

Economics / Financial conferencing – notes for MPI panel

As per the Second Minute of the Marlborough Salmon Farm Relocation Advisory Panel, in this document I have outlined in respect of the following economic / financial experts who have submitted on the proposed relocation:

- Where I agree with opposing experts
- Where I don't agree with opposing experts
- Why I believe my view should be preferred by the Panel.

Bill Kaye-Blake - PricewaterhouseCoopers

Chris Money – Ernst & Young

Wendy McGuinness – McGuinness Institute

Trevor Offen – Kenepuru and Central Sounds Residents Association

Kevin Counsell – Environmental Defence Society

Points where I agree with other experts

- Economic impact assessment which identifies significant benefits in GDP and FTE from proposed relocation (PwC), albeit noting that in my view the economic benefit and FTE calculations are slightly conservative.
- Benefits of any salmon farm relocations should outweigh costs (McGuinness Institute). The Product Disclosure Statement and Prospective Financial Information published by NZKS on 23 September 2016 clearly demonstrate the benefit expected from growth, and in my current role I can clearly see opportunities to continue that growth beyond the capacity of the current sea farm sites. I believe that NZKS is committed to operating at best practice and will do its best to respect and steward the environment and sites if sites are relocated.
- There is a net economic benefit to be obtained from the proposed salmon farm relocation (Mr Offen). This view also supports the proposed relocation.
- The total commercial viability of NZKS is not dependent on relocation of salmon farms (Mr Offen)
- There would likely be benefits if production were to be increased as a result of relocating farms to high flow sites due to increased production and thus profitability (Mr Counsell)

Points where I disagree with other experts

- Recommendation that the Minister for Primary Industries should not relocate any sites, but rather keep existing low flow sites (McGuinness Institute). The basis for this recommendation appears to be that the relocation proposal does not have sufficiently significant and certain benefits to outweigh what the McGuinness Institute perceives as significant and certain costs of fish feed, faeces and pens.
- Net benefit should be calculated solely on existing resources in the Top of the South economy (Mr Offen). That implies that economies would never grow as new resources would never come into the region.

- A net economic benefit of \$6.9m (calculation per Mr Offen) as insignificant. By that measure it might be difficult to get any new initiative that were actually individually significant.
- Implication that because NZKS' total commercial viability is not dependent on relocation of salmon farms, the relocation proposal should not proceed (Mr Offen). I believe it is more appropriate to view each site on its own fully costed basis, with the low flow sites individually uneconomic, whereas NZKS' existing high flow sites are commercially viable on an individual basis, and I would reasonably expect the proposed relocation sites to be commercially viable on an individual fully costed basis.
- A Cost Benefit Analysis model should be used in preference to an Input/Output model (McGuinness Institute and Mr Counsell). My understanding is that both methods could be considered appropriate as a means of conducting economic analysis.
- There would also likely be costs from a relocation (potential environmental impacts if production were increased, and/or costs of location in outstanding natural landscape) (McGuinness Institute and Mr Counsell). Based on expert evidence this is not clear (and is not in any event quantified by either McGuinness Institute or Mr Counsell). Presumably there would also be a benefit (during the lifetime of the current consents) from locating out of the outstanding natural landscape where certain of the farms are currently located (Mr Counsell – not considered). It is very clear from NZKS' experience that high flow sites per se generate a better fish health and performance outcome, and better environmental outcome in terms of benthic impact. Accordingly of itself, relocation will certainly improve economic performance and environmental performance at the same production levels.
- Significant number of errors in submission (McGuinness Institute) – highlighted in my Statement of Evidence 11 April 2017 Appendix 1.

Reasons why my view should be preferred by the Panel

- NZKS has very clear evidence in its experience that
 - It has been able to grow sales, and price – and as about 0.5% of global salmon production, I expect that to continue to be the case for increased production in future
 - High flow sites generate better fish health and performance, and improved benthic impact
- Both the economic impact assessment per PwC (peer reviewed by EY) and the net benefit calculated by Mr Offen, support the proposed relocation.
- I therefore believe that my view should be preferred ie that the environmental, economic and social benefits of relocation of all low flow sites outweigh the costs involved of doing so.

Andrew Clark, CFO New Zealand King Salmon

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