

**BEFORE THE MARLBOROUGH SALMON FARM RELOCATION ADVISORY PANEL
AT BLENHEIM**

UNDER the Resource Management Act 1991
IN THE MATTER of Regulations under ss 360A and 360B of the Act
BETWEEN **THE MINISTRY FOR PRIMARY INDUSTRIES**
Applicant
AND **THE MARLBOROUGH DISTRICT COUNCIL**

**STATEMENT OF EVIDENCE OF GRANTLEY BRUCE ROSEWARNE IN SUPPORT OF THE
NEW ZEALAND KING SALMON CO. LIMITED'S SUBMISSION
Dated this 11th day of April 2017**

**GASCOIGNE WICKS
LAWYERS
BLENHEIM**

79 High Street
PO Box 2
BLENHEIM 7240
Tel: 03 578 4229

Solicitor: Quentin A M Davies/Amanda L Hills
(qdavies@gwlaw.co.nz)

Fax: 03 578 4080

QAD-247141-126-869-V1:ALH



Introduction

- 1 I am the Chief Executive Officer of New Zealand King Salmon, a position I have held since 2009. I have a MBA from the University of New South Wales, as well as a BAppSc from the South Australian Institute of Technology.
- 2 Prior to joining New Zealand King Salmon I was the Chairman of Sara Lee Corp UK, well known for its frozen desserts, and the Managing Director UK of the coffee company Douwe Egberts.
- 3 My evidence is a summarised version of New Zealand King Salmon's submission.

Overview

- 4 Just as Marlborough Sauvignon Blanc has become world famous, increasingly, so too is Marlborough King salmon. New Zealand King Salmon has a strong vision to make this happen.
- 5 New Zealand King Salmon's purpose is "creating the ultimate salmon experience". The reason we exist is to:
 - (a) Enrich the lives of our customers, team members and shareholders;
 - (b) Contribute positively to the communities in which we operate, including the natural environment and regional prosperity; and
 - (c) Reward our partners and suppliers fairly.
- 6 We believe in sustainable growth. Sustainable growth means that our business can go on in perpetuity and that we 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. Each generation should inherit the business in better shape than its predecessor. Without a flourishing natural environment, we cannot produce and supply the highest quality King salmon to New Zealand and the world. Without flourishing local businesses, New Zealand's regional communities - such as Marlborough - will decline in population and prosperity.
- 7 Our community wants to have confidence in our sustainability credentials and so do our customers. Our business is increasingly expected to deliver empirical evidence of our sustainability practices to all stakeholders - often with the assurance of independent audits. If we cannot deliver on the sustainability

front, we do not have an authentic story to tell our audience, whether community, or commercial.

- 8 We are proud to call ourselves a Kiwi company. With over 1,600 shareholders in total, including around 400 from the Top of the South, we blend international expertise and investment with local grass-roots support, a strong Kiwi leadership team, and over 450 passionate and proud employees building a world-class future after over 30 years of history in the region.
- 9 Our vision is to build a world class Marlborough base to reflect our origins and our future. We plan to expand our base in Marlborough with processing, office and tourism facilities to make Marlburians proud. We want to be a draw-card attraction to the region, in a similar way to Central Otago with Pinot Noir, Hamilton with Hobbiton, and Invercargill with Bluff Oysters. Marlborough needs more iconic reasons to visit. We believe we can contribute.
- 10 The future location of - and requisite investment in - these facilities will be determined by the future growth forecasts for our business. It is no surprise that primary fresh fish processing facilities are best located close to the harvest and transport infrastructure. Thus in the New Zealand King Salmon context, it makes sense to expand our shore based operations in Marlborough at some point.
- 11 We can only continue to develop this vision – ie invest in Marlborough - if we have confidence in our ability to grow. Much of this decision is predicated on the ability to relocate our farms to more suitable, higher flow water space - to grow our salmon to the highest quality with minimal impacts.
- 12 Aquaculture’s future role in the world’s food supply is evident - the contribution of aquaculture will be necessary to feed the planet: not only a growing population, but also a population demanding more protein, more seafood and more healthy options. Aquaculture has the potential to deliver high-yield healthy protein at environmental and economic efficiency levels difficult to match in a land-based agricultural situation.
- 13 The World Wildlife Fund (WWF) estimates that for every crop produced, better producers globally are 100 times more productive than worse ones.¹

¹ Dr Jason Clay, Vice President Food and Markets, World Wildlife Fund (The Huffington Post: Feeding the People, Saving the Planet, July 2016)

QAD-247141-126-869-V1:ALH

- 14 WWF believes that improving lower quality performance is as important as rewarding good performance, and in our context, it is clear that historically consented sites from the early days of New Zealand's salmon farming history are not conducive to the current thinking for best practice salmon farming.
- 15 Some groups have suggested that New Zealand King Salmon should go offshore as a resolution to this challenge – and whilst we can never do this entirely, quite frankly we agree with them! The company monitors developments in the salmon industry in detail. If there is new technology, either regarding land-based or offshore farming systems, New Zealand King Salmon always investigates and generally pays a visit. New Zealand King Salmon has thoroughly reviewed the possibility of offshore farming, and whilst we think this will begin to be achievable in about 10 years' time, there is currently not a single commercial operation in a fully exposed offshore location (similar to what we would face in the Cook Strait, for example) which has proven itself. To go offshore now could lead to a loss of fish, farm and crew.
- 16 As a world leader in producing the rare King salmon species under premium brands, New Zealand King Salmon has a significant part to play in the worldwide opportunity for aquaculture. Combining New Zealand's reputation for safe, traceable, quality food and the buoyant demand for the King salmon species - with New Zealand as the majority supplier - we can lead the way in delivering the best quality salmon, grown in the most sustainable way, to the highest value. Farming in the most suitable waterspace is critical to delivering on this opportunity.
- 17 Throughout all our activities, we aim to operate in a safe, healthy environment for our people, fostering talent internally and encouraging a diverse, dedicated workforce able to live and work in the Top of the South and provide for their families.
- 18 We strive to have a good relationship with Top of the South iwi. We have an active joint venture at our Clay Point farm with Te Atiawa. Our intention is to continue to proactively seek collaborative partnerships with Te Tau Ihu iwi throughout the Top of the South region.
- 19 Our company values are built on leadership, professionalism, credibility, innovation, hard work, resilience, and most importantly, care. In line with this, as a public company, we are open and transparent about our business activities and financials, and confident in our current and future bottom line.

- 20 Ultimately our activity always needs to make business sense, whilst staying true to our core values. In the case of the salmon farm relocation proposal, the numbers certainly make sense, in terms of more jobs in the Top of the South, and an increased contribution to regional GDP.
- 21 Seventeen surface hectares of suitable salmon farm space will eventually produce nearly \$400 million of revenue. As a result of the site relocation in full, PwC estimates headcount for New Zealand King Salmon in the Top of the South would increase by 261 over a 15-20 year period. Total headcount for the region would increase by 407. Increased regional GDP would total \$32.9 million per year.
- 22 New Zealand King Salmon's own calculations estimate future total headcount at 900 by around 2032, of which 800 would be based in Nelson and Marlborough - also taking into account expansion into higher-value channels with more production, better use of by-products, as well as the future growth from the three EPA sites.
- 23 Our business strategy is based on value, over volume. The farming and production of King salmon is intricate and requires much care, due to the nature of the species. To be successful in the production and supply of King salmon, a business operator needs to derive considerable value in order to justify the effort required across the King salmon life cycle. We achieve this value through two main activities - operational best practice salmon farming and processing - and strength in branding and positioning.

A Case Example: Norway

- 24 Norway is a first world country with high environmental standards and a beautiful natural environment. In many ways, it is quite similar to New Zealand although arguably with more dramatic natural topography and certainly with more extreme cold weather. The two countries have a similar size human population.
- 25 I have visited Norway many times and have hosted numerous Norwegian salmon producers at our Top of the South farms and facilities. They often comment that they believe Norway has made wise choices focusing on the sea to produce their livelihood² including both aquaculture and the wild capture

² The Norwegian government has identified salmon aquaculture and wild fisheries as sustainable replacements for its oil and gas industry.

fishery, whereas New Zealand has focused on the land (with greater associated impacts).



- 26 New Zealand produces approximately 488,000 tonnes of sheep meat and 695,000 tonnes of beef for a total of 1.18 million tonnes from 25,113 farms using 9,328,000 land surface hectares (ha)³.
- 27 By contrast Norway produces 1.39⁴ million tonnes of Atlantic salmon and trout from less than 1,000⁵ sea farms occupying less than 3,000 sea surface ha plus

³ Compendium of New Zealand Farm Facts, 40th Edition 2016.

QAD-247141-126-869-V1:ALH

220⁶ hatcheries occupying about 1000 land ha. Thus, 4,000 ha in Norway produces more protein than 9,380,000 land ha in New Zealand. Due to the amazingly small footprint of salmon per kilogram of animal protein produced, the salmon industry is highly compatible with a more natural environment and has a far lower level of impact on natural landscapes and natural character.

- 28 In addition to the small physical footprint, salmon has a better feed conversion ratio, up to 1/5 that of land animals, and much lower CO₂ emissions, up to 1/10 that of beef production per kilogram, therefore it's easy to see why ENGOs like the WWF and Bellona are increasingly identifying aquaculture as having a major role to play in preserving natural environments as well as biodiversity.



Size of the Norwegian Industry Compared to New Zealand

- 29 According to Nofima⁷ there were over 9,600 full time employees in the aquaculture industry in Norway in 2013. The employment effect of derived activities of aquaculture purchases is nearly 15,000 employees. In total, there are over 24,000 full time employees either directly or indirectly employed because of the Norwegian aquaculture industry.

⁴ Statistics Norway, Aquaculture, 2015, preliminary figures, published: 2 June 2016.

⁵ Norwegian Directorate of Fisheries, Grow Out Sites

<http://www.fiskeridir.no/English/Aquaculture/Statistics/Atlantic-salmon-and-rainbow-trout>

⁶ Norwegian Directorate of Fisheries, Hatchery Juvenile Sites

<http://www.fiskeridir.no/English/Aquaculture/Statistics/Atlantic-salmon-and-rainbow-trout>

⁷ Norwegian Research Organisation

QAD-247141-126-869-V1:ALH

- 30 Due to tariff barriers between the EU and Norway on various agricultural products, it's more economically viable for value added products such as smoked salmon, to be produced in places such as Poland. There are about 135,000⁸ jobs involved in the value adding of salmon and the vast majority of these are outside of Norway.
- 31 The New Zealand salmon industry is on a tiny scale compared to Norway, producing about 13,000 tons per annum - about a 100th the size. New Zealand King Salmon employs 450 people, and is steadily increasing every week, and at 7,000 tons represents about half the industry. Our Company adds more value than most, so we estimate about 750 people are currently directly employed in the salmon industry in New Zealand. The King salmon species requires more manual handling than Atlantic salmon and most of the New Zealand producers are committed to adding value in New Zealand; certainly New Zealand King Salmon is.

Future Facilities

- 32 New Zealand King Salmon has been growing salmon in the Marlborough Sounds for 30 years, however, with the company's head office and processing plants based in Nelson, we have been seen as more of a 'Nelson company'.
- 33 We are keen to change that perception and to strengthen the company's reputation in the community in Marlborough. With our growth plans we have the ability to grow in Marlborough, but also to maintain our operations in Nelson to provide the value-added processing we have become known for. We will be more of a 'Top of the South' business if our growth plans are realised.
- 34 In anticipation of growth, New Zealand King Salmon has carried out a review of its operations and a 'vision' is being set out to take the company through the next decades. The objective behind the vision is to keep New Zealand King Salmon efficient by optimising use of infrastructure and assets. Given that Picton is on the main freight corridor it makes sense that more of the company's operations will gravitate toward Marlborough.
- 35 New Zealand King Salmon employment in Marlborough will naturally grow with the scale of the company's operations. The company is internally targeting an initial move of primary processing from March 2018, however no decision has been made as yet. This move would create around 30 positions.

⁸ Salmon Farming Industry Handbook 2016, Marine Harvest
QAD-247141-126-869-V1:ALH

The downstream utilisation of by-products such as burley and pet food would then logically occur in Marlborough. New Zealand King Salmon has a vision which includes additional utilisation of by-products. It is far too early to speculate on what scale these might be, though they could be significant.

Working with Iwi

- 36 We strive to have a good relationship with the Top of the South iwi, this has always been important to us. Relationships with iwi are multidimensional and often location-specific. We work with iwi on strategic partnerships and specific projects in a variety of ways, sometimes with formal agreements, and at times on an informal basis. For example, an agreement was developed with Te Atiawa, resulting in a joint venture at Clay Point. Te Atiawa also participated in the Top of the South priority share offer during the IPO period, purchasing a share in the company. It is anticipated that the Tio Point site under discussion in this proposal would also be operated under a joint venture model with Te Atiawa.
- 37 Relationships with other iwi in the Sounds, particularly Ngati Koata and Ngati Kuia, are less developed, although some ad-hoc projects have taken place including Ngati Koata participation in the new farm openings in the Pelorus in 2016, and the sponsorship of Ngati Koata's Kia Ngawari kapa haka group in the same year.
- 38 Consent conditions attached to the Waitata and Kopāua salmon farms identify that Ngati Kuia and Ngati Koata be offered the opportunity to establish a Tangata whenua panel. The purpose of the Tangata whenua panel is to advise the Peer Review Panel in respect of any matters of concern or issue to the Tangata whenua panel, including but not limited to the mauri of the waters in the Sounds and any cultural matters or considerations that the Peer Review Panel should be aware of in respect of the water column, proposed in the Baseline Plan and Baseline Report and any subsequent Annual Report. The Tangata whenua panel has been established and is operating.

Our People

- 39 Our people are skilled and dedicated to excellence; they are the reason New Zealand King Salmon is an internationally respected seafood enterprise.
- 40 New Zealand King Salmon currently employs 452 team members - the majority based in the Top of the South - approximately 100 in Marlborough and 334 in Nelson and Takaka. New Zealand King Salmon is one of the largest single

employers in the region. This does not include flow on jobs where New Zealand King Salmon directly contributes to suppliers such as water taxis and local engineers.

- 41 According to a study conducted by MPI in 2015, our team members were reported to have a salary above the regional median average. While most team members already achieve above the New Zealand living wage, there are some who sit below this. New Zealand King Salmon is working towards achieving the living wage for all team members in future.
- 42 The report also indicated a high level of job security with 89% permanent employees. Job satisfaction was also high in the MPI report with most team members commenting on their high level of satisfaction. A frequent unsolicited comment from visitors to our sites, is that our team members are passionate about what we do at New Zealand King Salmon.
- 43 In addition to a fair salary and job security, job satisfaction can be attributed to additional non-financial benefits that New Zealand King Salmon offers its team members. Examples of non-financial benefits include our dedication to Health, Safety and Wellness, training and development, and opportunities for internal promotion within the company.
- 44 When shares were issued in October 2016, the Company established an employee share ownership plan (ESOP), under which eligible employees of the Company and its subsidiaries (the Group) were offered financial assistance in the form of an interest free loan to acquire shares in the Company at the same price as shares offered under the IPO. Between this plan and a share-based long term incentive plan for a number of key managers, around 60 team members are shareholders in New Zealand King Salmon.

Our Community

- 45 New Zealand King Salmon supports managed growth and prosperity for the communities we work in. We are proud of the role we play in both the regional economy of Marlborough and the Top of the South, and in New Zealand's national development. Salmon farming has an 'economic multiplier' effect, meaning it creates work and income for employees, as well as a raft of local suppliers; including engineering firms, scientists, and water taxis for example, while also benefitting the community through grants and sponsorship.
- 46 Our commitment is to:

- (a) Improving life in the community; especially focused on youth development, environmental and educational organisations;
- (b) Building constructive partnerships with iwi in the region;
- (c) Continuing to work hard to be a good neighbour in Marlborough;
- (d) Participating in flagship food and wine events in the Marlborough region and the top of the South; and
- (e) Making Marlborough, and New Zealand, proud to be producing the world's best salmon.

47 We also regularly host visitors to the region and make sure they see the best the region has to offer alongside our salmon farming operations. Our visitors are often influential international buyers, chefs, retailers, distributors and media interested in a premium New Zealand seafood product and the place we come from. Visit itineraries include meals and tastings at local cafes, wineries and resorts, accommodation in local hotels, scenic trips to local conservation projects, and excursions to other food producers' facilities and farms - e.g. venison, clams, mussels, oysters and craft beers. Our visitors always leave the region highly impressed with the scenery, food and beverage, care for the environment, and activities - with an enhanced view of New Zealand King Salmon and the part we play in delivering sustainable, tasty, premium seafood to their business.

48 As part of our community commitment, Top of the South residents were offered a priority offer of shares at \$1.12 when New Zealand King Salmon listed on the NZX and ASX. A total number of \$1.5 million of shares was offered to local residents, and this offer was fully subscribed.

Conclusion

49 With the relocation of six lower flow salmon farms, and the resulting growth in our business, we hope to employ increasing numbers of current and future local talent, draw visitors to the region, stimulate an inwards flow of ideas and innovation to continuously improve our operations in a sustainable way, help our suppliers and partners grow and export their own salmon success stories, and give Marlborough the chance to shine on a national and international platform.

50 Society's expectations will continue to raise the bar on the production of food, and we can only deliver on these expectations if we operate in the most

suitable environmental conditions for our King salmon and have sites that are economically viable through improved fish health, performance and scale. We want to deliver the best salmon in the world sustainably and the relocation proposal is the first step in achieving our future vision.

- 51 With 30 years of salmon farming under our belt, in today's context, it is clear that the historic sites under discussion would not be considered as suitable for salmon aquaculture in the modern framework of best practice salmon farming.
- 52 Lower flow sites were allocated to New Zealand King Salmon before the optimum conditions for our species were known and before the technology existed to utilise high flow sites. The King salmon species requires deep, high flow, and cooler water conditions. Fortunately, high flow sites, by their very nature, tend to be further away from holiday homes, recreational areas and people.
- 53 With up to 512 direct and indirect jobs forecast in the region by the time all six sites are up and running, that is a lot of families enjoying a Top of the South lifestyle and all achieved while reducing the environmental impact of New Zealand King Salmon's farms.
- 54 Under both scenarios, relocation or not, New Zealand King Salmon will be farming its 11 farms (17 surface hectares) responsibly and creating value. Relative to broad acre land-based farming, New Zealand King Salmon's lower flow farms still achieve a good overall environmental outcome. We want to achieve world's best practice at high flow sites. It would be regrettable if some lower flow space were not relocated as the implementation of the Best Management Practice Guidelines would reduce the viability of lower flow sites.
- 55 We are very proud to be part of the premium food and wine produced in Marlborough. We see the MPI proposal as of benefit to all stakeholders and we strongly support the farm relocation under examination, for all six sites.

Grant Rosewarne