to hand our business on to the next generation with a better environment, a more supportive professional culture, stronger community relationships, greater resilience and more resources. So each generation should inherit the business in better shape than they received it from their predecessor.

30
35 If the environment's not part of that we can't produce the quality of fish we need because we very much play into the top end of the market. When we talk about creating the ultimate salmon experience we want to delight the customer but the customer we have to go for is the very top end premium customer, those premium niches around the world.

40
45 I just want to go into some of the detail around sustainability. We see ourselves very much as a part of the solution to the world's issues. We have a small spatial footprint and I'll go into Norway -- the Norwegian example in a minute. We have relatively low CO₂ emissions for animal production. And there's something called the nitrogen cycle that works -- operates in the sea when organic matter drops into an anoxic zone. There's a denitrification occurs where bacteria goes back into the air, that gets fixed into the soil, comes down freshwater and that cycle has been going on forever. And a correctly sited salmon farm plays more into that. The ultimate solution there would be to be offshore but you certainly want to avoid abeyance like the low-flow sites that we've currently got.

5 One of the things that we don't talk about anywhere is the yield of our salmon. So salmon is mainly muscle actually whereas land animals are mainly bone, and offal, and other body parts that aren't edible. Salmon is 72 per cent primary yield edible whereas land animals offer around about 45 per cent. That plays into sustainability. We're the largest contributor towards long-chain omega-3s in the New Zealand diet. To have significant omega-3s it needs to be an oily fish. There are short-chain plant-based marine omega-3s -- sorry, short plant-based omega-3s but they don't have the same health benefits as the long-chain marine variety. So you'll often see claims about omega-3 in relation to plants, but they're short-chain. To have long-chain it either needs to come from the marine environment or a genetically modified organism. Also we're a great source of vitamins, minerals and proteins but that piece around the health, we make a disproportionately large contribution to the health of New Zealanders through long-chain omega-3s.

20 We've got a great animal welfare outcome. A fully stocked salmon farm is 98 per cent water space, it's only 2 per cent fish, so there's a lot of space for our salmon to operate. Also they're a lower order animal than land-based animals. So in terms of welfare issues we're right up the positive end of things.

25 Fish are just efficient because they don't need to warm their blood and they don't need to fight gravity. That means they get a very good feed conversion ratio. In terms of what does animal production cost the environment, you want the best feed conversion ratio you can get. Ours is about 1.75. Atlantic salmon can be lower than that. There's two reasons for that. Their diet is more fully understood than the King Salmon diet. We're really in the early stages of understanding the dietary requirements of King Salmon. The other thing is we've got a higher energy output fish and as a result of that high energy needs to go into it but also a typical serving of king salmon would be a smaller serving than Atlantic salmon which is also more sustainable.

35 Feed: we're sometimes criticised about our feed and I think the very opposite is the case because we can use the parts of wild fish, poultry, beef, sheep that humans don't want to eat. That makes those industries more sustainable. They're typically produced and turned into a fishmeal, or a blood meal or a protein meal and we can incorporate that into our feed. That is a great outcome, allowing those other industries to use their whole animal and to turn it back into an A-grade protein. We do have a reasonable fish component in our feed but it's a low-trophic species - anchovies or anchovetta, as it's called in Peru - that recovers quickly and responds quickly.

5 The fishery is managed by opening and closing it as opposed to having a quota management system. Sometimes Kiwis who are used to the quota management system don't understand a fishery that's managed by opening and closing. Same thing for the salmon fishery in North America.

10 Also our value, I had a look at lamb and beef value and it really is around about \$5 and we're at least four times higher than that. We get high value for what we produce and we help take pressure of the wild fishery and we help take pressure off land animals. All of this plays into our sustainability.

15 For all of these reasons, and for others, we really see ourselves as part of the solution for a sustainable planet. We now equal the world's wild catch. As 70 per cent of the earth is covered by oceans it produces about 90 million tonnes of edible fish. Aquaculture now produces about 100 million tonnes. The beef industry, by comparison is 60 million tonnes. Without aquaculture we need a second planet right now. All right. So we believe uniquely placed to help the natural environment and improve biodiversity.

25 For example, you're probably not aware of this but salmon was not originally a sushi fish, bluefin certainly has been and other species. It was the Norwegians that actually took salmon to Japan and turned it into a sushi fish. There was already a huge pressure on the tuna fishery, especially those larger varieties. If salmon hadn't become the most popular sushi fish, as it has done, the pressure would be even higher on bluefin tuna.

30 We're certainly the more sophisticated end of aquaculture. There are many species grown and a lot of them take their lead from salmon. When I talk about aquaculture is 100 million tonnes of food production, there's a lot of other species -- there's prawns in there, there's pangasius, there's carp, there's tilapia, there's many different species. But salmon definitely is the most advanced form of aquaculture I would say. Therefore we help the remainder of the aquaculture industry.

[12.15 pm]

5 Branding is very much core and our general manager of marketing, Jemma McCowan, will speak more to that. But we try and obtain value by taking the brand all the way to the final consumer. The government is very much about adding value over volume and that's certainly our
10 mantra. We never grow something until we've actually got a customer for it. We always develop our customer base first. We do that by taking it all the way through. You may well have seen Ōra King brand on menus both in New Zealand and around the world, around about 1,000 now and about 175 in New Zealand. There's two ways that you can
15 add value, you can add value by elaborating transforming a product and charging more for it or you can take it through to the final consumer, not change it too much but sell the story that goes with that. That's what we do with Ōra King. There are very few fish brands on menus around the world. There's only really one other that I can think of and that's relatively minor.

20 So we have a number of advantages that just put us in a great position to earn value for New Zealand from what we do. There are only five significant producers of our species in the world. Four of them are in New Zealand, one in Canada. This is a very difficult species to grow. They are a terminal spawner. What's made them hard to grow is that they want to all mature at the same time, then after maturing they die. As they mature they become less and less valuable. There's a lot of
25 intellectual property in controlling that and keeping them at their peak. They're also more powerful and a more wild animal. That makes them difficult to control if you don't know how to handle this particular species. As a result of this, the branding and the rarity of the species, we're about 0.5 per cent of the world's supply. We obtain premium pricing. Aquaculture by its nature is fairly high risk. There's a lot of
30 environmental factors you can't control; water temperatures, currents, storms, all those sorts of things. We try and mitigate that by having a wide variety of products, having a wide variety of channels and a broad geographic distribution.

35 We're certainly vertically integrated. We talk about being vertically integrated all the way from the egg through to the final menu poetry that you'll find on a menu say in New York or Osaka.

We have strong financial performance. We've listed for about six months now and we're completely on track with our prospective financial information. A good thing for us is we've got relatively little competition and that enables us to obtain good value, except when it comes to the plate. Our competition is Wagyu beef, toothfish, venison; it's those things. Can we justify to the final consumer? They will choose the salmon if they're in a restaurant in Los Angeles, is it described in a way that they want to buy that salmon as opposed to the venison or the toothfish. We tend to be able to justify a \$40 plate cost whether it be in New Zealand, Australia or the US. If we go too high in our price then we're into \$44 - 45 or even \$50 and there are less restaurants that can justify that amount for a main dish. It's quite handy that we compete with other first world countries in the main.

It's very important that our people are highly motivated. We go to great lengths to ensure that's the case. We try and obtain the best from all of our people. We have a great opportunity but we've never been able to fully leverage it because of not having enough space for our industry and it hasn't been done historically in an organised way. When aquaculture was set up in the Sounds the conditions for our species were not well understood. Space is broadly -- although it's called aquaculture space it's not really suitable for salmon and hence the variety of processes we've been through to try and obtain more space.

Typically the countries that are doing well with aquaculture, like Norway or even Australia, have specific legislation that enables that. I'd say also the biosecurity needs of the salmon industry are well understood and could be incorporated with some sort of zoning as well.

Then I just want to have a look at Norway. It's a great role model for us, a first world country, 5 million people, some similarities in climate, some similarities in a beautiful environment. This is a farm in the south. It looks very much like the Marlborough Sounds. This is a farm in the north. You can see they use circle technology as opposed to the system farms that we use. You can see there are many beautiful environments in Norway. There's about 1,000 of these farms up and down the coast of Norway. I've been there many times. They're actually difficult to stop. You have to specifically go to them. They are very consistent with a beautiful natural environment.

Let's look at some other ones; I've been to this one here. This farm here is the equivalent of the total New Zealand production, that one farm. So it's an incredibly efficient site.

5 Another beautiful environment here. This one was a picture that we took last time we went. I included it because you can see this is a farm or a community over here. So quite often they're miles away from everybody but sometimes there are facilities or townships nearby and again they blend in very well. When you go to this town over here it's very difficult to spot this from a distance, and same with our farms.

10 Another example; so these are harvest pens right in a township there. Another beautiful environment. These four pens produce double the amount of either Te Pangu or Clay Point, so they're stunningly efficient out of, again, a very small space. Another very natural environment for the salmon farm. There's a lot of fjords with circles running down the middle. Also here at night with the lighting in place. So beautiful natural environments there.

15 This is a farm right in the far north. You're getting sea ice here. Again, stunning environment. This is very common to see this - same situation here - so that you really have to be high up in the Arctic Circle for this to occur. And the fish really won't grow in that environment. They really won't grow until summer comes round. Another township over there.

20 So I just wanted to contrast the Norwegian situation with the situation here in New Zealand. We produce about 1.2 million tonnes of beef and sheep. We use just over 9 million land hectares to do that. And Norway actually produces more salmon and trout from about 2,000th of the space, so I haven't included mooring space there. That's just surface hectares because that's what we're talking about with the relocation project. That's surface hectares on the land with some hatcheries and
25 30 1,000 farms as well.

35 So in terms of is salmon farming consistent with a natural farming? One of the reasons is it's just got a small environmental footprint. And in fact the Norwegian Government has recognised salmon and the wild fishery as being very sustainable to replace its oil and gas industry long term. Some time ago they didn't manage their wild fisheries very well and it collapsed; the cod fishery collapsed. It's back in production now but they used -- salmon was a replacement for the cod fishery collapse and it really saved the rural economic situation in Norway.
40

5 So we have a first world country now with very high environmental standards and very high social standards. This is exactly the sort of competitor you want to have. And although they have massive scale advantage compared to us we do better with branding, pricing, adding value and jobs, and I think some people assume that we can get to the Norwegian efficiency numbers. That's just not true. We have a very different product portfolio and a very different way of going to market so when people assume we can achieve the automation of the Norwegians that's just not correct.

10 And this is the reason why. I don't think there's another salmon company in the world that has this complexity of product range, so we have everything from fine dining, 1,000 restaurants around the world, usually hatted or Michelin-star restaurants; a prominence brand in Regal with a lot of cold smoke and hot smoke products; a southern ocean more of a family-value brand here in supermarkets; 21 products in our pet food range; and this is our burly brand that we have produced locally and are about to export. So other salmon companies don't look like us. These are our brands that go all the way to the final consumer. All the Norwegians produce pretty much commodity products that go offshore and are transformed offshore. Our philosophy is we want to add value to the top of the South Island of New Zealand and we want all of our value added and our employment to be here.

25 Also we just engage extremely well with chefs. They tell our story about the Ora King brand. We use social media to take that out so they're just great ambassadors for what we do.

30 I want to talk a bit about future facilities both in Marlborough and in Nelson. It really makes sense that more of our operations will gravitate here. There's a couple of very important reasons for that. Firstly, our production is going up because of the three new EPA farms. We can double our production over time. We only have 17 surface hectares. That's a tiny amount. We will ultimately use it all for growth in some fashion. Obviously we'd rather it be on high flow sites than low flow sites. However, for us to put rigorous financial cases together we really need a lot of detail to do that and we haven't done that about when should the move occur, what facilities should we put here. So that's still down the track. So we refer to this as our vision.

5 We see that our head office and our smoking will remain in Nelson and
our headcount will go up over there. We think our headcount will
increase here as well. Because Picton's on a main transport corridor it
does make sense to do more things here but one is quality so we really
need to get into pre-rigor mortis filleting. That can only happen close
to a farm. If you're too far away and you process after rigor mortis that
leads to a lower quality output. And obviously we get transportation
efficiencies if we stay in Marlborough. Then we just take the more
value-added products over to Nelson. That's because we've got 300
10 people already in Nelson so it's too hard and they're very highly trained
so we're going to keep those people and convert them. Some that are
working in the primary processing they would ultimately be converted
into smoking. So both sites will go up in headcount.

15 We've got an aquaculture office in Marlborough that will go from
strength to strength as we produce more. Primary processing at some
point, we have an internal target for that but we haven't put the proposal
to the board yet. Then it makes sense that all the Omega innovation
products, the burly, the pet food, the fertiliser, which I'll tell you about
20 later, to be more over this side of the hill.

25 Then on Omega innovations. You saw this with the pet food brand I
showed you earlier, we want to get more value from our by-products
and our co-products; that means burly, pet food, we've just started
research into fertiliser. In the future we'll look at Omega 3
supplements, something called DHA, which our fish is very nutritious
in. It could be the basis of nutraceuticals but there's just a whole range
of things. We can do fashion leather, I've seen some great salmon
leather out there, collagen, peptides, other bioactives. We really want
30 to use the whole animal. That's to get best value but it's also to reduce
wastage and to reduce our environmental footprint. And it provides
greater opportunities for employment.

35 We certainly want a strong relationship with Iwi and we have a great
relationship with Te Ātiawa. We have an emerging relationship with
Ngāti Kōata. They came and blessed our two new farms in the Pelorus.
It wasn't so long ago, maybe seven, eight months ago now. We would
like a deeper relationship. These things take time to develop. We've
got discussions under way about employment opportunities, training,
40 scholarships, branding support. Because we do relatively well with
branding, adding value, we think we could offer something to Iwi about
branding their other products and we're open to doing that, and have
made that offer.

45 So we'll continue with those discussions and we'd like to expand this
further. We'd like to achieve something similar to what we have with
Te Ātiawa in the Pelorus.

5 I mentioned our people. We really consider our people and our 450
people are resource. They're highly valued. We're trying to get the
maximum engagement. We refer to them as team members, not staff
or employees. We're a very complex business with multiple divisions
and very specialised positions. We have everything from vets to
accountants to brand managers to health and safety specialists, food
technologists, factory managers. People don't realise the wide variety
of employment that we have to offer at King Salmon. And a few years
ago we won the Kenexa Best Work Place award for most improved for
10 the medium to large size companies.

Likewise with our community, others will go into this in more detail,
but we certainly want to engage with our community.

15 **[12:30 pm]**

20 We want the community to be better off as a result of King Salmon
being present within it. When we have conducted surveys - we did one
and MPI did one - aquaculture actually enjoys strong majority support
and it's even higher in the areas where aquaculture is undertaken.

25 This is just an example of one of our dishes out there. That's the end
of the opening. We're going to work through different people. Mark
Preece is next. And then we'll just work through person after person,
then I'll come back for my private submission at the end. Are there any
questions?

30 CHAIRPERSON: Well, I don't want to discourage you from -- have you got anything to
add? I mean you've given us a lot of material here.

MR ROSEWARNE: Yes.

35 CHAIRPERSON: Your private submission, is that really going to add anything to your
case?

MR ROSEWARNE: The private submission deals with a completely different set of issues
that are separate from the company view, so yes, I would like to give
it.

40 CHAIRPERSON: What sort of issues?

MR ROSEWARNE: It looks at why the industry is in the position that it's in and why we're
sometimes misrepresented and what we're doing about that.

45 CHAIRPERSON: Why do you not do that as chief executive of this company?

MR ROSEWARNE: Well, I just thought these are separate issues that I could handle as a
private person and I'd rather do it that way.

- CHAIRPERSON: But you're not a private person in this context, are you, Mr Rosewarne?
- 5 MR ROSEWARNE: Well, I didn't see it that way. I could go on and do that if you would like me to.
- CHAIRPERSON: Have you got a statement on that, that we can look at?
- 10 MR ROSEWARNE: Yes, there's a statement there.
- CHAIRPERSON: Because we've got to be very careful about giving people too many bites of the cherry.
- 15 MR ROSEWARNE: Sure. Well, I can go on and cover those points now if you'd prefer.
- CHAIRPERSON: We've already had two or three of your people who gave material to us last week and there might be some doubling up even now in some of that.
- 20 MR ROSEWARNE: Certainly the points that I've covered -- about to cover in my private submission, many of them are not covered there.
- CHAIRPERSON: Right.
- 25 MR ROSEWARNE: And I can go on and do that now, if you would prefer.
- CHAIRPERSON: What are we going to do about that? Leave it in?
- 30 MR CROSBY: I'm entirely relaxed.
- CHAIRPERSON: Well, we do want to get your case over today.
- MR ROSEWARNE: Sure.
- 35 CHAIRPERSON: And we want to finish no later than 5.00 pm.
- MR ROSEWARNE: Sure.
- 40 CHAIRPERSON: So we're in your hands to some extent. The PowerPoint that you've given us, is that available to us?
- MR ROSEWARNE: Sure. Yes, I'll make it available to you.
- 45 CHAIRPERSON: How much longer are you likely to be on this other material because I -
- MR ROSEWARNE: I think it will be about 10 or 15 minutes, something like that.

CHAIRPERSON: Okay, well let's have it now then.

MR ROSEWARNE: Okay.

5 CHAIRPERSON: Have we got a written --

MR ROSEWARNE: Yes, you've got a written submission from me on this as well.

10 CHAIRPERSON: Have we?

MR ROSEWARNE: Yes.

15 CHAIRPERSON: Where is that? I can't find that. It's not amongst the stuff that was handed out.

MR ROSEWARNE: It was written and scheduled for later in the day so it might be somewhere else.

20 MR CROSBY: Is there another statement of yours?

MR ROSEWARNE: There's my private one and, yes, it talks about why don't we enjoy more support or --

25 CHAIRPERSON: How many pages is it?

MR ROSEWARNE: Eleven pages.

30 CHAIRPERSON: Is it? No. Where is it? He's referring to the comments he made that were lodged with the MPI. We've got ...

MR ROSEWARNE: Do you want me to look at that one to see which one you've got there? The one I just went through would be part of the King Salmon submission and the one -- so the other one --

35 CHAIRPERSON: The one that was lodged with MPI?

MR ROSEWARNE: Yes, they were both lodged with MPI.

40 MR DORMER: The one he's just been through is this one that we have.

CHAIRPERSON: Yes.

45 MR DORMER: It's got these pictures in the middle, one thing and another. And the other one that is not part of the King Salmon case is his separate one. We don't have that. But we have read, and I have seen, your separately filed submission.

MR ROSEWARNE: I can certainly give you copies after this if you wish.

MR DORMER: And you're going to speak in addition to the --

MR ROSEWARNE: Yes, to the points that I'd like to make.

5

MR DORMER: -- separately filed submission?

CHAIRPERSON: Right.

10 MR ROSEWARNE: Okay, so increasingly ENGOs around the world are identifying that aquaculture has a significant role to play in feeding the planet. I touched on some of that earlier. Here are some of the quotes from Bellona, which is a Norwegian ENGO, originally came out of protests against Statoil, Jacques Cousteau, this is from Jason Clay, senior vice-president of World Wildlife Fund, and it talks about the importance of using the sea and producing food responsibly.

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20

I thought it might be useful to have a look at a comparison with wind farms. And I do think there's some analogies there and I know a lot about salmon farming, less about wind farming, but we both produce something which is important. One energy, one food. As I see it, we're both green but neither of us is perfect. There are some downsides to both. Both are highly reversible. If a new technology comes along and we don't need the wind farms you can remove them and you get your environment back pretty quickly. The same too is of salmon farming. Low flow sites remediate of themselves in ten years; high flow sites in much lesser time than that.

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We're both quite efficient: direct conversion with wind farms; we've got a good feed conversion ratio; low CO₂, high yield, we've got good control of our feed source and the quality of that. But we do have some problems and the problem with wind farms is this industrialisation of the environment and we have that to a lesser degree. But that's part of why we get some sort of opposition is we clearly add to that industrialisation although we're talking 17 surface hectares here and you might be talking many hundreds of hectares here.

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One of our downsides is there is a level of organic enrichment. We don't deny that. But it's modelled, it's managed, it's part of a nitrogen cycle, and I'll go into a bit more. But about both of these things, there are a lot of false arguments and half-truths. I looked up about wind farming. There's all sorts of things about headaches and electromagnetic fields and all those sort of things. It might be partly true or it might not be true. And we get a lot of the same with salmon farming. There are some things that are half-truths, some things that are true, but there's a lot of false statements out there, and I'd just like to look at some of those.

45

5 So these are some of the things that are raised and said salmon farming is bad because of these things here. And I'll just choose some of them. So let's take antibiotics, for example. So as far as I know, aquaculture is the only industry that doesn't use any antibiotics. So that's neither in mussels nor in oysters nor in salmon. Every other animal production system in New Zealand uses antibiotics to some degree. And even the Norwegians now haven't used antibiotics for decades. Just tiny trace amounts occasionally but virtually nothing. Much lower than the beef or the sheep industry here.

10 When I travel overseas the so-called pollution or the benthos is not the main topic out there. The main topic for salmon farming around the world is sea lice actually. And the King Salmon species is resistant naturally to sea lice. It's one of the benefits. They're hard to grow but it has this benefit of they just have a natural strong immune response to sea lice with their mucous and their response to it.

15 Another one that comes up is escapes. That's a big issue overseas where you have the fish in its natural range. Well, the King Salmon and trout are protected under the RMA in New Zealand. Another one is disease. Well, the natural diseases -- fortunately when this species was brought here those natural diseases from the natural range didn't come. So this is what people are talking about overseas and this virtually doesn't get raised. It is to some degree but that's because we're talking about a relatively small area. So not only are we talking about a small area in terms of salmon farming versus land-based farming we're also talking about a relatively small area that the benthos has impacted on.

20 I was on one of our freshwater salmon farms with a journalist with 200,000 fish on it, ranging from 200 grams to 19 kilos recently. We went to the end of the farm where everything's coming out. We grabbed two glasses and we drank the water that was coming from that. You can't do that with a land-based farm.

25 We have a lot of wild species around our sea farms. There's seals there, it's like a natural haven for wild fish. They wouldn't come if the environment wasn't suitable for them. Our species is a sentinel species where it originally comes from. It's an indication of a good, healthy environment.

30 Obviously there's modelling that's done to ensure that there aren't embayments and that the environment is assimilative. We commit under -- if the farms are moved that they will be run on an assimilative model. So that's to level 5 on the Cawthron scale. It ensures that the number of the issues in balance with the number of worms and microorganisms breaking down the organic matter.

5 What we're talking about in the Pelorus is not dissimilar to what we're already doing in the Queen Charlotte, so it gives some confidence around the scale. As I mentioned, the nitrogen cycle operates in the sea and salmon farming is highly reversible compared to land-based farming.

10 Others that I'll mention: the colour of salmon. We're often criticised for this but the salmon just have the natural ability to store carotenoids in the bodies. They're storing those carotenoids because they're highly valuable and they have great health properties. In the wild situation the carotenoids are eaten, in the farm situation the carotenoids are eaten. They absorb them into their bodies because they need them to reduce oxidative stress when they go up a freshwater river and they need them to go into the egg to prevent the egg from being oxidised in fresh water, highly oxygenated environment so the astaxanthin, which is the carotenoid in question, protects against that and ensures that the next generation will survive.

20 Algal blooms -- why did that go off? I don't know why that's gone off.

CHAIRPERSON: Have you lost it? I think we might start again at 1.30, is that all right?

MR ROSEWARNE: Yes, okay.

25 CHAIRPERSON: Okay, we'll adjourn until then. Thank you.

ADJOURNED [12.43 pm]

RESUMED [1.37 pm]

30 CHAIRPERSON: All right.

MR ROSEWARNE: I can certainly talk to my points whilst they --

35 CHAIRPERSON: Yes.

MR ROSEWARNE: If they don't get that back up and running, that's okay.

CHAIRPERSON: Right.

40 MR ROSEWARNE: All right? I'm just going through some of the criticisms that are made of salmon farming. One is about algal blooms. In the history of salmon farming in New Zealand there's never been one algal bloom linked to salmon farming and you can certainly inquire that of Cawthron when they give evidence.

45 Another one is there's lots of analogies made between cow and human sewage analogies and there's a host of reasons why that breaks down.

One of them is actually humans have very little nitrogen in their sewage. Another one is that they contain pathogens which obviously salmon as a cold-blooded organism do not.

5 A further criticism is often that our fish eat more fish than they produce. That is in fact the natural situation, so a wild salmon would've perhaps eaten 20 times its bodyweight in other fish by the time it's been harvested. That's not true in the farm situation. Normally we are net producers of both marine oil and marine protein, but I mentioned to you earlier that we're experimenting and going back to a more conservative diet to try and understand the requirements of our species, so for the time being we've put more fishmeal back in there. So temporarily we consume slightly more fishmeal than we produce in fish, but that's a temporary situation.

10
15 A further criticism that we get is also that we're a foreign company and I don't know what we can do to be more local. We are incorporated in New Zealand. We have 450 people, 440 them are in New Zealand --

20 MR DORMER: There is nothing in the RMA about foreign ownership.

MR ROSEWARNE: Yes. It's a criticism that we often get, though. But we do everything we can to create maximum value here and to create maximum employment here.

25 Another one that we often get, "dilution is the solution", but I mentioned to you that nitrogen, when it gets into the anoxic zone in the ocean, you get denitrification which occurs. So that's actually a cycle. That's not dilution, which some people sometimes claim.

30 Then often we get criticism around feed. In the marine environment, basically it starts off as plankton, plant organisms, which are eaten by small fish, which are eaten by slightly larger fish and larger fish and larger fish. That's the only system where we eat carnivores that have eaten lots of other carnivores and you do get a bioaccumulation of some toxins when you do that. So the New Zealand environment is a volcanic environment, so wild fish are naturally high in heavy metals, for example, not to the point where people need to be concerned about that but you get a natural bioaccumulation, also of other toxins; whereas in a farm situation we have complete control of our feed. A lot of the inputs come from plants now, with which you don't get this bioaccumulation. Also, a lot of our inputs come from the human food chain where this is very tightly controlled. So, for those reasons, it's the exact opposite of what people claim. The diet that's fed to salmon can be more tightly controlled than actually the wild fishery.

40
45 Another one that we sometimes get is about omega-6 and omega-3 ratios. Our salmon pretty much has the perfect omega-3 to omega-6

ratio, 1:1, and there's no other oily fish that has a better ratio than that.

Then I want to talk about our profitability, the number of people, automation, the healthiness of our salmon. These are topics that we have absolutely hard evidence on. We know --

5

CHAIRPERSON: Yes, but we've heard all about that. We accept you're a highly profitable, efficient company.

10 MR ROSEWARNE: Yes, but there'll be people that will claim the opposite of that --

CHAIRPERSON: Well, okay.

15 MR ROSEWARNE: -- and I did want to address that because, if people make those claims about areas where we have absolute empirical evidence, where there is some debate, obviously that can be taken even further.

20

So, for all the reasons that I mentioned before about sustainability, with CO₂, the spatial footprint, FCRs and the value obtained, we are a very green industry. Why is there then some level of misunderstanding? It's because we're only a 40-year-old industry and even less in New Zealand. Space was not specifically created for us and other industries obtained their space much earlier than salmon farming and we didn't know the requirements for our species originally. We operate in public space. There are a lot of competing users for public space.

25

30

Because sea farming is so different to land-based farming, where people draw some of their analogies from, that's what leads to a misunderstanding. For example, people can't understand how you can produce so much value - about \$20 million per surface hectare - and at the same time there's only a 2 per cent density of fish on the site. There's a lot of numbers like that. How is the yield so high? A lot of those things are not understood by people and then they make claims which can be somewhat misleading.

35

40

So we'd like to say that we think the MPI proposal is sound. There's no increase and, from our perspective, it is a relocation. We have 17 surface hectares now. If the relocation goes ahead, we'll have 17 surface hectares afterwards. It's all predicated on an improved environmental outcome. We can also get better social and economic outcomes. As far as I'm aware, it's the most popular aquaculture application in the history of the RMA with a 69 per cent approval rating or 69 per cent positive submissions. During the EPA process I think we got about 370 or 380 positive submissions and there were about 700 or 800 opposed. Our number has gone up slightly, about 10 per cent. We are a bit over 400. It's actually the negative submissions that have come down. They've come down from 700 or 800 to about 160, so a dramatic fall in opposition.

45

So, for all these reasons, we think this is a good proposal and we would submit that all six farms should be relocated, all nine surface hectares.

5 CHAIRPERSON: Thank you.

MR ROSEWARNE: And that's the end.

10 CHAIRPERSON: Have you got any questions?

MR DORMER: You'll be glad to know we were talking about you at lunchtime.

MR ROSEWARNE: Okay. Anything further on that?

15 MR DORMER: Our Chairman said that he understood you to say that you've never used antibiotics.

MR ROSEWARNE: As far as I'm aware, there's some debate whether about 15 years ago there was some used and --

20 MR DORMER: Here?

MR ROSEWARNE: I think so and there's others that were there at the time that said it wasn't.

25 (off mic conversation)

MR DORMER: Right.

30 MR ROSEWARNE: Yes, but certainly nobody uses them and hasn't used them for decades and nobody does use them in New Zealand.

[1.45 pm]

35 MR DORMER: And it's commonplace that they're used in Europe still?

MR ROSEWARNE: No, it's not, no. The only country that has any significant use of antibiotics in aquaculture is Chile and they have a whole set of issues there that we don't have. They have different species. They have sea lice. They have Rickettsia. They have all sorts of things that aren't an issue here in New Zealand.

40 MR DORMER: Thank you very much. Don't go.

CHAIRPERSON: Wait a minute.

45 MR ROSEWARNE: More questions, yes?

MR CROSBY: Just you mentioned at paragraph 38 of the written evidence that a

tangata whenua panel had been established and is operating.

MR ROSEWARNE: Yes.

5 MR CROSBY: Who is on that panel, how many is it comprised of and --

MR ROSEWARNE: I think it's about six but Mark Gillard will talk to that, if that's okay. He's got the detail on that.

10 MR CROSBY: All right. Okay. And just in final terms, you talked about primary processing possibly occurring in Marlborough.

MR ROSEWARNE: Yes.

15 MR CROSBY: What do you mean by that?

MR ROSEWARNE: So, when we harvest the fish, the first step is to remove the gills and the gut and that's what we call primary processing and then all the other processes happen after that. But anything that uses those downstream products would naturally be wherever the primary processing happens. That's why it's quite a key initiative.

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But the reasons for doing it over this side - and we haven't taken that decision yet - are that we achieve a higher-quality outcome if we can fillet the fish before they go into rigor mortis and it takes time to get them over the hill, which is a disadvantage, and also everything that goes out as a gilled and gutted fish is right on the transportation corridor with the ferries going north and hopefully the road soon going south to Christchurch. So, for those reasons, it makes more sense for primary to be here.

35
We certainly need a certain scale before that's warranted and we need to know. Is there more volume coming out of the Queen Charlotte or out of Havelock? Where's the centre of gravity regarding volume?

CHAIRPERSON: Thank you very much. Now, Mr Preece, who we have actually seen?

MR DAVIES: We are taking this out of order, if that's all right, just to make sure that we get everybody through. Now, is the system operating at all?

40
(off mic conversation)

CHAIRPERSON: So who are we going to have now?

45 MR DAVIES: In that case, Lauraine Jacobs, please.

MS JACOBS: I've got one copy each for you of mine because I was very ill and I couldn't do what you asked me to, which was to add this bit in before.

And as you can hear, my voice is absolutely a mess. I also want to give you that because I'll talk about it.

CHAIRPERSON: We've got a statement. You mean, now --

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MS JACOBS: No, because I did a -- sorry, you're going to want to fix that, are you? Are you the fixer? I'll come on this side so you can fiddle.

FEMALE SPEAKER: Yes.

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MS JACOBS: No, I just apologise because I had a statement that I put in in the beginning and then I was asked, because I was going to come and speak, what else, you know, to reorganise it. It was supposed to come in eight days ago and I've actually been so ill that I couldn't do it. I'm sorry. But you're very lucky that I've got my voice back.

15

CHAIRPERSON: Well, I'm pleased to hear that.

MR DORMER: I think you're luckier than we are.

20

MS JACOBS: Probably. No, you might be luckier. Never mind. But, anyway, you did probably read my original presentation, but I'm actually here representing not New Zealand King Salmon but the end user because I'm a food writer. I write for the Listener a column every week and I've just given you next week's embargoed column but I'll let you see it. I also do a lot of work with chefs and I am very familiar with the work that chefs do. So I really wanted to speak about the salmon because I think it's really important.

25

I just think that in all this nobody's actually talking about what salmon tastes like, how amazing it is and how important aquaculture is in food production, the way I see it as a food writer, because if you go through and have a look at my paragraph 9 where I say that:

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"We need to maintain an increased food production in New Zealand but we also have to carefully watch that every step is a sustainable step and is in sympathy with land and sea."

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I think there's nobody that really understands that more than chefs and food writers because we write about food right across the whole spectrum. I think that one of the things that is very important for the future of this country is that we have value-added products that are going to maintain our economy so that we can continue to live in the standard that we have become accustomed to and want to try and keep. If we're going to feed the world with the food that we produce here, it needs to be of the highest quality and so, therefore, we need to be able to obtain premium prices for our food.

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Then I think you've seen everything. Paragraph 10 you're going to -- everybody's telling you how this is all best practice, so I don't need to talk about that.

5 But on paragraph 11, I wanted to tell you that I meet many chefs throughout the country and overseas because I travel a lot and I also meet with my fellow food writers through my membership of the New Zealand Guild of Food Writers. I was a president of that and I was also
10 a president of the International Association of Culinary Professionals based in North America. I'm constantly impressed with the praises sung by chefs and the writers for this particular product because I think it's the clean taste. It's the story behind it. It's the perfect texture and consistency. There's a huge consistency in this product that's really important.

15 From a personal point of view, I like the texture of a raw product - the raw salmon - because it's firm and yet it's still tender to eat. Of course, it's particularly useful in sashimi and we all know that sushi and sashimi have become the lunchbox of choice around the world. There's never
20 any fishiness in the taste of this fish, which is a funny thing to say, I guess, but fishiness is not an admired trait in fish.

I have tried the other salmon, Atlantic salmon, which of course is what
25 Norway produces, and I've been to Norwegian salmon farms and I've also tried the freshwater-raised king salmon in New Zealand. But I would regard it like the chefs do: that this particular king salmon raised in sea beds and farmed in sea beds is going to be a superior product because the other salmons tend to be flakier, fishier, inferior texture, not the same taste and of course, once you start to cook the salmon,
30 those characteristics get even more blown out.

I've been writing for six years for the Listener and next week's issue, which I've given you the little layout of, quite coincidentally, has yet
35 another salmon recipe in it. But what's particularly important about this particular column was it was not produced there to write about salmon. It was focusing, which I think is quite relevant for this hearing, on the premise that New Zealand food and wine that is raised or grown in the same place all has natural affinity, and that can be some of the best eating on the planet.

40 I took inspiration when I came down to Marlborough for the Dog Point Picnic and the Logan Brown chef who came across from Wellington, Shaun Clouston. He had worked entirely with Marlborough products for the menu and of course, because it was Dog Point, we had Dog
45 Point wines, which are grown right in the heart of this region. I was particularly struck by the fact that there was this huge thing going on where I was tasting food in the region and wine in the region and this was terribly important. I think it's incredibly important for the future

of New Zealand in tourism, which is going to be culinary tourism. We need to be able to go around our regions and we need to be able to serve up the food that is grown there in the local environment, match it to the local wines and tell the world about it because it really works.

5

I also know many chefs who cook and use New Zealand king salmon Ōra King brand, which probably is actually at the top in the whole world of a brand applied to salmon, for sure. The most experienced and premier Japanese chef in New Zealand is Makoto Tukoyama in Cocoro in Auckland and he features Ōra King. He said, "I love this salmon". He has it constantly on his menu and his salmon takes pride of place. He makes the most amazing sashimi platter and there's always salmon at the centre of it. Makoto tells me that he likes it for its clean texture and, most importantly for Japanese, the mouth feel because those Japanese, as we all know, are the masters of fresh fish presentation, so it's at the heart of their cuisine.

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I do know some other international chefs - and I have written about them in the Listener - who insist on supplying New Zealand's Ōra King. I didn't write about them supplying Ōra King but I wrote about them and I know that they do this. Matt Lambert of The Musket Room in New York, who has a Michelin star, always has Ōra King on his menu, and another chef who's well known and has come back to New Zealand to speak about his work in Melbourne, Daniel Wilson. I could list a lot more chefs like that.

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So I just think that it's really important that the New Zealand King Salmon Company, who have been incredibly innovative and leaders in the world, as far as I'm concerned, and probably one of the most exemplary companies right now in our food industry -- that Ōra King Salmon has delivered premium fish everywhere to the food industry. I've eaten it in America, Japan and Europe, where it's highly established and highly respected.

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But of course the other thing is too that I write for an audience which is local and the salmon that you will find in the supermarket, the top-selling one and the best label, has always got "Regal" on it and I think that's really important. It's telling the story of Marlborough to New Zealand as well as telling the New Zealand story of food to the world. So I don't know if you've got any questions for me. No questions?

40

CHAIRPERSON: Thank you very much for coming --

MS JACOBS: That's all right.

45

CHAIRPERSON: -- and I hope your voice continues to improve.

MS JACOBS: Thank you.

CHAIRPERSON: Thank you.

(off mic conversation)

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CHAIRPERSON: All right. Thank you, Ms McCowan.

MS MCCOWAN: My presentation's very visual, so it probably needs to wait for ...

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(off mic conversation)

MR DAVIES: If you gave me a couple of minutes, I could just hear Maree Cleal, the HR manager, just to give some brief points and then --

15

(off mic conversation)

CHAIRPERSON: We are going to Maree Cleal.

MS CLEAL: Okay, so I'm Maree and I'm the Human Resources Manager at New Zealand King Salmon.

20

CHAIRPERSON: Yes.

MS CLEAL: I started with the company in 2001, initially on a fixed term agreement and supporting the payroll function. Following that I was offered a permanent position with the company in the Human Resources team, and following a 12-month absence overseas I returned to New Zealand in 2006 and again was offered a position with the company at King Salmon. Since that time I progressed to my current role where I now lead the Human Resources function.

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[2.00 pm]

I grew up in the Marlborough Sounds, living in the outer Pelorus Sound and attending school at French Pass. My family have been long-term residents of Bulwer Bay and the surrounding area since the mid-1800s. The Sounds have played an important part in my upbringing and provided lifestyle and income to many of my family members, both in farming and commercial fishing. I own property in Bulwer, Waihinu Bay and this continues to be enjoyed by my family and friends.

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I am fiercely proud of my Sounds connections and about protecting the Sounds environment for my children, their families and into the future. We fully understand that for my family to continue and to enjoy the Sounds, there needs to be opportunity and employment in the top of the South Island.

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5 My role at New Zealand King Salmon is based in Nelson, however I also regularly work in Picton, the sea farms and a number of our other company sites based around New Zealand. When you work in HR and deal with people you soon learn that no two days are the same. That's what makes my job interesting and rewarding. A typical day could include recruitment, training, coaching managers, helping to improve team performance, working with the union or working with my colleagues to improve the health, safety and wellness of all our team members.

10 Over recent years New Zealand King Salmon has invested a lot of time and effort in creating an organisational culture that is inclusive and engaging for all team members. A cornerstone of that has been communicating with our team members and involving them where we can in things that affect the whole business, things like our seven-year plan sessions, our purpose statement and our Way we Work and Recognition programmes.

20 When recruiting for team members, importantly we look at a fit with the existing team and how they can bring innovation and continuous improvement into everything that we do. Our current turnover is around 14 per cent which is about 4 percentage points lower than the national average. We pride ourselves on providing terms and conditions of employment that are competitive and we are currently talking to team members about adopting the living wage within the company, something which will benefit our team members and ultimately the communities in which they live.

30 Many of our team members are also connected with the Sounds environment through fishing, hunting and diving type activities. The opportunity to work on our farms can be very attractive to these people. In fact, when I visit the farms I often think that they have the best view from their office window in the world.

35 We provide a range of learning and development opportunities at all levels of the business including language training, unit standards, technical training such as diving, vessel operations, mobile plant and aquaculture training. We support people through academic development as well as leadership training. We see huge value in learning and encourage team members to keep up-to-date with best practice. For example, we did recently send a large team of people to Chile to attend the Global Aquaculture Conference. Where we can, we like to promote team members from within the business, and recent example of this would include operators becoming team leaders, stepping into technical specialist roles and sales team members moving into senior sales team leadership roles.

5 One of the well-known strengths of the kiwi culture is fairness and equality. We try to bring that into everything we do at New Zealand King Salmon. We regularly celebrate our success and achievements and we encourage team members to talk honestly and openly, regardless of the position they hold in the business. We try to reduce formality and encourage a relaxed and informal environment, while ensuring the job gets done.

10 My position within the team and the company is essential in ensuring we have the right people in the right roles with the right skills, and that we have a culture and environment that allows them to deliver their full potential, which in turn will give us the premium product that we are all so proud of. It is rewarding for me to be part of the business and see the importance of doing what is right and the way we manage our
15 team members. Many organisations pay lip service to involving and engaging with their people, whilst at New Zealand King Salmon we feel it is something we truly believe in and we're part of.

20 On a personal note, New Zealand King Salmon gives me a flexible, challenging and immensely enjoyable workplace. I am proud and lucky that I can work along such talented, motivated and inspirational leaders. I am excited to continue to work for and with New Zealand King Salmon to support future development and change within our
25 business. New Zealand King Salmon has a bright future and I'm committed to being a part of it.

CHAIRPERSON: Yes, thank you, Ms Cleal. Do you have anything?

30 MR DORMER: No, thank you.

CHAIRPERSON: Ron?

MR CROSBY: Just one local question really, but what was the family name in Bulwer?

35 MS CLEAL: McCauley.

MR CROSBY: McCauley, right, thank you.

40 CHAIRPERSON: Can't let you away that easily, leave the most important one until last. It was just a question about your 14 per cent in paragraph 5; that's an annual figure, is it?

MS CLEAL: Yes.

45 CHAIRPERSON: It's an annual turnover figure?

MS CLEAL: Yes.

- CHAIRPERSON: And you say the national average is --
- MS CLEAL: It's around about 18 per cent.
- 5 CHAIRPERSON: -- is about 18 per cent.
- MS CLEAL: Yes, according to a Lawson Williams Turnover Report.
- CHAIRPERSON: Is that by industry or what is it?
- 10 MS CLEAL: That's a general figure.
- CHAIRPERSON: Really?
- 15 MS CLEAL: Yes.
- CHAIRPERSON: Okay.
- MR DORMER: Is that one in five of your staff leaving every year?
- 20 CHAIRPERSON: Yes. Thanks very much.
- MS CLEAL: My turn now?
- 25 CHAIRPERSON: You can go now, by all means.
- MS CLEAL: Thank you.
- (Off-mic conversation)
- 30 MS McCOWAN: All right, we made it.
- CHAIRPERSON: All right, so we're back online now, are we?
- 35 MS McCOWAN: Yes.
- CHAIRPERSON: Ms McCowan.
- 40 MS McCOWAN: Thank you. So I'm Jemma, I'm the General Manager of Marketing at New Zealand King Salmon. I will not speak to the written evidence you have here; I will use a PowerPoint and some visuals to demonstrate some of the points I want to make today. So my presentation really dovetails with Lauraine Jacobs's points. As the General Manager of Marketing I'm at the end of the line, if you like, end of the supply chain.
- 45 We have to deliver to our chefs, our customers, our consumers and we use our brands to do that.

5 So our brands are covered in the Corporate Submission, pages 18 and
19 and they've been talked to already; that is, Ōra King for the
professional food service market; Regal, our premium retail brand;
Southern Ocean, our value retail brand, and Omega Plus, which Grant
has spoken to, our pet food brand. So I'm just using some examples
throughout this presentation to demonstrate the value and the success
of these brands, the value those brands bring to the business and the
stories that are disseminated around the world to achieve that value,
10 and the stories comprising a large piece of Marlborough and the story
of our region.

15 We really look for value over volume; we can't afford to be playing in
the mass commodity area, so we're at the top of that triangle with King
Salmon and we do achieve a price premium over other salmons in the
market around the world. We do that mainly through our brand
positioning and our species.

20 So, first of all, some examples relating to Regal. Regal is a provenance
brand; it's based all around Marlborough, so we have Regal
Marlborough King Salmon. And you can see that within the lockup of
the logo at the top; Marlborough King Salmon is always featured
alongside our Regal brand. We are very proud of where our salmon
comes from and consumers want to know about provenance; it's a key
25 positioning message that we need to convey for premium food brands
in particular. So there's around about 1.8 million packs that go out a
year with Regal Marlborough King Salmon on that. Regal is a leader
in the New Zealand market and we are doing more work to take Regal
offshore as well.

30 So you can see that Marlborough is evidence throughout our media;
our social media, our marketing promotions and campaigns; we use
images of Marlborough and stories of Marlborough to reinforce that
provenance positioning. You can see here, Regal is the number one
brand in New Zealand in the salmon category, so the bottom bars
35 demonstrate the value share in New Zealand supermarkets, and that's
around about just over 40 per cent there.

MR DORMER: So is that 40 per cent of your sales in supermarkets?

40 MS McCOWAN: Market share in the category, the value share of the category.

MR DORMER: So what's the category?

MS McCOWAN: The salmon category, fresh and smoked salmon.

45 MR DORMER: And you've got 43 per cent of it?

MS McCOWAN: Yes.

MR DORMER: Who has the rest?

5 MS McCOWAN: So you can see there that there is Southern Ocean Salmon is our second brand, that's 20 per cent; and then Ocean Blue is an imported salmon; Prime Smoke, Aoraki, you can see the bars there, the remainder.

CHAIRPERSON: This is just supermarkets, isn't it?

10 MS McCOWAN: Yes.

CHAIRPERSON: So Akaroa Salmon wouldn't appear in there?

15 MS McCOWAN: Akaroa is not a branded salmon in the supermarket.

CHAIRPERSON: No.

MS McCOWAN: No.

20 CHAIRPERSON: ()

MS McCOWAN: Yes. And you can see, this is a list of products, the top products in the salmon category. The top 25 in the blue shaded products are Regal and Southern Ocean Salmon, so you can see that 16 out of 25 of the top products sold in supermarkets in New Zealand come from our company, the top one being the Regal Smoked Salmon Sliced 200 gram twin pack, and also some wood roasted varieties.

30 And then we run a consumer panel; we talk to around about 600 consumers who have signed up to a panel to talk to us about salmon, and we ask them a lot of questions throughout the year. Voice of consumer and research is very important to us and we asked them, "What is the number one reason you choose to buy Regal Salmon?" And you can see the number one reason there is taste and that, I think, dovetails again nicely with what Lauraine was talking about there. "And it's also a brand I trust". I guess that's a really important message we want to get across. If we have brands out there speaking to our consumers and our chefs, those consumers want to trust the brands they buy are premium food from New Zealand. So it's really important for us to deliver on that trust premise. Quality and income comes into it and you can see New Zealand is very important; premium fresh Marlborough comes in there.

5 We also asked them, "Is the origin of the salmon important for you when purchasing salmon?" And you can see that of the consumer panel, 250 people, 8 in 10 say, "Yes"; a third say it's very important. And here is just some drill downs into, "Why is origin important?" It talks about understanding that the salmon is fresh, hasn't gone a long way; it's not been frozen. There is also inference here about preferring the fresh waters of New Zealand, and knowing the origin means consumers can read into it some level of premiumness and understand where it's from and have that confidence.

10 This is just some background statistics from Nielson on the opportunity for salmon consumption to grow in New Zealand. There is a fantastic opportunity for us to grow the salmon category. I have lived and worked overseas, particularly in markets like the UK, and I can see that some of the innovation opportunities in the salmon category to provide convenient oven-ready pre-packaged meals that are really suitable for the consumer to get both health and taste, it's just crying out for new development there.

20 So you can see there's some spend figures there of around about \$12 per shop in the salmon category; six purchase occasions in a year, so typically a consumer on average is buying salmon every two months; great opportunity there to increase that frequency, for example, or even the spend on salmon. 2.2 kilos per year is what New Zealand consumers are purchasing on average per capita, and overseas there are much higher figures than that, such as somewhere like Norway would be up around the 9-10 kilos.

30 **[2.15 pm]**

35 So we also asked our consumers, "What's the meaning of premium?" And you can see from this Wordle graph here that "fresh", "quality", "best" and "taste" appear quite significantly again, and those are factors we really want to play to within our branding and in our story. And there's some verbatim comments here and there's one here saying, "Good taste and freshness and, importantly, from New Zealand waters". They talk about clean waters, what's added to the salmon or not added; there's ethical treatment of animals and so on. So we need to deliver to consumers who have developed quite a degree of knowledge in what they expect to see from premium food products.

45 We do spend quite a bit on telling that story. So, for example, there's \$800,000 been spent on Regal marketing activity mainly in New Zealand in the last 12 months alone. And there's some imagery there of in-store promotion, traditional media such as print and magazine and then social media, digital media, online.

We really do drive the health and provenance message and we use key influences, key media out there who tell that story through their blogs, through their websites and through the recipes they create using Regal. And you can see here, again, we promote Marlborough. So these are some on-pack promotions we ran over the last couple of years to really push come to the Marlborough Wine and Food Festival as a prize in a competition. That will go out on all our smoked salmon packs over a period of around about eight weeks and over 150,000 packs have those stickers on it.

This is us at the Marlborough Wine and Food Festival. We bring chefs in who prepare dishes and join the cooking tent at the Food and Wine Festival and really have an audience of consumers interested in good food, how to cook it and understanding where their food comes from. Just another example there of a range of food media who visited Marlborough with us, and you can see some of the snaps they took and they put out to consumers, mainly this one was a national domestic media group.

So that's a little bit on Regal. I'll now move to Ōra King which is much more in the professional food service side of things. Lauraine and others have already spoken to Ōra King, so I won't go into the background, apart from it's based on breed, a unique breed of king salmon for culinary excellence. And we make a point of saying, "Designed for and inspired by chefs around the world", so really recognising the end consumer. Fantastic imagery is a key part of the Ōra King brand to demonstrate the fantastic dishes that chefs prepare using our wonderful product and listing on menus around the world, as has been mentioned before. And also chefs demonstrated here being part of our Ōra King story and, in fact, telling the story for us through things like Facebook, Instagram and traditional media. They are proud of the dishes they present and they are proud of the ingredients they use including Ōra King.

So this is just a video, if I can get it to play; the New Zealand story is well known for promoting New Zealand and its story, including food and beverage, overseas and they came and wanted to film a story about Ōra King, so I'll just play a short video, if it works. No, maybe not. No, maybe the videos won't work. There is a link there. There are two US chefs talking within that including Matt Lambert from New York, the kiwi based in New York, as well as a chef from California, talking about why they use our Ōra King, why it's a premium product, why they wouldn't just use any salmon, and the extra oomph it gives them in their kitchen with their diners, and the story they pass onto their diners who are demanding that story.

We also have a number of promotional activities which occur regularly every year. So one of them is the Ōra King awards where we provide awards to chefs who have done fantastic work with Ōra King through a fantastic dish or as an ambassador for Ōra King. And we also run a mentoring programme for young chefs where we run a matching programme of internships where young chefs are selected to go and spend time with some of the top chefs in New Zealand and Australia. So, for example, Michael Meredith in Auckland from Meredith's Restaurant is hosting one of our Ōra King young chefs in a couple of weeks to give them the skills to grow as a chef themselves through our programme.

We have numerous visitors we bring to Marlborough from around the world. So here we have on the left a Japanese distribution company who came to visit. They go through our entire operations; they see the facilities; they spend a number of days with us and they eat in Ōra King restaurants locally. On the right-hand side is an American visitor, a group from Lee Fish in Los Angeles in California, they came in January. And we are constantly hosting visitors like this and spending a lot of time. Our aquaculture teams, our sales and marketing team spend a lot of time with these visitors, making sure they understand our business; they can ask all the questions they want; we are transparent and they can spend time with us just working through, understanding what we do and passing that on to their own customers.

This is just an example of the Ōra King Awards, some photography here demonstrating; we've run Ōra King Awards ceremonies in Marlborough twice now; one in the Kenepuru at Raetihi Lodge and the other at Cloudy Bay Estate in Blenheim. And we put on, we bring out key chefs and food media, we fly them into Marlborough alongside local chefs and media. And we bring them in both internationally and from across New Zealand to demonstrate what we do in our own region, but also to do a very significant and lavish food and wine event, normally matched with Marlborough wine in order to convey our food story to some key influences.

5 This is just a little bit more demonstrating; this is a US chef competition we ran, talking about winning a trip to New Zealand through these awards, and we used Marlborough imagery there too. And they are the most discerning chefs and restaurants and diners out there; they don't hold back on asking the questions and they expect great things. They expect great things in terms of quality, consistency but they also ask the hard questions. And our North American market of chefs - North America is the market that is probably the most aware of sustainability in the world, perhaps through some very bad experiences, particularly in salmon farming and so they know the questions to roll out. "Do you use antibiotics?" All those sort of normal questions. And we have to be prepared to answer them and be credible to these chefs and restaurants who are playing at the top of their game in the premium market, and need to deliver to their diners who have the same expectations.

10 So Lauraine has already said a couple of quotes from Makoto, so I won't go into any of the quotes here from chefs. This is a demonstration of the Musket Room menu in New York and Ōra King, as you can see, is at the top with an Ōra King listing on the menu. Normally, it used to be that only wine got the listing and the name, like Cloudy Bay Wines on a menu, and now we've worked very hard to get Ōra King on the menu and the same name check.

25 We sponsor the Cuisine Good Food Awards, we sponsor the Innovation Award and that goes out to top restaurants across New Zealand, so we are very aligned with the industry. And you can see that the same is occurring in Australia with some Vogue commentary there. Food Service Magazine in Australia just referring to our sustainability credentials on the right there as best choice, and this is some North America press from various outlets recently and, again, more blogging from North America.

5 So just on a final point, consumers and chefs demand transparency and
traceability; they want high quality local fresh. We all know the buzz
words that are occurring in the food industry these days and we
certainly, again, are expected to deliver on that. So accreditations are
covered in our Corporate Submission on page 41, but just to run
through them again, we do have the Best Aquaculture Practice, Three
Star Accreditation, but one of the most significant ones recently was
the Monterey Bay Aquarium Seafood Watch, Best Choice Green
10 Accreditation for the New Zealand salmon industry, and it just goes
through that on this slide. Very important, I guess, watchdog, if you
like, for the seafood industry; it comes from the Monterey Bay
Aquarium in California and the Seafood Watch programme they run is
basically a traffic light system for which fish to buy, if you're a
15 consumer in North America and beyond. So you get a green, an amber
or a red traffic light and prior to being awarded the Best Choice or
Green listing, you can see at the bottom there the graph is fairly evident,
it was all red, it was all a void. And so salmon was pretty much, you
know, you should not buy salmon. And so when the New Zealand
20 salmon industry was named Best Choice Green, it was a significant
milestone for the New Zealand salmon industry to have that credibility
and certainly has created a lot of demand.

25 And, again, no need to go into that. And those chefs then go and they
ask for the annual audit certificates and they want to have those to be
able to prove that they've asked the questions and they've got the right
answers in terms of the certification and the traceability and
sustainability.

5 So just touching briefly on our corporate brand, we have just gone to
IPO in October, so we are now a public company and we have
substantial public reporting requirements, and so there is a significant
amount of work we need to do, to be transparent and credible through
our corporate communications. And we do a lot of work around that,
which complements our commercial brands, but is in some ways a
different message. So just a couple of examples to finish off here. So
we belong to the Global Salmon Initiative, that's GSI for short, and we
were the first member in the southern hemisphere; there's now a
10 Tasmanian company who is also a member. And that is about
collaborating for best practice and joining some of the big guns in the
salmon industry such as Marine Harvest to discuss some of these
issues, and how we communicate with our consumers and how we fix
anything that's not quite going right and work towards best practice.
15 So that's quite an active organisation and they are communicating
actively across a wide range of topics in order to better educate
consumers out there about where the salmon industry is at these days,
rather than a dated perception of 20-30 years back and we get quite
involved in feeding into this, although the issues are not necessarily the
20 same around the world, we think there is a real value in the industry
getting together to communicate collaboratively.

25 We are also working on a sustainability strategy, I guess a more
cohesive one, across our entire business and we are partnering with the
Sustainable Business Network which is a nationwide New Zealand
organisation, working with people like Air New Zealand, Fonterra
down to the small guys, the start-up businesses. And so we've just
started that project and a sustainability snapshot was conducted, talking
30 about where we were at on the maturity curve for sustainable
businesses. And you can see the arrow down the bottom right says we
are sort of at the market driven point there and we have an aspiration
to get to the Shaping the Future step at the top, which is quite a
significant aspiration to have; not easy to attain but people like Air New
Zealand would be working at that level, but not many more in New
35 Zealand. But we are working through a plan with SBN to identify key
metrics in a plan for the next three to five years, so quite an exciting
time in this work with the Sustainable Business Network.

40 Then just, again, community is covered in sponsorships and events on
pages 56 to 60 in the Corporate Submission, but just a quick roundup.
Our key messaging here is environmental responsibility, grassroots,
health benefits, local business, local people, local pride. And we have
a number of - this isn't going to play, I think; it would be nice to play
this one - this is one of the key farm openings that Grant referred to
45 earlier, but it's not going to play, so I will be speedy.

5 So our Community Sponsorship Programme mainly focuses on youth
development, environmental and educational organisations, and
working hard to be a good neighbour in Marlborough and making
Marlborough proud. So we have spent in recent years around about
\$120,000 per year in donations for key partnerships, as well as a
significant product sponsorship programme. Gift hampers go out all
the time to support events and we run quite a few events where we sell
things smoked salmon bagels for charity; we participate in beach clean-
ups around the region and there's all sorts of things going around
10 sponsorship and events which is covered in the submission.

15 A couple of them are; we ran a fundraiser lunch at Arbour in Blenheim,
Arbour Restaurant in Blenheim and that was for Kaipupu Point Sounds
Wildlife Sanctuary and we raised over \$24,000 through an auction in
the ticketed event that we ran. And we tied that in with our food
background and you can see Matt Lambert is the chef on the right, who
came and gave his time for the charity event and cooked the lunch.

20 We also got involved recently on a different spectrum with
Marlborough Girls College and we are sponsoring their Bring your
Own Device scheme to support lesser privileged students to be able to
access a device in their schoolwork, so we supported the recent
purchase of 30 Chromebooks. And we are also doing things like
getting involved in their careers development days, particularly with
25 women from the New Zealand King Salmon business to demonstrate
what careers girls can go forward in, in the region, and also running
support for the annual prizegiving, the netball team and all the usual
things you do along those lines.

30 And then the final one is the education resource which is a salmon-
specific education resource we have developed and made available to
all Marlborough schools and beyond. It's available online and we've
got a wide degree of materials there from primary to all the way up,
and that was written with a Marlborough science teacher in order to
35 give a real opportunity for kids to get involved in salmon and
understand some of the science behind it, depending on the age and the
level they're at and also offer teachers a local resource from a local
company to understand what's going on in their own backyard. And
that's it.

40

[2.30 pm]

CHAIRPERSON: Thank you very much. Do you have any questions?

45 MR DORMER: No, thank you.

MR CROSBY: No.

CHAIRPERSON: Thank you very much, that's very useful. It's very interesting. Who is coming next?

5 MR DAVIES: We have Andrew Clark.

CHAIRPERSON: Yes, right, Andrew Clark.

(off mic conversation)

10 CHAIRPERSON: Yes, thank you, Mr Clark.

MR CLARK: I'll just try and get this up on the screen.

(off mic conversation)

15 MR CLARK: No, I can go without it. I'll just go ahead without it, I think, is probably easiest. I only had four or five pictures that were just intended to highlight things that are already in our submission.

20 CHAIRPERSON: All right.

MR CLARK: So I just wanted to draw some of the threads together and talk a little bit more about what is the impact on this relocation proposal, from an environmental, but also economic perspective. So we've seen some graphs in our submission, there's a couple on page 14 and page 22, so that's around relative pricing of our salmon internationally. So on page 25 14 we have our price premium when we're in the US market, which is around an 80 or 90 per cent price premium to the commodity price. So it's not just a 5 or 10 per cent premium; when we are telling our story and selling our king salmon species in there, under the Ōra King brand we are getting a really material price premium. That's a premium that we have built up over recent years, since we launched the Ōra King brand. This is on page 22. That chart there shows the price for New Zealand dollars of our salmon and then the underlying commodity price of, effectively, the Norwegian salmon price, also in NZ dollars. That's gone up and down a bit and our price has continued to increase each year. As we've told that story, we get people - chefs, primarily - willing to pay extra for that and we are only targeting, say, a 0.5 per cent of global production, we are absolutely after the top end of the market.

40

5 As a very small company internationally - so the Norwegian industry is one hundred times the size of the New Zealand industry - we are 7,000 tonnes of production this year; compare that to someone like Marine Harvest, the largest producer, around 450,000 tonnes - we are never going to be able to compete with them on scale - Grant has already shown you some pictures of that - we have to do it better. We have to tell the story. We have to brand. We have to differentiate and get a much higher price. Fortunately, we do have some really good attributes to be able to do that.

10 When we IPOed last year we put together a comprehensive product disclosure statement, as you are required to do now. The board of directors, of course, signs off on that. They don't do that lightly. So there is a lot of reference material in there, some of which we have brought through into this submission. Our very strong view in that product disclosure statement is that supply is not enough to keep up with the demand that we see, and you can see that in our pricing. We have been able to grow volume as well as price. We put some targets together around doing that again this year, as part of our prospective financial information, and we are on track to do that. And I think we are barely scratching the surface in terms of available markets to us, USA is currently between about 24 per cent and 30 per cent of our sales. Australia is about 10 per cent. Japan is about 5 per cent. These are in the graphs in our submission here. Europe is around 1 per cent. We have not had enough product available to supply the European market; we also had a different harvest method for that market, which we have recently aligned, so that we are now ready to start tapping that. There is the same number of people in western Europe as there are in the USA, which is nearly 30 per cent of our sales. We haven't scratched the European market yet. China: we've got a little bit under 1 per cent of our sales going into China. That's just resumed, now that we have got a key partner there, who is a 10 per cent shareholder in us: China Resources.

35 In my evidence there, I've talked about how I think the supply and demand picture is incredibly positive. I went back and looked at the evidence I prepared for the EPA process three or four years ago, and I think it is significantly more positive than I had envisaged at that point, just with the success of us telling our brand story, the ongoing trend for seafood for healthy protein, people's awareness of things like carbon footprint; there are a lot of positive factors that will help us continue to build that in future.

5 Now, of course, being a biological business, we do face a number of risks. The way we actively think about this, you can see on page 15 of our submission, we have some graphs, have outlined some examples there, of what we go through to try and manage that risk. We have a lot of conversations in the company around, "Don't worry about whether something will go wrong, biologically --" because we know it will, right? -- "Don't worry about that; it's going to happen". So then how do we deal with it? How do we build in the flexibility and resilience so that we can cope with whatever does come along? Some examples there ...

10 We have a range of products; a range of markets. Not everything is going well in the same market, all markets, at the same time. Range of products: so to go as an Ōra King whole fish, the fish has to be basically perfect and not every fish is perfect. Some of them might have some scale loss through rubbing up against the net or they might have some other sort of defect. But by skinning the fish and smoking it, we can still take advantage of the superb flesh inside to get a top quality finished product, the smoked product. Contrast that, perhaps, with, say, an apple harvest, where if hail damages the apple, then it may only be suitable for juice, which is more of a downgrade return. When we look at our product mix, around 28 per cent of our sales are smoked products, so those are the branded Regal and Southern Ocean products that Jemma has shown you. Also, a little bit of Ōra King. Then a number - 23 per cent, so nearly half of our sales - are value-added products, 23 per cent being fillets and portions. Now, often that can be, say, if the fish had some tail damage, when you take the tail off and just turn it into a portion, you can still have a premium product. So, our focus is always trying to get 100 per cent of our product to a premium stage and that lets us deal with some of the biological uncertainty.

35 We have the ability to speed up or slow down the harvest, just to match up the supply and demand. Sometimes the growth may be better than we expect, or not as good as we expect, and so you have to be able to deal with that. We use lights to manage maturation of the fish, to do that.

40 We would also see that our vertical integration is a key way that we can manage risk, so we are in control of destiny from the spawning right through to sale to the customer.

5 So, there are a whole lot of ways that we do face risk. One of the risks
that we could take out through this proposal, and it is why we are very
supportive of it, is mortality risk. The correlations that we have found
with increased chance of mortality are high temperature, low flow, and
10 poor diet. High temperature: we know that is going to happen, every
summer. You can't do anything much about that. We can, where
possible, try to take advantage of lower temperature sites. Tory
Channel is particularly good for that; some parts of Pelorus are just too
warm. We have found the more recent high-flow sites that we have at
15 Waitata and Kōpaua, they get fairly warm, but it is still a manageable
temperature range, and I think the same with the proposed relocation
sites.

20 So, if we get two out of those three factors - the temperature, the low
flow and the poor diet - then we have a problem and we can see that in
our past history, where we have sometimes struggled with survival
rates. This proposal is an opportunity to remove one of those factors
substantially from the equation - the low flow. That is why we are
particularly keen on it. When you look at what that means
economically - that is one I did want to show, if we can - the economics
of the site are critical to our performance so we do see a big range of
25 financial outcomes from low-flow sites through to high-flow sites. I
have highlighted that in paragraph 18. Ruakaka low-flow site, the fish
produced there are around \$1.50 to \$2.00 a kilo more expensive than
our Tory Channel high-flow sites in a typical year. That is due to their
small scale and also the higher mortality that we get off low-flow sites.
When you consider that our bottom line, our net profit, was about 40
cents a kilo in 2016, then \$1.50 to \$2.00 becomes incredibly material
30 to our business.

35 This was out of our half-year results announcement, where we
indicated the approximate scale of the sites. The low-flow sites are
around between one half and one third of the production of the high-
flow sites, so there is a sub-scale issue.

CHAIRPERSON: Is that in the original submission, that graph?

MR CLARK: No, but I can certainly provide it. It is in our half-year results.

40 Then in our product disclosure statement, you can see the impact of the
low-flow sites in terms of mortality. I have referred to that in my
evidence. In our worst year, we had close to 19 per cent mortality
across the company. That is in paragraph 14.

45 CHAIRPERSON: Currently 11.

MR CLARK: Yes.

CHAIRPERSON: What is the reason for that?

5 MR CLARK: Primarily low flow combined with temperature. We also suffered from a poor diet that year, so we had all three out of the three problem factors present.

CHAIRPERSON: So it was a combination of low flow, high temperatures and poor diet?

10 MR CLARK: Yes.

CHAIRPERSON: Okay.

15 MR CLARK: So in terms of temperature, we can't control it, clearly, because that is a summer thing. Low flow: that is what this proposal is about. Diet: certainly, there has been a massive investment in trying to find the optimum nutrition. We are about two years into a project with Cawthron and Seafood Innovations Limited where we are looking at the optimum nutrition for the species. I guess probably three or four years ago, it became evident that a summer diet was required to put the fish in optimum condition through the pressure of summer, trying to offset the temperature impact. That wasn't in place during that year when we had nearly 19 per cent mortality. We have certainly done better since then with improved diet. Low-flow sites are still are big challenge in summer.

25 [2.45 pm]

CHAIRPERSON: So the 19 per cent was the 2015 - 16 summer, was it?

30 MR CLARK: Yes. That is right across the company. So the site that had the problem actually had over half its fish die.

CHAIRPERSON: Which site was that?

35 MR CLARK: That year, that was Waihinau Bay and as a consequence we decided to only use that site outside of summer, the key thing being that fortunately we do have high-flow sites available currently to cross-subsidise the low-flow sites. That is way we have operated the Otanerau site for a number of years. Mark Gillard would remember from the time. He's been with King Salmon long enough to know when we farmed it through the summer, I think with disastrous outcomes, so ever since then we have cross-subsidised it with our Tory Channel sites. Tomorrow we are moving pens from Otanerau down to Clay Point. We will put smolt in and then move them back so that we put fish into Otanerau from about April or May, through until December. We have to avoid the summer because it is just not feasible economically. The same thing that, as a consequence of that 2015 mortality incident, we opted to do the same with Waihinau.

CHAIRPERSON: So that's achieved by moving the nets, with fish in them.

5 MR CLARK: Yes. You have to have high-flow sites available to cross-subsidise the low-flow sites, unfortunately, and there are only so many of those that you can do, because that then infringes on the efficiency of the high-flow sites themselves, because they are having to provide smolt to another site.

10 So, that \$1.50 to \$2.00 a kilo that I mentioned, the difference between a low-flow and a high-flow site, that's in a normal year. If you get a mortality incident like that, then it's many more dollars per kilo that impacts.

15 CHAIRPERSON: So is quite a bit of that cost the transport cost for moving pens around, attributed to particular low-flow farm sites?

20 MR CLARK: Yes. That's significant but it's not the really major impact. For example, the typical tow cost is probably around \$50,000 and if you divide that across 500,000 or 700,000 kilos that we are going to get off there, that would be somewhere between 7 and 10 cents per kilo. So it's not the single biggest factor. It is a factor, but not the biggest one.

25 CHAIRPERSON: So it is mortality?

30 MR CLARK: Mortality and also the scale. So you are talking - a farm like Ruakaka or Otanerau does between one half and one third of the production of, say, Clay Point, or Te Pangu, which are high-flow sites, and it is essentially the same surface structure. Ruakaka is actually one of our older farms, so it is fairly manual. It actually has more staff, more team members, than Clay Point and Te Pangu. It actually costs more in labour, even though it produces less.

35 CHAIRPERSON: Thank you.

MR CLARK: So once you differentiate between high-flow and low-flow sites, that's the current situation.

40 Now the PwC economic impact report has also looked at what may happen if we were to implement best practice guidelines on existing sites. NIWA has estimated a range of possible feed discharges there. Depending on where you fall in that range, even at best, at least three of those sites are not viable, and potentially six of them, although we might choose to farm them simply to try and get single-year plus(?) on other high-flow sites. Again, there is a bit of cross-subsidisation going on, but on their own merits, they would not stand up economically.

45 They would be loss making unless we can get the price up, 50 per cent from where it is now, and then they may be marginal sites.

5 So why are high-flow sites important in terms of wider community expectations? By getting a more certain economic outcome. We recognise that communities' expectations, monitoring expectations, compliance - that seems to keep getting lifted every year. We want to do better; we want to be proud of what we are producing. As Jemma has mentioned, the first or second question a US customer will ask you is, "Tell me about your sustainability certification". So they are acutely aware of that kind of thing. They are asking us about it. So to lift that bar every year, we have to be able to fund it and the only way to fund that is through high-flow sites. So by putting in high-flow sites, then we can get to the point where we are able to meet those expectations as they keep getting lifted.

15 Just talking about employment, the PwC report has highlighted the number of jobs that it believes will be created. Just to differentiate between those, the direct jobs are King Salmon itself and the indirect ones are related industries, so for example providers to our company or supermarkets - other industries in the local economy. Currently we have around 425 FTE, full time equivalents. The PwC report has highlighted that 261 direct roles could be created if the relocation proposal is fully implemented. We had 150 as our estimate of the roles that we could create through the three new EPA sites we are currently bringing into production. So that is close to 850 roles. That is where our number of around 900 comes from, by the time you have some related industries such as pet food and processing and by-products, if we were able to locate those locally once we get that critical mass.

30 I think those PwC numbers are relatively conservative and I have done some maths there in paragraphs 32 and 33 around how that translates to our actual current spend on wages and salaries and our actual number of people employed. I would see both of them as a little bit conservative, but I'm comfortable that we are submitting on that basis.

35 Something else to highlight, I guess, is that we do pay more than -- I think we pay pretty well in the industry. This week we are about to start renegotiating our collective agreement. Our current starting wage in the processing team is \$18.25 an hour, so that is about 16 per cent above the latest minimum wage. That wage is now about a year old so clearly there will be an expectation that that is going to go up as a result of the collective agreement negotiations. We are very keen, as a company, to see whether we could get to the \$20.20 living wage that has been a key goal for a number of groups, including union, church, and advocacy groups.

45 MR DORMER: Well, you can get there easily enough. You just pay it.

MR CLARK: Absolutely. That is one possible view. It's got to be paid for somehow, though.

5 In terms of relocation, I also just want to talk very briefly to personal experience. I have visited farms in Norway and Vancouver Island in Canada that have been relocated through a fairly similar process to this, whereby there has been a consultation process, submissions, evidence, and then a regulatory decision made. In those communities, it just seems to be accepted practice that you should optimise the productive space available in terms of fit for use. I guess it is new for us, but it is not new for the world.

10
15 In my evidence for today, I had also attached a couple of PwC reports where PwC has undertaken a review of a couple of other submissions, primarily because they have been used by a number of submitters. The McGuinness Institute report has been used by a number of submitters as effectively a bible on our business so we asked PwC to review that in terms of some of the content there, which I think does need to be read with a little bit of care. That is under appendix 3.

20 CHAIRPERSON: Appendix 2? Appendix 2 is the economic ...

MR CLARK: That is in appendix 3. Appendix 2 is a review of two other economic submissions as part of this process, which is the Offen report, which was part of Keneperu and Central Sounds Residents Association's submission ...

CHAIRPERSON: Who did the McGuinness report?

30 MR CLARK: The McGuinness Institute has made a submission to this process also. Appendix 3 is PwC's review --

CHAIRPERSON: Review of that report?

35 MR CLARK: -- of the 2016 McGuinness report, which was appended to the McGuinness Institute submission to this process.

CHAIRPERSON: The McGuinness Institute being ...?

40 MR CLARK: A think tank out of Wellington and it has done a review of salmon farming, particularly focusing on us, and it was also submitted during the EPA process. The reason I have looked at that one in particular is because I have seen it being used by a number of submitters as effectively a bible on our company and some of it is just not quite right.

45 CHAIRPERSON: Do PwC draw attention to those matters, because I haven't read this.

MR CLARK: Yes. So just to summarise some of the issues: the McGuinness Institute report from 2016 had made a number of comments around a company - us - being a private company using public resources and I guess kind of questioned whether our financial position was in the right shape, given that there was EPA space being granted and was it beneficial for the community. So PwC has had a look at that and highlighted that, yes, the financials in their view were within normal measures that you would expect for a primary industry produced like us. Also, it is perhaps a little bit odd that we had been singled out as the only example of a company using public resources.

CHAIRPERSON: You are the only one what?

MR CLARK: Being singled out as private company using public resources.

CHAIRPERSON: The only one?

MR CLARK: In the McGuinness Institute report, it had chosen to focus on us as a company rather than perhaps a review of all private companies using public resources.

CHAIRPERSON: Right.

MR DORMER(?): Apart from you and electricity companies, what other private companies use public resources?

MR CLARK: I guess you've got things like marinas. There's - I don't know - they tend to be more charitable, like event-type things, where you are using parks and so on, just for temporary ... Water, I guess, seems to be particularly sensitive.

MALE SPEAKER: The drinking water companies.

MR CLARK: In appendix 1, I had also done a look through the latest McGuinness Institute submission, so just to highlight that because there are a number of comments in there about our company, some of which, I think, weren't quite accurate, let's say.

[3.00 pm]

CHAIRPERSON: What date was your appendix 1 written?

MR CLARK: What date?

CHAIRPERSON: Yes. What month and what year?

MR CLARK: That was from a week ago.

- CHAIRPERSON: A week ago?
- MR CLARK: Yes.
- 5 CHAIRPERSON: Right. So it wasn't available to McGuinness; it wasn't available to Offen; it wasn't available to PwC.
- MR CLARK: No, correct, not as yet. I would highlight that the McGuinness Institute
10 - Wendy McGuinness - had asked a number of questions through MPI and I have offered three times, including prior to the submissions closing, to help directly, but I haven't been contacted. That offer is still open.
- CHAIRPERSON: In appendix 3, I think - they have only provided the consolidated
15 statement of financial position - but was that document available to the McGuinness Institute? I see it was as at 31 December 2015.
- MR CLARK: It wouldn't have been at the time that was written. So she would have
20 had the June one, certainly June 2015, because she has used publicly available information, so this one being December is after the McGuinness Institute report was published in September, although that would, of course, have been available at the time submissions for this process closed. So, yes, it is publicly available since 1 March this year.
- 25 CHAIRPERSON: Right. Since 1 March this year?
- MR CLARK: Yes. We are obliged to release that to NZX and investors, so that is fully visible.
- 30 CHAIRPERSON: The photocopying is rather poor on my copy. It is an interim consolidated statement of financial position as at 31 December. Is it 2015 or 2016?
- MR CLARK: This one is 2016.
35
- CHAIRPERSON: Is it 2016?
- MR CLARK: Yes. It is not very easy to see; it is 2016.
- 40 CHAIRPERSON: It is 2016, is it?
- MR CLARK: Yes.
- CHAIRPERSON: Right. So looking to the right, the two columns to the right, do I read
45 those at 2015 or 2016?
- MR CLARK: No, December unaudited and June 2016 audited.

CHAIRPERSON: So, both 2016?

MR CLARK: Both 2016, yes.

5 CHAIRPERSON: Right. Amazing how it looks like 2015. It's all right.

MR CLARK: Yes, it's not very clear in the photocopy. I'm sorry.

10 CHAIRPERSON: And it is signed off by the board as at February 2017 and you've put down the bottom, "New Zealand King Salmon Financial Position 2016".

MR CLARK: Yes.

15 CHAIRPERSON: So you say that is definitely 2016, although the photocopying looks like 2015?

MR CLARK: Yes. December 2016 financials, signed after the market closed on 28 February and released on 1 March before the market opened.

20

CHAIRPERSON: Okay.

MR CLARK: So just to wrap up, in terms of personal, I made a personal submission as well, which I won't talk to separately, but just a couple of highlights from that. I guess I've been fortunate to have worked in about 20 countries during the course of my career and have lived in about 6 different countries, 6 or 7 years overseas, and I think one of the things that made me really proud is the fantastic wine, food and beverages that we produce in this country and that when you tell the story correctly, people will pay for it. They'll pay a big premium for that. They love the story. We just have to get that across and I think that what we're doing here actually fits beautifully with that image and contributes towards New Zealand and Marlborough being at the top of food production and wine production globally. So, this is just a fantastic opportunity here - it's probably the best one in a generation, I think - and I would hate us to look back later and regret not having taken advantage of that opportunity because we will be exporting something from this country; it's either kids looking for jobs or it's fantastic wine and food, and I'd rather we had the choice to export that so people had the choice to work in regions like this.

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CHAIRPERSON: Okay. Thank you very much, Mr Clark. Any questions?

45 CHAIRPERSON: The only question I really had - and I haven't had the chance of comparing the two because I've only had the chance of reading relatively quickly - but your analysis at appendix 1 and the analysis at appendix 3 by PwC, is there a significant difference?

MR CLARK: Sorry?

CHAIRPERSON: Is there any significant difference in approach between --

5 MR CLARK: No. Mine is appendix 1, which is the current McGuinness submission. Appendix 3 is the 2016 McGuinness report on King Salmon, which was appended to the current submission.

10 CHAIRPERSON: Oh, I see. But that's a review of the McGuinness report by PwC.

MR CLARK: Yes.

15 CHAIRPERSON: So what I was wondering was, is there any significant difference between your analysis --

MR CLARK: No. It is reviewing something different than mine.

CHAIRPERSON: Is it?

20 MR CLARK: Yes.

CHAIRPERSON: All right.

25 MR CLARK: It reviewed what is an appendix to the current McGuinness Institute submission.

CHAIRPERSON: Oh, I see.

30 MR CLARK: I have just read through the current McGuinness submission and noted that it had quite a number of errors and issues in it, so I thought that I should --

CHAIRPERSON: Right. So theirs is reviewing the earlier report; yours is reviewing the later comment that was filed to us.

35 MR CLARK: Yes. The latest submission, for a different purpose.

CHAIRPERSON: Yes. Termed a comment, for statutory reasons. All right. So that's what you have reviewed.

40 MR CLARK: Yes. The earlier report was also appended to the latest submission.

CHAIRPERSON: Okay. All right. Thank you.

45 MR CLARK: Thanks.

CHAIRPERSON: Thank you.

CHAIRPERSON: Now --

MR DAVIES: If we turn to the production side ...

5 (off mic discussion)

CHAIRPERSON: Right. Thank you.

10 MS PHAM: Good afternoon. Today I'm coming here to say a little bit about my experience at New Zealand King Salmon. My name Giang Thu Thi Pham but people call me Sunnie.

CHAIRPERSON: I'm sorry. I thought ...

15 (off mic conversation)

CHAIRPERSON: Just a minute please.

20 MS PHAM: So, you've got it wrong.

CHAIRPERSON: I got it wrong. Here we go.

[3.15 pm]

25 MS PHAM: So, I originally came from Ho Chi Minh City, Vietnam, and have been in Nelson for over three years. **B**efore I started studying at MIT, Nelson. I had a gap year in New Zealand to travel and discover life here on a working holiday visa. Now I am second-year student working towards a Bachelor of Commerce majoring in accounting at
30 MIT. I started working for New Zealand King Salmon in 2015.

CHAIRPERSON: 2015?

35 MS PHAM: Yes, in our summer vacation.

CHAIRPERSON: So you are a process worker, currently?

MS PHAM: Yes.

40 CHAIRPERSON: Right.

MS PHAM:

5 So, what do I do at New Zealand King Salmon? I'm currently a
processing worker at the value-added line where we produce high
quality salmon portions and fillets for New Zealand King Salmon's
brands such as Ōra King, Regal, Southern Ocean. My job involves
10 pinning bones, grading, packing, and so on. Actually, these jobs are
very simple. However, in terms of delivering the best quality salmon
in the world to customers, we pay high attention to details in quality of
every single piece of salmon. So why is my role important at New
Zealand King Salmon? We value teamwork first. Any success or
15 mistake, will be shared amongst the team. I am a part of a team,
therefore it is very important that I contribute my best to support my
other team members so we can produce the best products. So one thing
I do enjoy at New Zealand King Salmon is the company culture.
Firstly, it is very important to me that New Zealand King Salmon is
20 working towards paying its employees at the living wage rather than a
minimum wage. I also like that the company has an open-door policy,
therefore any employee could easily meet with the management team
to receive support any time they need. Besides, I enjoy the way the
company celebrates success as a big family. One apposite example is
25 I remember last year when our factory achieved a target of efficiency,
our CEO, Grant, came to the factory at 9.00 pm with refreshments to
celebrate the success with us, our big family, and that was quite
impressive to me because this is the first time I saw a CEO who has
worked for maybe a long day at the office and still came to the factory
at 9.00 pm to meet processing workers.

30 We also celebrate the multicultural values that can be seen through
activities such as the diversity of the employees' nationalities. So, if
you come to visit our factory, you could meet people from around the
world, like from Fiji, Samoa, Tonga, Philippines, me - Vietnam - and
especially the refugees from Burma; there are many refugees working
at our King Salmon factory and they are really happy to work there.
Also, because we have the diversity of the employees' nationalities, the
35 company also supports employees to improve their English by English
courses every week. And proudly the company also gives training and
future opportunities to all the staff, no matter what the background
education and nationality.

5 One more thing I do like about King Salmon is the company not only values team members but also values their families by frequent activities such as barbecue days, family picnic days and a Christmas staff party and in addition New Zealand King Salmon offers processing staff opportunities to upskill and where possible New Zealand King Salmon recruits internally. I know one example of this. One lady from Thailand, she works in the ready-to-eat factory, and I think she has special skills in hospitality before so when the company needs a new receptionist, our manager, Daniel Manson(?), he recommended her to the office to be a receptionist. Quite interesting and proudly(?) of our company.

15 A little bit about myself, because like I said before I'm studying accounting in Nelson, so I'm quite interested in becoming a professional in the finance area and then become a global citizen who can work around the world and I would like to learn more about local trades and contribute to the development of women and children in developing countries, for example the countries in southeast Asia, where I live.

20 I'm going too fast. Sorry.

[3.15 pm]

25 CHAIRPERSON: It's all right. We've got it in front of us here.

MS PHAM: Yes. Thank you.

30 CHAIRPERSON: So you just finish that off, under your conclusion.

MS PHAM: Yes. So, like I said before, I started working at King Salmon in 2015 in the ready-to-eat factory after applying on TradeMe and then New Zealand King Salmon has kindly supported me by willingly arranging a part-time position when I must go back to full-time study. Since my first day at New Zealand King Salmon I have never stopped appreciating the company for being kindly supportive, not only of me, but other staff, and the great environment we work in. And besides, I am so proud about being involved in such a reputable, profitable company that is known as one of the largest, excellent-quality salmon processing companies in the world. The most important thing is, New Zealand King Salmon are not only a well-known reputable company, they are also known as a socially and environmentally responsible company and these opinions are personally based on my views during the time I have worked at King Salmon.

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Finally, I do support the idea of moving some of the poorer farms to better areas to achieve three outcomes that could be gained as following the benthic guidelines about better sustainability, better society, improve economic outcomes.

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Thank you for listening. I have finished.

CHAIRPERSON: Thank you very much

10 MS PHAM: Do you have any questions for me?

CHAIRPERSON: We'll just find out.

15 No, thank you. Thank you, Sunnie. Thank you very much for your evidence. We will take the afternoon break now, I think and we will resume at 3.30.

ADJOURNED [3.17 pm]

20 **RESUMED** [3.40 pm]

CHAIRPERSON: Now, Mr Alvarez.

25 MR ALVAREZ: Yes. I would like to introduce myself. First, my name is Ruben Alvarez. I'm from Chile originally and I have an aquaculture bachelor degree in my country, plus a degree in business administration. I have been working in the salmon industry for more than 25 years, mainly with Atlantic salmon, but also with Coho salmon, trout, rainbow trout, and now with King salmon, but also I spent some time working with
30 all these strange flax there in North Africa, growing tilapia and shrimps in order to provide some protein for poor countries. I want to highlight this because for me aquaculture is far more than growing King salmon or just salmon. There are many countries that are working to provide good sources of protein for their own people. I have been working in
35 this country as well, so I can tell you that there are many opportunities in aquaculture, apart from growing salmon.

40 When we look in to the world and compare where are the main producers of King salmon in the world - and we are the main producer of King salmon in New Zealand - so if we compare ourselves with the rest of the world that produces salmon, we are very tiny. So I have some figures there from the number one producer of each country. Marine Harvest is in Norway, with 250,000 tonnes. Marine Harvest UK, with 50,000; Cooke Aquaculture in Canada with a little bit less than 40,000 tonnes; AquaChile in my own country, Chile, with 63,000
45 tonnes; Tassal, Australia, with probably around 30,000 tonnes; and our company grow a little bit less than 8,000 tonnes.

So, the world is growing in demand. I think Grant and others have already highlighted that.

5

Also, we compare King salmon production with the other species of salmon. You can see that in Atlantic salmon it is more than 2 million tonnes per year, while King salmon is less than 20,000 tonnes per year between wild-caught and farmed salmon.

10

Then if you look into the FAO figures, you will realise that just carp in Asia is more than 13 million tonnes per year. So again, the salmon industry is very tiny compared with other types of species.

15

Growing salmon is not that easy because you need cold water and cold water you can find in the northern hemisphere very up north or very down south. So these are the countries where I know that they grow salmon. In the northern hemisphere, you have the USA, with a little bit of production, Canada, Faroe Islands, Scotland, Norway, Japan. And now, just recently, Russia has started to produce some fish with many, many problems because they have frozen sea in their wintertime and they are really struggling to go into this business, but they are trying very hard to do it.

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In the southern hemisphere you have my country, Chile; Australia, with very good results; and us, New Zealand. So, there are very limited options to go to some of these countries to grow our fish. Most of these countries, they close their borders for importation of eggs, which is a biosecurity rule for many of the countries that are very well developed in terms of aquaculture. So basically you close the border for the importation of eggs and you close the border for any disease coming with those eggs. The same thing happens with New Zealand. So, we closed the border for the importation of King salmon since 1900.

30

[3.45 pm]

5 So I want to talk a little bit about offshore farming and this is a very interesting topic. I am very keen to go in that direction but to be honest, it's a long way to go. There are a few projects in the world, and I put a few of them here, about real offshore farming, which is almost in the middle of the sea with waves of 10, 11 metres, which is double the size of this building. I put some of the examples here. This is the Beck cage. That is a Norwegian project that shows up in Marine Harvest's report of 2016, and they mentioned that they want to go for four projects as offshore possibilities and one of these is a Beck cage, which is a submersible offshore farming cage. But recently, just in March 10 2017, the authorities realised that it is not feasible so they dropped it. So some of the projects look very good in terms of ideas on paper, but then when you start to do all the studies - engineering studies, and then a pilot project - they drop and this is true reality for this business, which is quite new. I have been working in it for 25 years and the business is 15 no older than probably 30 or 40 years at the most. So this is a typical example of a very good idea; it looked great in prototype, but then when you start to do the calculations, it is just not feasible.

20 CHAIRPERSON: Is that because of its financial implications, or because of its physical practicality?

MR ALVAREZ: Actually, one of the problems was a pretty basic one; how to feed the fish. They couldn't solve the problem of how to feed the fish.

25 CHAIRPERSON: How to feed the fish?

MR ALVAREZ: Under the water. According to the information that I received, that was one of the main problems.

30 This is another one, which is Atlantis Subsea. It is a very well-known company around the world. They are working on a submersible pen. This company just formed recently, in early 2016, and they expect to have something in the second semester of 2017, as a pilot project, again. So, it is not commercially scaled. It is just a pilot.

35 This is another one, which is called the Donut. Just to visualise - because sometimes we can't visualise the size - it is a very good picture there, you can see the Tower of Pisa there beside this Donut, so it is quite big, and it is based on the oil platform, which the Norwegians have a lot of. So, small oil platforms, they are now becoming redundant, and they want to use that as a base to grow fish in the open sea. But as you can see, the column of this platform is based on the seabed, so it is quite a strong structure. Of course, in New Zealand, we 40 don't have this type of structure. If we want to go in that direction, we need to build one of these.

5 The other one is the converted bulk ships, a big swimming pool, travelling around in the open sea. Again, the Norwegians, they have many of these vessels that again are becoming redundant and they can reuse them, convert them, so that they can put some fish in there. Again, it's still a project. The latest information I got is from 3 June 2016, so they are working on that. There are several issues that they need to fix before they go for commercial scale.

10 This is another company, Salmar, again from Norway. They have a new concept. Again, this is just a prototype. It's not a true picture. There are many companies involved there - I think I can count at least 15 different partners - in order that they can create this type of offshore farm. They are constructing the first pilot plan in China, to be installed in the second half of 2017, so as soon as they test this pilot plan they can go to commercial scale.

15 So, again, offshore is the future but in my experience with aquaculture projects, it is going to take at least ten years to finalise the concepts and to go for commercial scale, and then when you have the commercial scale in operation, you need to do at least a couple of cycles in order to understand how the system works. So it is still a long way away for New Zealand producers.

20 So, the other concept is about moving all our fish to a land based system, and it is a discussion that is already happening in my own country, in Chile, but also in Norway. The Norwegians did the calculations to move all the 1.2 million tonnes of salmon production to land-based, and it was running out of land to put that amount of fish. One of our pens is probably double the size of this room and three times higher than this room, just one pen, so, for that reason, we use the volume instead of the surface hectare and that is one of the benefits to grow fish in the sea. In addition to that, the earth is 70 per cent water and just 30 per cent land, so it makes far more sense to grow fish in their natural ambience instead of trying to bring them across the land.

30 So I've put in a couple of drawings about the flow-through freshwater hatchery, which is the system that we have. We take the water from the spring, we feed our fish and then we collect their waste and then we return the water back into the river. On the left, the recirculation unit will reuse the water many times, passing the water through treatment processes to remove waste and to restore water quality. It works really well in fresh water. I don't know any recirculation unit that works cost-efficiently with sea water, which is a completely different concept.

5 I was very lucky to work in Scotland when they built the first recirculation unit in 1995 and I was in charge of that particular hatchery. I need to recognise that we made a lot of mistakes and we killed a lot of fish. Then, after almost 20-plus years, I need to say that, yes, the freshwater recirculation system is working well, but it takes a long time. If you look into different companies, you realise that some of them succeed with this type of technology; for some it is just a complete disaster.

10 With saltwater technology, as I said, I don't know any saltwater recirculation unit which is cost-efficient today. Apparently it was a hatchery in the north of New Zealand that tried to grow fish in a RAS system and today it's closed. It's not working since many years, so that --

15 CHAIRPERSON: I suppose an example of freshwater salmon fish farms would be the hydro canals in the Mackenzie Basin in the South Island?

20 MR ALVAREZ: Yes, but this is not recirculation. It's just flow-through. It's like the right-hand side.

CHAIRPERSON: It's not a recirculation, no.

25 MR ALVAREZ: Yes, it's not a recirculation at all.

CHAIRPERSON: Yes, it's a flow-through.

30 MR ALVAREZ: With recirculation, you just reuse the same water all the time. Of course, you need to put some new water into the system with the evaporation and you lose some water. Normally it's within 1 or 2 per cent to 10 or 15 per cent, even.

35 The only problem with a recirculation system is that the taste of the flesh of the fish is not good and it's a big issue. So you can grow the fish there, but the taste is not good.

MR DORMER: Is that because that water has been recycled --

40 MR ALVAREZ: Yes, apparently.

MR DORMER: -- or is it because the water is fresh as distinct from salt water?

45 MR ALVAREZ: No. In my opinion, it's due to the recycling of the water so many times. So, if you see one of these RAS systems, the water looks dark because of all the material into the water. Even though you can filter, you are still having some dark colour into the water. So it's good oxygen levels, there's no CO₂ or very little CO₂, but it's still provoking this type of bad taste to the fish and it is an issue.

5 So the other topic that I want to discuss is about risk management. So we always want to select the best pen as per farm conditions, so you don't have just one type of pen; you have different types. It can be a steel pen; it can be a plastic pen. Plastic pens are more familiar with this type of weather condition. This is a real picture and the waves over there can be between 6 - 7 metres in a storm. When we talk about offshore, it's up to 11 metres, so almost double the size of that one there.

10 So we need to do the right specification of the pen and also do the modelling of the mooring. For that reason, I put two pictures there. We use three different software that model a pen and how it's going to work with different types of wind condition and wave condition. Of course we put in the worst scenario in order that we can model them. 15 So, assuming the model is starting to show some red colour, it means that we can have a fracture in that particular pen, so we need to fix that problem before we buy the pen.

20 So, in addition to that, we develop a tensiometer - which is a Kiwi invention, very smart - and that we put on our mooring in order to check the tension of every single mooring of our pens, so we can graph this type of information.

25 So I know that Matt is going to talk about this particular topic, so I don't want to go into detail, but he's going to explain about the amount of disease and this triangle about environment, host and pathogen. So, if you keep under control the three of them, you are not going to have disease. But if they are combined together, you can have a disease.

30 The good news is that we don't have any importation of eggs since 1900, as I said, so it's very difficult to get any disease from biological material. We have very small farms and we have not many players. We have just six companies in total and they are very well spread. 35 Also, Graeme mentioned that king salmon is naturally resistant to sea lice, which is one of the main problems around the world, so we're very lucky that we have a fish that can resist lice infestation.

5 So a few key numbers about our processing area. So we have a primary
processing value-added product factory, hot smoked and cool smoked,
and this is the amount of people that work over there. It's more than
250 people all together. We produce around 8,000 tonnes per year,
10 more than 1,500 tonnes of fillets per year, 926 tonnes of portions,
almost 500 tonnes of hot smoked and 1,300 tonnes of cold smoked per
year. We produce many different types of product. This is the amount
and in row 3 you see all the amounts of different product that we
15 produce. In some areas we have one shift; in some others we have two
or even three. Also, I put in the last one maximum production capacity
with three shifts, so we can grow to almost 30,000 tonnes per year in
primary production, 2,700 of portions, 14,000 of fillets, 600 tonnes in
hot smoked and almost 2,000 tonnes in cold smoked. We have the
capacity to grow there.

[4.00 pm]

20 Someone already showed some of these photos, but this is the primary
processing where they produce all the value-added. We have quite
standard, good, modern equipment in our plant. Just in the back you
can see one of our new machines, which is a portioning machine. So
the fillet is coming inside, it's scanned by a laser and then it's cut in just
the size that we want. If you want 199 grams, it's going to carve the
fillet to a 199 portion, so it becomes very efficient.

25 MR DORMER: What are SKUs?

MR ALVAREZ: It's the type of product that we have, the different type of product.

30 CHAIRPERSON: What does it stand for?

MR ROSEWARNE: Shop-keeping unit. It just means an individual product. It's a trade
term.

35 CHAIRPERSON: Shop-keeping unit?

MR ALVAREZ: Yes.

CHAIRPERSON: All right.

40

MR ALVAREZ: So some of the products that we produce, the lines that we have, our
people, our product, the certification that we have.

5 We have some legal certification to operate, MPI for export licence, but also we have kosher, which is for Jewish dietary law, and halal, which is according to the Muslim law. So we have all the certification and then we have some other certification like BAP, Best Aquaculture Practices certification, and the WSE, which is the Woolworths Supplier Excellence certification. We receive auditors to check if we are fulfilling the expectation on a yearly basis.

10 Any questions?

CHAIRPERSON: Just one question about the offshore business. I have read somewhere in one of the other submissions. It might be EDS or somewhere. Somebody's going to tell us that they've seen an offshore salmon farm in the Thames area or off the Thames coast.

15 MALE SPEAKER: The Firth of Thames.

MALE SPEAKER: New Zealand or London?

20 CHAIRPERSON: No, in New Zealand, off the Thames coast in the North Island.

(off mic conversation)

25 CHAIRPERSON: Do you know anything -- I'm asking this witness, thank you. Do you know anything about that?

MR ALVAREZ: No.

30 CHAIRPERSON: You don't?

MR ALVAREZ: No, I'm not familiar with that, sorry.

CHAIRPERSON: Okay. All right. That's all I want to know. Thank you. Thanks very much.

35 MALE SPEAKER: There's that land, though. It's nothing to do with your question, but there is that land-based prawn farm in Taupo.

40 CHAIRPERSON: Yes, I'm sure I read somewhere recently.

(off mic conversation)

CHAIRPERSON: Now, who have we got now?

45 MALE SPEAKER: Grant Lovell.

CHAIRPERSON: Grant Lovell. All right, Mr Lovell, thank you.

MR LOVELL: My name's Grant Lovell. I've been employed in the aquaculture industry since 1997, almost exclusively with New Zealand King Salmon. However, I did spend a year working in the Tasmania industry as a technical account manager for a feed company. My current role is I am the Seawater and Aquaculture Planning Manager, so I take care of all of New Zealand King Salmon's aquaculture planning from feed through to fish numbers, harvest planning, smolt inputs and so forth.

What I'm going to take you through today is a little bit on our production cycle, feed planning, some of the variabilities that exist in this process and link that to some of the conditions that have been proposed for us.

So production planning is a long game. That's the short answer here. We start the production planning cycle a good five years out from harvest. We need to set up the number of broodstock required in the hatcheries, so we need to have an estimated number of tonnages that allows us to do that. Then about two and a half years out from harvest we need to be able to set the number of smolt that we're putting to sea. Currently that number is in excess of 2 million spread out over multiple inputs. Then that number will be constantly refined as we get closer to the actual date and right up to the actual date.

In terms of the time that it takes to grow the juvenile salmon, they've got to be in fresh water for about 8 - 12 months and then in sea water we are looking at a period of around 16 months grow-out time. So, overall, we are 24 to about 30 months or 28 months from the time the fish is spawned to the time that we're actually able to harvest the fish.

The key goal in life for us is year-round consistency. We want to produce fish that is the same size 12 months of the year. That's not a very simple task when you take into account that the fish want to spawn naturally at one time of the year and we want to harvest it over 12 months of the year at the same size. So to achieve this we actually have to do quite a lot.

It starts right back in the hatchery with photoperiod manipulation. We do this by altering the effective day length of the broodstock in the hatchery. The picture up there and on the evidence in front of you there is of our Takaka hatchery there. That is a completely enclosed pond and that allows us to manipulate the day length and effectively trick the fish into thinking it's a different time of year than it actually is. This allows us to spawn the fish naturally and in an earlier timeframe. The natural spawning time is April/May. This year we will be spawning fish in December through to May, so up to four to five months earlier. That's a significant advantage to us.

5 The other part that we can do is once the fish has actually spawned. Again, utilising temperature, we can slow the development at the other end of the scale by reducing the temperature that the eggs are incubated at. The development of salmon is linked completely to temperature when they are eggs and fry, when they are not actually eating. So, if we take a normal ambient temperature of 12 degrees and make that 6 degrees in a hatchery, it will double the development time with no need for implications for the fish whatsoever. That's part of the way that we take that into account at the hatchery end and then we go through. That allows us to create a wide smolt import window.

10 Then it's all about putting fish to sea and that's really about location, location and location for want of a real estate phrase. We put fish to sea in two main input groups: earlies, which would be, say, pre-summer, and lates, which would go post-summer. The early fish have very limited site selection currently. We only put fish to sea in high-flow, cooler-temperature sites, which are limited to the Tory Channel. Warm-water sites and sites that are actually up for relocation, such as the Ruakaka, Otanerau and the Pelorus. We are at risk of suffering very poor performance, increased mortality and reduced growth over the critical early-rearing period and we've got quite a lot of historical evidence to support that. It doesn't occur every time, but certainly we are at risk of having a small disaster in terms of survival and performance by inputting fish into the warm-water sites pre-summer. We do not see this at all in the Tory Channel.

25 The limitation of freedom can create quite a lot of issues for us, particularly around pen availability and so on. The Tory Channel and all of our sites within those currently in the Pelorus are mixed-year class sites, which in essence means we have two year classes onsite at any one time; not always, but we can have two year classes onsite. We need to make sure that we are able to have available pens at the right time of year to put fish to sea or we can't put fish to sea. So it becomes a bit of a jigsaw with that process going through.

30 Additionally, it starts to link us into trying to create enough early-entry fish to grow out at the right time of the year, so this leads us into some of the towing operations that we currently operate. We currently will input fish into the Tory Channel in September/October and we'll tow these fish to Otanerau from April or May so that we can grow them out for harvest in November and December.

5 If we move into some of the growth projections and modelling that we have there, sites are not all created equal. Some sites will perform better than others. This is the very nature of a livestock business. We've got a significant amount of variability within our system and it can be quite difficult and quite frustrating to plan for. We've got significant environmental differences between our sites and our years, as well as other factors such as genetics and even our own internal grading factors.

10 The graph up there and in front of you is the average water temperature of the Te Pangu farm and the Ruakaka salmon farm just averaged out over the year. These farms are only a couple of kilometres from each other, one down the Tory Channel and obviously one in the inner Queen Charlotte. We can see that the winter temperature is very similar but there is a solid 1.5 - 2 degrees difference in temperature over the summer period. That difference in temperature can have a significant impact on the growth of the stock, the health of the stock and also the feed consumption of the stock.

20 I generally describe my role as a little bit of a jigsaw at times. There's lots of different little parts coming through. It's like that little jigsaw with 12 pieces where you move the pieces to create a little picture. Each day I come to work and I create a little picture of a fish and then I go home and then some days some mean person has come along and mixed up my picture again and I have to do it all over again. It's a simple example of what I do on a daily basis.

30 The other part that we need to really make sure we align is that we have to align our harvest strategy and our sales strategy. Otherwise, we are going to create some significant long-term issues. Those issues come into two sorts of circles. We either get into the ever-decreasing circle, which is when we are harvesting faster than our original plan, which means as we harvest faster we bring forward the next group of fish, which are therefore a little bit smaller in the harvest cycle, so we have to harvest a few more to meet the required tonnage. If we bring the next one forward, they're a bit smaller, so we start getting an ever-decreasing circle. The other is an ever-increasing circle with the exact opposite where we are harvesting them a little bit later. The fish start to get bigger; we need less; they start to get bigger; we need less.

5 Both of those can actually have quite significant impacts to the
business. With under-harvesting, obviously, we'll suddenly run out of
fish and biomass and with over-harvesting we start to run into pen
availability, feed discharge issues and so forth. The other part, too, is
10 if we also are under-harvesting and the fish start getting larger, the cost
of the fish starts to increase. You've heard a little bit about feed
conversion over the course of this, but feed conversion is not linear. A
larger fish has a higher feed conversion ratio than a smaller fish,
particularly the larger parts of the fish. When you are growing a fish
to 1 kilo it converts really efficiently, 1 - 2 kilos it converts slightly
worse, 2 - 3 kilos slightly worse and so forth. Once you're getting up
to 5 kilos plus, the feed conversion ratio at that point is a lot more and
that starts to add a significant amount of feed and cost to the fish.

15 MR DORMER: So you mean, when you say it's more --

MR LOVELL: More as in higher; more feed required for a kilogram of growth.

20 MR DORMER: Right, so it's less efficient?

[4.15 pm]

25 MR LOVELL: Less efficient, yes. That lines us up to talk about feed. Feed is by far
and away the largest cost to our business. It's also linked to many of
our resource consents. Feed discharge caps are currently the primary
tool for regulating our site usage.

30 Feed usage is just not an exact science and it's possibly one of the most
variable things actually in our business, hence why I find it personally
quite frustrating that it's linked to a lot of our consents. If we take feed,
it is incredibly variable. The variabilities that can impact the amount
of usage are diet quality and composition. We've got the environmental
factors such as water temperature, which we've shown previously; algal
concentrations in the water; turbidity through storms. We've got
35 predator interaction. We've even just got size and the growth rate of
stock as the stock are performing better than modelled or even
mortality rates. As a result, you can start to get really large variations.

5 This graph up here is literally the 2014/2015 - it should read - brood
years, so it's actually 2016 and 2017 calendar years, so it's literally last
year and this year, and feed levels at our Waitata salmon farm. It's
kilograms of usage on the left and months just aligned on the side.
10 What we've got there is we've got a summer dip for last year, which is
not unusual. As the fish get into the warmer water, their consumption
reduces; quite normal. This year the temperature profile has been a
little bit cooler. We haven't seen that summer dip. So we're tracking
along. The dotted figures are my own personal estimates of the next
15 two months' consumption. Working through the mid-April figures,
we're well on track to achieve that. Between one year and the next
year, that will create a more than 200-tonne difference of feed-outs over
a three-month period. As well, the growth of that stock has now
performed better than what we had seen in the previous years due to
consumption, so they'll now be larger. That will start to increase even
more as we get closer to the harvest. So, for factors which I'm not sure
how I plan for, I've got quite a large difference in feed-outs on very
similar stock.

20 CHAIRPERSON: Where is this site?

MR LOVELL: That's our Waitata Reach site.

25 CHAIRPERSON: Waitata Reach. Just before you go off that, you say in your evidence
at paragraph 19 some of the data is pre-tow. What does that mean?

MR LOVELL: Yes. In both of those years, the stock actually started their life not at
30 Waitata Reach. They were towed to Waitata in December and January.
So for the 2014 brood that data was at the Forsyth farm and for the
2015 brood that data was at the Kopāua farm, but it's the same strategy
of stock in all other aspects. I was just trying to be clear that in the
actual location of the farms, pre-January the fish were housed
somewhere else and January onwards they were housed at Waitata
Reach.

35 So it's nearly impossible for us to plan for all the variation. We don't
have any accurate forecast data for water temperatures in the
Marlborough Sounds and yearly growth and mortality volumes can
fluctuate. It's the nature of dealing in a livestock business. It's
40 important that we're able to manage our farms to volumes that are both
economical and sustainable. We can create quite a lot of issues if feed
volumes are above what's planned.

5 The current practice of using feed caps as a tool to manage our volume is both unusual in a worldwide sense and, in my personal opinion, it's not really an appropriate measure. It's a highly variable input that can create significant issues when factors align that could not be foreseen. If growth is 5 per cent better and mortality is 5 per cent better, a 4,000-tonne planned discharge could easily become 4,400 tonnes or more. This can become a significant cost to mitigate purely because things have actually gone well. In my personal opinion again, it's better for us to use a true adaptive management approach and make changes based on the benthic and water column results, which is described under the best management practice guidelines.

10 One of the other issues we do see is the argument is often, "Just plan a lot lower than your caps". The other issue in our consent conditions is that we have to be within 15 per cent of our maximum feed cap for three consecutive years or we do not get a feed cap increase. So we can't just plan significantly lower than our caps or we'd stay exactly where we are. I know that argument has been said to me. It's a conundrum around our consents. It also means as well that if we don't tow fish in for a single year class, we will never achieve actually three consecutive years.

15 If we talk about feed management, feed is highly managed due to the high cost and the volumes. We know all of our pens. Every single pen in our company has at least one camera in the water looking at feeding and many of them have two including surface cameras as well. All feeding is monitored for feeding behaviour and looking for feed pellets. Our newer farms flag any feed-outs that are outside the usual parameters and currently we're also trialling software which automatically detects feed pellets and alerts the feeder and takes a photo of the event. As a further control on our feeding, we've got a small remotely-operated underwater vehicle, which we use to run transects across the farm looking for wasted feed.

25 Previous studies carried out by NIWA have shown that 99.9 per cent of our feed is consumed by the fish, meaning that the main output from our salmon is in fact fish faecal matter. The amount of faecal matter is primarily influenced by the diet. A really high-level statement would be that a higher digestible diet will reduce the amount of faecal material and a lower digestible diet will increase the amount of faecal material.

30 MR DORMER: Sorry, say that again?

35 MR LOVELL: If a diet is highly digestible, most of the pellet is digested and turned into growth and you will have less faecal material. If a feed has got a lower level of digestibility, less of the pellet is turned into growth and you'll have more faecal material. Your fish will also consume more feed as a result.

MR DORMER: So why do you vary the feed? Why don't you just use the highly digestible feed all the time?

5 MR LOVELL: We do try to use the highly digestible feed all the time. However, we do note that we do get differences in feed, differences in feed manufacturers, so it's more of just a statement of fact rather than policy position for us. We try to use a highly digestible diet at all times.

10 MR DORMER: I misunderstood. I thought that there would be times when you would choose --

MR LOVELL: No, definitely not. No, because the other part of a lower digestible diet is it will increase your overall feed-out, which creates further problems for us.

15
20 The other one is just looking at the potential new sites. Quentin raised this earlier around the stage management and possible overlap if required. So for any of our new sites, the infrastructure on any of the sites that are currently proposed to be swapped is not suitable for new sites. Therefore, we can simply not just tow the old site to the new site location. That infrastructure would not survive, so --

25 CHAIRPERSON: What do you mean it wouldn't survive? It wouldn't survive the tow?

MR LOVELL: Well, it might survive. It would most likely survive the tow, maybe not if we had to go around Cape Jackson --

30 CHAIRPERSON: I see.

MR LOVELL: -- but the environmental conditions of the Waitata Reach and the Tory Channel, with the higher currents and higher wave action from where their current locations are. This infrastructure was designed for its current location. It's thinner-walled pipe. It doesn't have the required buoyancy. All of the new locations will need to be brand-new farms or infrastructure from one of our other high-flow sites.

5 That was the point that was to be made around the fact that if this whole
process goes through and all sites are granted, we're able to manage
this process quite nicely. For example, if I was to look at Ruakaka as
an example farm, which is currently a mixed-year class farm, the fish
go to sea there between April and June every year and the fish are
harvested out the following year between October and November.
10 What we would be able to do is put the new fish to sea in April/May,
say in one of the new sites, say Richmond Bay South, for an argument.
That fish would then go to sea. Ruakaka's fish would then be harvested
out in September/October. While those fish grow, no more fish would
go to sea, and then we'd be able to shut the farm down over the
following -- just disestablish the farm, taking away all of the
15 infrastructure, moorings, et cetera, over the following six-month
period. If all sites were swapped, we could obviously utilise a fallowed
site for that process, so we could say that effectively Forsyth was
swapped to Richmond Bay. In reality it's Ruakaka stock but that allows
us to then have that situation of no overlap.

20 Lastly I just want to talk a little about the feed tonnage increases
proposed. They appear to be very conservative. They're not
necessarily overly practical. In some instances the feed tonnage
increases are as low as 125 tonnes over a three-year basis. As
previously discussed, that's at a level which is actually within the
25 realms of variability. I would also struggle to see how we would see a
noticeable change in the benthos at 125 tonnes of discharge.

30 A more preferable and workable option would be not to change the start
figures. Obviously, we would start at 50 per cent for all the sites other
than for Tio Point and Horseshoe Bay, which would be 1,000 tonnes,
and then work the capacity up over no more than two increases for the
larger sites or one increase for Horseshoe Bay and Tio Point. The
infrastructure on these sites that is proposed and is listed is relatively
large. A single 40-by-40-metre pen uses around 600 tonnes of feed per
year. The circles that are proposed for the Waitata mid-channel site
35 will utilise in excess of 1,000 tonnes of feed per year, up to 1,500
tonnes, so feed discharge increases of -- the mid-channel site has them
as low as 350 tonnes. It becomes very difficult to manage in terms of
infrastructure and how you actually put in place a pen and be able to
manage that pen over very low levels, or you've got to increase the
40 stocking densities in other pens to reach your appropriate feed
discharge numbers to slowly increase the site of the farm.

5 The only other last point that I would make - which I haven't actually
put into my evidence but just to reiterate another point that was made
through by Quentin earlier - was around the sites swap and the
preference of order for New Zealand King Salmon, which was slightly
different to what MPI had proposed. Our order would be the Crail Bay
sites first, Forsyth, followed by Otanerau, Ruakaka and Waihinu Bay.
10 The key criteria that we're utilising in that is sites that are most likely
to be able to be managed under best management guidelines, so the
least likely should be the sites to swap first and the ones that we believe
that we can manage under best management practice guidelines
successfully should be the sites that we swap last.

15 So, in conclusion, planning is multifactorial and involves very long
lead times. There is significant natural variability to the processes that
we undertake. Feed is highly managed but highly variable due to very
many factors. I see feed caps as a poor form of regulation. On new
sites they need to be implemented carefully and overlap may be
required. Thank you very much.

20 CHAIRPERSON: Thank you, Mr Lovell.

MR DORMER: I've just written a note and I want to make sure. On the preference of
the order, the order preference --

25 MR LOVELL: We have it in New Zealand King Salmon's evidence, the order
preference, so it's the same as in the New Zealand evidence.

MR DORMER: Yes. The key criteria, you said, was the best management guidelines,
30 the ones that can manage compliance --

CHAIRPERSON: Easiest.

MR DORMER: -- most readily, yes, should --

35 MR LOVELL: Yes, so the ability to operate sites economically at best management
practice guidelines.

MR DORMER: Yes, that's the key. Now, say that again?

40 CHAIRPERSON: The ability to manage --

MR LOVELL: Sites economically.

CHAIRPERSON: -- economically, yes. Got that?

45 MR DORMER: Yes. The ability to manage sites economically --

CHAIRPERSON: To the best management guidelines.

MR LOVELL: Yes, economically and practically.

[4.30 pm]

5

MR DORMER: Okay, and so you'd close the most inefficient ones first?

10

MR LOVELL: Yes. Grant mentioned earlier that obviously we do have some sites that are fallow now. Look, we certainly do have plans to utilise them in the future. However, the ones that are currently fallow are the ones that are less likely to meet BMP guidelines.

15

CHAIRPERSON: Mr Lovell, listening to your evidence, it's certainly dawned on me and I'm not sure whether I'm right about this, so that's why I'm asking you. I sort of fondly imagined that nine salmon farms produced nine lots of fish, you see, independently of each other.

MR LOVELL: Absolutely not.

20

CHAIRPERSON: That's the point I'm trying to get to. This evidence of yours makes it reasonably clear to me that there is an interrelationship between all your salmon farms.

25

MR LOVELL: Very much so.

CHAIRPERSON: Is that right?

30

MR LOVELL: Yes, that is correct. We have a long lead time. We plan our harvest strategy and our smolt inputs and there is a relationship between what smolt we can put into the Tory Channel, for example, and what smolt we can input into the Pelorus under the guise of creating a year-round supply of salmon. So this process for me is -- obviously, as the aquaculture planner, where this goes will have a significant impact on my life in terms of trying to make the jigsaw fit.

35

CHAIRPERSON: That was going to be my next question.

MR LOVELL: Yes, the five-year plan at the moment is a little bit more tricky.

40

CHAIRPERSON: Because you'll be losing some and replacing them with others?

MR LOVELL: Correct.

45

CHAIRPERSON: So you've got to manage that, but given that you had, say, nine settled sites or whatever you might end up with, would you then still be managing them as a group --

MR LOVELL: Yes.

CHAIRPERSON: -- rather than individually?

5 MR LOVELL: No, in terms of planning, planning at a high level is always across the wide scale, so you have groups of farms that you manage together but they all interlink together. So it's not that we have one farm, one output, one farm, one output, particularly when we're looking -- and there's lots of interactions already. We tow fish between sites as well to create a single year-class, so, yes, we do not treat everything individually. 10 Obviously we are required to treat many things individually from a consent perspective, but from a planning perspective it all becomes one.

15 CHAIRPERSON: But there's nothing in your consents that prevents you from taking stock from one farm to another?

MR LOVELL: No, there is not.

20 CHAIRPERSON: Has there ever been? Have you always been able to manage --

MR LOVELL: We need to get authorisation to move stock, but there's nothing in our consent to do it.

25 CHAIRPERSON: Do you? Why do you have to get authorisation?

MR LOVELL: In terms of moving stocks, we'd need to get a tow. We've got to tow it, so we have to get approval from the harbourmaster --

30 CHAIRPERSON: Yes, operational --

MR LOVELL: We've got operational things. We've got internal biosecurity things. We've never moved stock between the two sounds and I don't ever foresee us ever doing that because the only way that you can do that is to move it through there out of the sounds and the risk factor would outweigh the benefits. 35

CHAIRPERSON: You'd have to go out to the open sea and come back in again?

40 MR LOVELL: Yes.

CHAIRPERSON: Yes, but apart from the risk factor, you could do that, couldn't you? It probably wouldn't be worthwhile.

45 MR LOVELL: No. That would be a very nervous couple of days.

CHAIRPERSON: Yes. How do you move them?

- MR LOVELL: Right now, there's actually an operation that we're about to undertake. We will take empty pens and put them next door to a current farm. We will then either utilise net changes where we just literally sew the two
5 location to another. This will try to be done at relatively low density and we will then literally tow the whole pens back to the site that they came from.
- MR DORMER: So you don't tow the fish; you tow the pens?
- 10 MR LOVELL: We tow the pens but the fish are in the pens. The fish are just swimming.
- MR DORMER: I was just being facetious, but you're using specialty technology?
- 15 MR LOVELL: I'd lose a lot on the way.
- MR DORMER: No, you don't; you tow pens.
- 20 MR LOVELL: We tow pens. The fish, I daresay, would not notice.
- CHAIRPERSON: You'd have all the fishermen out the day they were towing. All right. Thank you very much for that.
- 25 MR LOVELL: No worries.
- CHAIRPERSON: Yes. Now we've got two more people, haven't we? Three, have we?
- MR DAVIES: Graeme Aldridge, Mark Gillard and --
- 30 CHAIRPERSON: Yes, I've forgotten Graeme Aldridge, yes. You need to leave at 5.00 pm, don't you?
- MR CROSBY: I do, yes.
- 35 FEMALE SPEAKER: We've had a cancellation tomorrow morning.
- CHAIRPERSON: Have we?
- 40 (off mic conversation)
- CHAIRPERSON: That's Mr Goulding, is it?
- FEMALE SPEAKER: Yes, it is.
- 45 CHAIRPERSON: He doesn't come till 9.30 am now?
- FEMALE SPEAKER: No, those two have just pulled out now, so hopefully the schedule --

- CHAIRPERSON: These people have?
- FEMALE SPEAKER: Yes, so Sanford is the first one.
- 5 CHAIRPERSON: Goulding is not coming?
- FEMALE SPEAKER: No, he's not.
- 10 CHAIRPERSON: Okay. Well, Mr Davies, one of our number has to be away at 5.00 pm today for other reasons, so we'll take -- who have we got now?
- CHAIRPERSON: Talking to Mr Davies about the order of witnesses for tomorrow
- 15 MR DAVIES: Mr Aldridge, Graeme Aldridge.
- CHAIRPERSON: Yes, and we might stop at that point and resume in the morning because now we've got a bit of time.
- 20 MR DAVIES: Yes, Mark Gillard will be here anyway tomorrow, so that's not a problem, and Mark Preece is also not available, so --
- CHAIRPERSON: Yes. We've actually already heard from those two, haven't we?
- 25 MR DAVIES: No, not Mr Gillard.
- MALE SPEAKER: Have we not heard from Gillard?
- CHAIRPERSON: No. Preece we have, yes. All right, Mr Aldridge, thank you.
- 30 MR ALDRIDGE: Okay. I'd just like to read to my evidence. Ko Piripiri toku maunga; ko Waitohi toku awa; ko Waikawa toku marae; ko nga iwi o te Tau Ihu o te Waka o te Ātiawa, Rangitāne, Ngāti Kuia, Ngāti Rarua, Ngāti Apa, Ngāti Koata, Ngāi Tahu me Ngāti Porou toku iwi.
- 35
- Kia ora. My name is Graeme Aldridge. I'm speaking in support of New Zealand King Salmon Company's submission. I am an aquaculture technician in the fish health and performance department. I have worked for New Zealand King Salmon for 17 years in total.
- 40
- I was born in Blenheim. I live in Ngakuta Bay with my partner. Five generations of my whānau have lived in Picton and the Sounds. They were all fishermen. My grandfather was a whaler at Tipi Bay, Yellerton and Fishing Bay or Perano Whaling Station in Tory Channel.
- 45

Originally I spent 18 months working in New Zealand King Salmon's processing factory when it was based out of Picton. This was followed by a period working in the Department of Conservation or DOC. My job involved track maintenance and pest control in Ship Cove, Queen Charlotte Sound. I helped to cut the section of Queen Charlotte Track between Ship Cove and Anakakata Bay. Following my time with DOC, I returned to work with New Zealand King Salmon on their harvesting team. An opportunity to work with the fish health team came up and I have been there ever since.

A day in the life of a fish health expert. No two days are the same for me. Some of my responsibilities are determining the average weight of a pen. We analyse fish using the 3D camera and apply an algorithm to the length and height of a fish to determine an average weight of a pen. This allows us to report on performance metrics, growth and feed conversion and determine where it is at in the growth cycle and decide which pens to harvest. Taking health samples in the field, histology is studying the microscopic structure of the tissues. This helps us to understand the general health of our king salmon. We take a random sample from the pen, then take the tissue samples from the muscle, the spleen, the kidney, heart, hind gut, polychaete, gills and liver. These samples are fixed in formalin and we send them to Brightwater Consulting Limited, our veterinarian and histopathologists. They trim the samples and get them embedded in paraffin wax. They cut the slides and return them for reading. The results of these reports are reported back to New Zealand King Salmon so appropriate action may be taken.

We also collect samples for bacteriology. This involves swabbing the fishes' kidney or taking a biopsy and sending it to New Zealand Veterinarian Limited who determines whether there are bacteria present and, if so, the species of bacteria.

X-raying fish at Cawthron Aquaculture Park, sea farms and hatchery. I visit the scientists in Nelson at least once a week. The team is investigating the development and causes of spinal curvature in farmed king salmon. We are aiming to improve animal welfare and reduce yield losses to the company for this problem.

Assisting with feed trials. New Zealand King Salmon is looking to improve and develop salmon diets. We run a myriad of trials in commercial pens, Ruakaka research and development pens and the nine tanks at Cawthron Aquaculture Park. I'm responsible for collecting growth and quality data from these trials.

5 Feed retention testing. I trial batches of fish feed as orders come in to ensure that the pellets hold their shape and don't break down too quickly. This is important as it means that the fish get maximum benefit from the feed and the environmental footprint is minimised. We make sure the feed is up to standard. We have contractually specified from our suppliers to ensure optimal fish performance.

10 Quarterly health checks of our sea farms and freshwater hatcheries. I regularly visit our sea farms and freshwater hatcheries. We take random samples of salmon from the raceways and pens, analyse their biomass, do a general health check and conduct faeces analysis to make sure they are eating. This helps New Zealand King Salmon to understand the big picture and ensure our salmon are healthy throughout their lifecycle in both fresh and seawater.

15 Healthy fish quality product. My role is important. I see myself as an experienced salmon handler with special skills and knowledge of the species. Every day when I show up to work, I need to be precise, observant and careful. If something is wrong at any stage of a lifecycle, it is my team's responsibility to spot that. We need to know what has gone wrong and provide information so that a company can act quickly.

20 It is difficult to produce a premium product if we do not look after our fish. King salmon are sensitive. It takes skill to rear them. You must be gentle. They need to be nurtured. You can tell straightaway if something is wrong with your pet. My relationship with our salmon is similar. They are not just a product.

25 As well as monitoring salmon health, I play a part in helping other staff to understand how important it is to care for our fish. Striving for perfection is part of the company's culture. I rub shoulders with people from all different stages of our process including our hatcheries, our farms, processing, our suppliers and independent research organisations.

30 Staff who have worked for us for several years understand that they contribute to making a great product. Part of my job is making sure young staff and newcomers develop passion and pride in their work and in our vision.

Why I love my work. I enjoy working for New Zealand King Salmon. I have some great mates at work. It's a great team environment. There are a number of guys who have mentored me and taught me everything I know. I'm really loyal to the company. They have looked out for me. Because of my job, I'm able to buy my house and have a good quality of life. Lots of staff are like family to me and I will go out of my way to do what I can for them. It also means a lot that I can work from my home region. The sounds are my backyard. I love going to work in that beautiful environment. My favourite days are in rough weather and sea with Tangaroa, God of the Sea. I love being out there when it is wild. I feel a strong connection to the place.

Some people are anti-salmon farming or say that New Zealand King Salmon is a foreign company and our staff are cowboys. I'm not a cowboy. I'm not a foreigner. We are Kiwis. We care for the environment. It's where we live, work and play. New Zealand King Salmon has strong measures in place to make sure it cares for the sea. I think most of our staff feel a strong connection to the environment, where they work. They are like most Kiwis. It's part of our culture to feel a strong affiliation with the Moana or the sea. We have a duty to be good guardians.

My community involvement. In May 2016, I sat with Te Ātiawa at the blessing ceremony for the release of young rowi kiwi on to Kaipupu Wildlife Sanctuary in Picton. About once a month, I help with most iwi programmes to mentor and educate our young Ngā Rangatahi about how our ancestors used to do things and how we do things now. Activities include kapa haka, mōteatea, weaving, hunting and fishing. We took kids to Lake Rotoiti in St Arnaud to show them the protected long fin eels.

I play rugby for Waitohi Rugby Club. I support the Project Jonah along with my partner who is actively involved with the charity. In the past, while I was with DOC, I was a volunteer for the Picton Fire Brigade. My partner and I have a sense of duty to our home in Ngakuta Bay. We are unofficial kaitiaki. We want to look after this special place for the next generation. One way we do this is collecting scallop shells dumped in the bay by recreational fishers and disposing them properly on land.

[4.45 pm]

5 Conclusion. My job is to ensure that our salmon are as healthy as possible and to create a culture of pride, passion and perfection. Good salmon health is better for animal welfare and for the environment. I believe the proposal to relocate sites makes sense and will result in better environmental outcomes. It means that New Zealand King Salmon can continue to produce some of the best salmon in the world, something that Kiwis can be proud of. Thank you.

10 MR CROSBY: (Māori content). If I can turn to the question, I am very interested in that description that you gave of your responsibilities, (a) to (f), and the various types of sampling that go on. Is that done across the range of farms on a random basis or is it done on a planned basis throughout the course of a year?

15 MR ALDRIDGE: Yes; pretty much quarterly. Our quarterly health checks are nearly every three months but if any problems come up, we would take samples from those selected pens and then send them away for analysis.

20 MR CROSBY: But are you going to the farms in Pelorus as well as in Tory Channel?

MR ALDRIDGE: Yes, all farms.

25 MR CROSBY: You are, right. It's not a fire brigade exercise. You're not responding to problems at particular locations. You're just regularly selecting particular sites?

MR ALDRIDGE: Selecting particular sites, definitely, especially just before harvest.

30 MR CROSBY: Thank you very much, Mr Aldridge.

CHAIRPERSON: Are you of Te Arawa?

MR ALDRIDGE: Yes.

35 CHAIRPERSON: You are.

MR CROSBY: Seven of you?

40 CHAIRPERSON: So you do, including Ngāi Tahu.

MR ALDRIDGE: Yes.

CHAIRPERSON: Right. Some of those are quite strongly opposed to this, aren't they?

45 MR ALDRIDGE: They are.

CHAIRPERSON: Yes. I suppose that's internal politics that we should not get into.

MR ALDRIDGE: I'll leave it to them.

CHAIRPERSON: Leave it to them, yes. Thank you very much. Kia ora.

5 I think we'll adjourn for the day now. We'll see the other two witnesses
at 9.00 am in the morning. Thank you, Mr Davies. Thank you all for
your attendance today.

10 **MATTER ADJOURNED AT 4.49 PM UNTIL
WEDNESDAY, 19 APRIL 2017**

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