May 2017

Working Paper 2017/02

Letter to the Minister on New Zealand King Salmon

A review of the Ministry for Primary Industries proposal on the potential relocation of salmon farms in the Marlborough Sounds

MCGUINNESS INSTITUTE

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This working paper is the third in a series of working papers exploring proposals and decisions relating to salmon farming activity in the Marlborough Sounds.

1. *Working Paper 2013/01 – Notes on the New Zealand King Salmon Decision* (May 2013)
2. *Working Paper 2016/02 – New Zealand King Salmon: A financial perspective* (July 2016)
3. *Working Paper 2017/02 – Letter to the Minister on New Zealand King Salmon* (May 2017)

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About the Institute The McGuinness Institute is an independently funded non-partisan think tank. The main work programme of the Institute is *Project 2058*. The strategic aim of this project is to promote integrated long-term thinking, leadership and capacity-building so that New Zealand can effectively seek and create opportunities and explore and manage risks over the next 50 years. It is hoped that *Project 2058* will help develop dialogue among government, policy analysts and members of the public about alternative strategies for the future of New Zealand.

Author Wendy McGuinness

About the author Wendy McGuinness is the founder and Chief Executive of the McGuinness Institute. Originally from the King Country, Wendy completed her secondary schooling at Hamilton Girls' High School and Edgewater College. She then went on to study at Manukau Technical Institute (gaining an NZCC), Auckland University (BCom) and Otago University (MBA), as well as completing additional environmental papers at Massey University. As a Fellow Chartered Accountant (FCA) specialising in risk management, Wendy has worked in both the public and private sectors. In 2004 she established the McGuinness Institute (formerly the Sustainable Future Institute) as a way of contributing to New Zealand's long-term future. She has also co-authored a book, *Nation Dates: Significant events that have shaped the nation of New Zealand*. As part-owner of a property on the western side of Arapaoa Island, Wendy also has an understanding of Queen Charlotte Sound, the community that lives within the Sound and the diverse range of bird and marine life that co-exists there.

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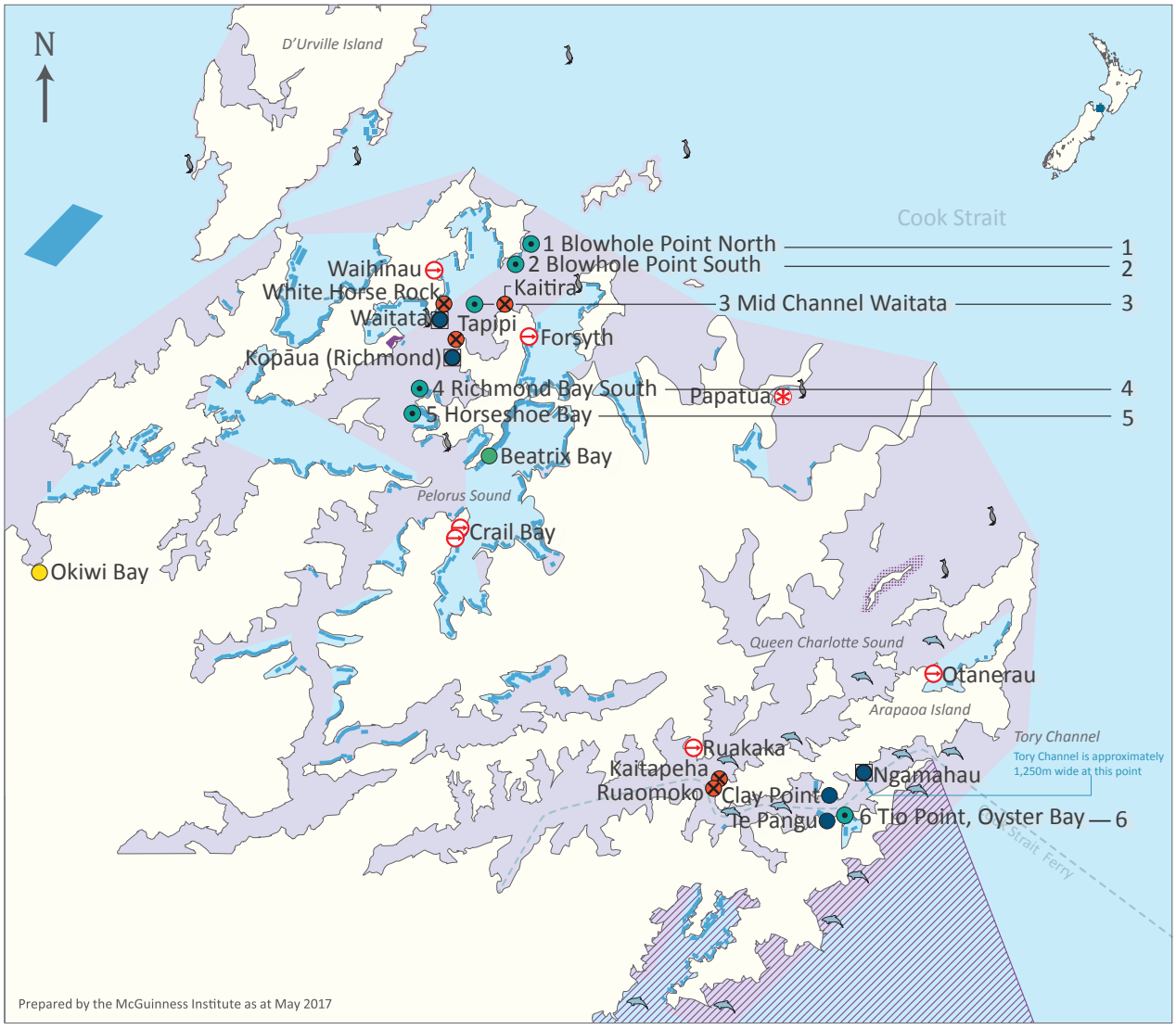

1. Salmon Farm Key

- An existing NZKS salmon farm in operation
- An existing NZKS salmon farm that is fallowed
- An existing NZKS salmon farm not in operation

NZKS purchased the two Crail Bay farms from Pacifica in order to purchase their salmon. NZKS have told the Board of Inquiry in 2012 that both farms are uneconomic and will not be operated except for research in the future.

- A proposed NZKS salmon farm that was declined

Declined as a result of the February 2013 Board of Inquiry.
Declined as a result of the 17 April 2014 Supreme Court ruling.

- A consented finfish farm exists in Beatrix Bay. It is owned by Ngāi Tahu Seafoods Ltd, but is not in operation.
- Skretting Limited Finfish Research Facility (Permit U160029) This consent expires 26 January 2034.
- MPI proposal 2017 – new proposed sites
- MPI proposal 2017 – existing sites to be relocated

2. Marine Zones, Reserves and Sanctuaries Key

- Coastal Marine Zone 1 (CMZ1)
  New aquaculture activity is prohibited.
- Coastal Marine Zone 2 (CMZ2)
  Aquaculture activity is permitted once consent is granted by the Marlborough District Council.
- Coastal Marine Zone 3 (CMZ3)
  A special zone that is created to allow for a non-complying activity. The Marlborough District Council can grant a coastal permit if the non-complying activity meets specific requirements set by the Council. See the 2013 BOI decision.
- Kokomahua (Long Island) Marine Reserve
- Marine Mammal Sanctuary
- Tui Nature Reserve

Granted Marine Farms

A *marine farm* includes resource consents approved and still current under (i) the Marine Farming Act 1971 and (ii) the Resource Management Act 1991 (RMA) (which replaced the Marine Farming Act 1971). 'Marine farm' is defined by MDC as 'any form of aquaculture characterised by the use of surface and/or sub-surface structures located in the coastal marine area.' Consent applications for granted marine farms will outline the species able to be farmed at the site. Most marine farms have consent for more than one species. For example, it is relatively common for a marine farm to be granted consent to farm mussels, oysters and seaweed, enabling owners to change water use from one to another without a new consent process. Currently, no marine farms, other than those identified above, have consent to farm salmon. This means that if NZKS, or any other party, wishes to farm salmon in the Marlborough Sounds they must apply for a resource consent. If a consent holder wants to change to a new species and/or change the structure outside the previous consent, they must apply for a new consent. However, if a site is sold, the coastal permit can be transferred to the new owner without a new consent process.

3. Marine and Birdlife Key

There is no regionally based system to identify all threatened marine and birdlife in the Marlborough Sounds. There are in effect two systems, one reflecting the situation at the national level and the other at the global level. The Department of Conservation operates a 'New Zealand Threat Classification System', which classifies taxa into *extinct*, *threatened* (nationally critically, nationally endangered, and nationally vulnerable), *at risk* (declining, recovering, relict and naturally uncommon) and *non-threatened* native biota. In contrast, an 'IUCN Red List of Threatened Species' uses a continuum: *extinct*, *extinct in the wild*, *critically endangered*, *endangered*, *vulnerable*, *near threatened*, *least concern* and *data deficient*. The two systems have different numerical thresholds and criteria and may classify the same species differently because of differences in scale; hence they should be seen as complementing each other rather than conflicting. For example, the king shag is reported as *nationally endangered* in New Zealand but *vulnerable* on the IUCN Red List. In contrast, the Hector's dolphin is considered *nationally endangered* in New Zealand and *endangered* on the IUCN Red List. Other species found in the Sounds that are known to be classified include the orca (NZ: *nationally critical*; IUCN: *data deficient*), southern right whale (NZ: *nationally endangered*; IUCN: *least concern*) and bottlenose dolphin (NZ: *nationally endangered*; IUCN: *least concern*). DOC notes that any human-induced mortality of *nationally critical* or *endangered* species must be considered with a high degree of concern.

Hector's Dolphin

Hector's dolphins are endemic to New Zealand; they are one of the smallest cetaceans, and New Zealand's only endemic cetacean. There is a pod of Hector's dolphins, about 20–30 in number, that reside in Cloudy Bay (off the coast near Blenheim). During the summer months this pod travels through the Tory Channel and is often sighted by staff at Dolphin Watch Ecotours in the bays around Arapawa Island. Their natural predators are sharks, but DOC notes on its website that other 'potential threats to their survival include trawling, marine pollution, disease and impacts of tourism and aquaculture'. All dolphins are protected under the Memorandum of Understanding for the Conservation of Cetaceans and Their Habitats in the Pacific Islands Region.

King Shag Roosting Site

The New Zealand king shag is endemic to the Marlborough Sounds. There is considerable uncertainty as to their actual ecology due to the remote nature of their breeding locations and the high sensitivity of birds to disturbance. The species is strictly marine, with all foraging occurring in the Sounds area. There is at least one known king shag roosting site north of this map, and therefore not shown.

For more information about individual farms, see Tables 2 and 3 in Attachment 5.

5 May 2017

Hon Nathan Guy
Minister for Primary Industries
Parliament
Wellington

Dear Minister,

Ministry for Primary Industries Marlborough salmon farm relocation proposal (MPI proposal)

This letter provides an overview of the McGuinness Institute's (hereafter referred to as the Institute) concerns about the MPI proposal, with particular reference to the December 2016 Cabinet paper.[1] This letter also forms part of the Institute's *Submission on the Potential Relocation of Salmon Farms in the Marlborough Sounds*, dated 27 March 2017. We have focused on our areas of interest and research expertise. We apologise in advance for its length; however we feel that this issue deserves a detailed and comprehensive explanation of our concerns. We would appreciate the opportunity to meet with you to discuss these concerns at a time of your convenience.

Our interest in this proposal is due to the extent that the costs and risks are borne by the public while the profits are privatised, as well as the likely duration of the costs and risks before they are reassessed and renegotiated (e.g. 35 years). As we are sure you will agree, a high level of accountability and transparency is required if unique public assets such as water space in the Marlborough Sounds are to be placed in the hands of for-profit companies such as New Zealand King Salmon Investments Limited (NZKS). This is particularly the case when the granting of consents occurs over a long period of time, and the impacts of pollution on a fragile ecosystem can be irreversible. Given that some of our concerns relate to a lack of transparency, we thought it appropriate to let you know upfront that as well as being CEO of the Institute, the author is also part-owner of a holiday cottage on Arapaoa Island in Queen Charlotte Sound.

The purpose of the proposal

Importantly, only four of the six farms being reconsidered under the MPI relocation proposal have been operated by NZKS as salmon farms. The MPI proposal is, as noted below, to relocate farms not consents, therefore we would argue only three farms could, under this proposal, be relocated.

> Until 27 March 2017, the Minister for Primary Industries sought your views on a proposal to amend the Marlborough Sounds resource management plan to enable relocation of up to **6 salmon farms**. [Bold added][2]

The two Crail Bay sites were purchased by NZKS from Pacifica Salmon Limited in June 2011.**3** The fact that MPI acknowledges that these farms have not been stocked since 2011 indicates both sites have never been operated by NZKS and therefore these farms do not legitimately fit under this relocation proposal.

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1 Ministry for Primary Industries. (December 2016). Sub16-0078: *Consultation proposal on potential relocation of salmon farms in the Marlborough Sounds* [cabinet paper]. Retrieved 3 May 2023 from https://www.mpi.govt.nz/dmsdocument/16159

2 Ministry for Primary Industries. (n.d.). Marlborough salmon relocation – Consultation closed. Retrieved 3 may 2023 from https://www.mpi.govt.nz/consultations/marlborough-salmon-relocation/

3 This date was provided in personal communication dated 8 May by Andrew Clark, Chief Financial Officer of NZKS.

Additionally, Forsyth Bay, one of the four sites that have been farmed, has been fallowed since 2011. For more information about individual farms, see Tables 2 and 3 in Attachment 5.

Further, as with any consultation, it is important to understand the purpose and drivers behind this proposal, in particular why did MPI initiate it and why have you, as the responsible Minister, supported it? Our view is that MPI initiated this proposal because it was trying to achieve the $1 billion aquaculture industry goal. We also believe your support (and that of Cabinet) has been galvanised and treated with urgency as you believe NZKS is not profitable due to mortality events and the implementation of the BMP *Benthic Guidelines*. You may also be supporting this proposal because of the upcoming expiry of existing consents in 2021 and 2024. We discuss each in turn:

(i) The $1 billion aquaculture industry goal

We discuss this point in more detail in our concluding remarks, but we understand the $1 billion goal was a goal developed by industry in 2006. It became embedded in public policy and continues to shape the dialogue today. It is not evidence based and is not based on a review of strategic options. We argue that a goal is not a strategy.

We also note that the public consultation process for the MPI proposal is occurring only a few months prior to a public consultation on the national direction for aquaculture (mid-2017). The MPI website notes that the national direction will deal with similar issues; it 'will help councils and industry:

- manage re-consenting of existing marine farms more consistently and efficiently across the country
- enable better use of existing marine farms
- improve environmental outcomes
- increase community confidence in the industry.'[4]

This indicates a desire of MPI to push through changes in the Marlborough Sounds a few months before a national conversation on the direction of the aquaculture industry. This is concerning because the consultation on the national direction for aquaculture would be an opportunity for the country to prepare strategy that is evidence-based, considers a wide range of options and seeks out alignment with the communities and indeed the country's values. We consider the current process expensive, rushed and not in the best interests of the country.

(ii) NZKS's profitability

We note that in September 2016 NZKS was forecast to make a $10 million profit in FY2017; the interim accounts have only reinforced this (see Figure 4). This was not noted in your papers or included in your December 2016 paper to Cabinet. In our view, any urgency in regard to profitability is misplaced. Mortalities (net of insurance) have significantly decreased (see Figure 5), inventories and biological assets have significantly increased (see Figure 9) and production in the form of live weight has increased (see Figures 8). Hence the profitability argument seems redundant.

(iii) Existing consents are expiring

Further only one of the four operating farm consents in question expire in 2021 (i.e. Ruakaka). The other three operating farms expire in 2024 (i.e. Forsyth, Waihinau and Otanerau) (8 years away). We note that the BOI decision was fully aware of the challenges of the low-flow sites and the impacts.[5] It is our

4 Ministry for Primary Industries. (n.d.). Aquaculture. Originally retrieved in May 2017 at www.mpi.govt.nz/law-and-policy/legal-overviews/aquaculture

5 Board of Inquiry. (22 February 2013). *Board of Inquiry: New Zealand King Salmon requests for plan changes and applications for resource consents*. Final report and decision of the Board of Inquiry. Environmental Protection Authority (EPA), p. 69. Originally retrieved 8 December 2022 from www.epa.govt.nz/Publications/BOI%20NZKS%20Final%20Decision%2022%20Feb.pdf

understanding that as this knowledge was available, it was taken into account when the BOI made their decision to approve four of the nine farms. Hence the expiry argument seems redundant.

Given the above, MPI's argument for pursuing this proposal therefore only relies on supporting a goal established by the industry in 2006. We strongly support a national conversation on the direction of aquaculture in New Zealand but we do not support the MPI proposal – it is premature.

Below we set out background to the Institute and 15 concerns with the MPI relocation proposal. We then make concluding remarks.

Background to the Institute and our interest in ocean management

The Institute was established in 2004. We have three major policy projects: *ForesightNZ*, *StrategyNZ* and *ReportingNZ*. We look for ways to build alignment between these three policy projects over the long term. We inform this work by researching specific projects where practice and policy interconnect. One of our research projects is called *OneOceanNZ*. Other research projects include *CivicsNZ*, *TalentNZ*, *LivestockNZ*, *PublicScienceNZ* and *TacklingPovertyNZ*.

Over the years we have built strong relationships with a wide range of councils throughout New Zealand. A trend that we see emerging across all our work is central government's lack of respect for local government, in particular policy analysts in Wellington having little faith that local government is an effective mechanism to bring about change. The MPI proposal is one such example, but we also see this occurring across other areas of public policy: social services, education, health and housing. We have deep concerns that this emerging trend will undermine our ability to achieve a resilient and robust economy and a healthy and informed civil society.

OneOceanNZ encompasses a range of publications, including *Report 10 – One Ocean: Principles for the stewardship of a healthy and productive ocean* (March 2015). This report advocated for a set of principles to guide decision-making and led to a think piece suggesting the government create an oceans institution. The institution would provide a wide range of credible, reliable and independent data, which would connect those interested in exploring and shaping oceans policy with those who make public policy decisions. The institution would also act as a steward for our oceans, promoting the efficient and effective management of New Zealand's oceans in support of the work of our Pacific neighbours and of other similar organisations internationally.

We see this latest MPI proposal as another example of why an oceans institution is necessary. Water cannot be looked at in isolation; it is contradictory to advocate for clean water in our lakes and rivers (see the Ministry for the Environment's 2017 Clean Water package), while at the same time dirtying the water in our estuaries and inlets. We appreciate the challenges involved in resource management but, in our view, piecemeal approaches to public policy are no longer appropriate given current scientific knowledge (what we know) and New Zealand's national values (what we want).

Our research supporting this specific project includes four attachments. Attachment 1 is a timeline of key events related directly to the proposal this letter addresses. Attachment 2 refers to our *Working Paper 2016/02 – New Zealand King Salmon: A financial perspective*. This working paper was published in draft on our website in July 2016. It underwent a range of versions as we gathered new information from NZKS, government departments (including through OIA requests) and others. It was published as a final working paper in March 2017. Attachment 3 is our *Working Paper 2013/01 – Notes on the New Zealand King Salmon Decision*. It was prepared after our experience of the BOI held in 2012; it outlines observations and recommendations on best processes going forward. Both of these working papers inform our views on

NZKS Proposal, pp. 69, 87. Originally retrieved 2017 from www.epa.govt.nz/Publications/AEE%20on%20the%20Environment%20for%20Main%20Plan%20change% 20and%20Resource%20Consents.pdf

this current MPI proposal. Attachment 4 is an April 2017 article about an Australian aquaculture company and is provided here to illustrate the general direction of the salmon farming industry – a move away from inshore farming (such as in the Marlborough Sounds) to keeping salmon on land longer (in tanks) and then locating them offshore (away from inshore ecosystems).

In writing this letter we are aware of the range and connections between issues. For the sake of creating some order to our concerns, we have grouped the issues as legal and process issues (points 1–6), financial and economic issues (points 7–12), additional concerns (points 13–15) and concluding remarks. Please note, in trying to understand the implications of this proposal we have prepared a number of Excel documents that support Figures 1–6, 8 and 9. These Excel documents are available on the Institute's website.

Legal and process concerns

We have a range of concerns about legal and process issues that occur as a result of this proposal. We discuss each of these below.

1. Use of section 360A of the Resource Management Act 1991 (RMA 1991).
2. Failure to assess the impact of existing and proposed farms as a package, in each Sound and in the Marlborough Sounds in totality.
3. NZKS's use of alternative performance measures (APM) in the media.
4. Inadequate time, excluded information, biased information and narrow questions in the consultation process.
5. A lack of clarity over the time frame and when the public would next have an opportunity to engage with and review the process.
6. Concerns over credibility of environmental impact assessments.

1. Use of section 360A of the Resource Management Act 1991.

As noted in Para 60 of the December 2016 Cabinet paper:

> This is the first time that section 360A-C regulation making power under the RMA has been used. Therefore there will be questions about how the provisions are applied.

In 2011 the Crown treated an NZKS proposal as nationally significant, requiring a high level of due diligence, consultation and review under section 142 of the RMA 1991. Hon Kate Wilkinson, Minister of Conservation at the time, noted that:

> The proposal is likely to result in or contribute to significant changes to the environment. The proposal will involve the occupation of large areas of the coastal marine area with salmon farming structures for up to 35 years, the discharge of 40,000 tonnes of fish feed per annum and the resultant discharge of faecal matter from the caged salmon into the coastal waters and seabed of the Marlborough Sounds. […]
>
> The proposal is likely to arouse widespread public interest or concern regarding its likely effect on the environment.[6]

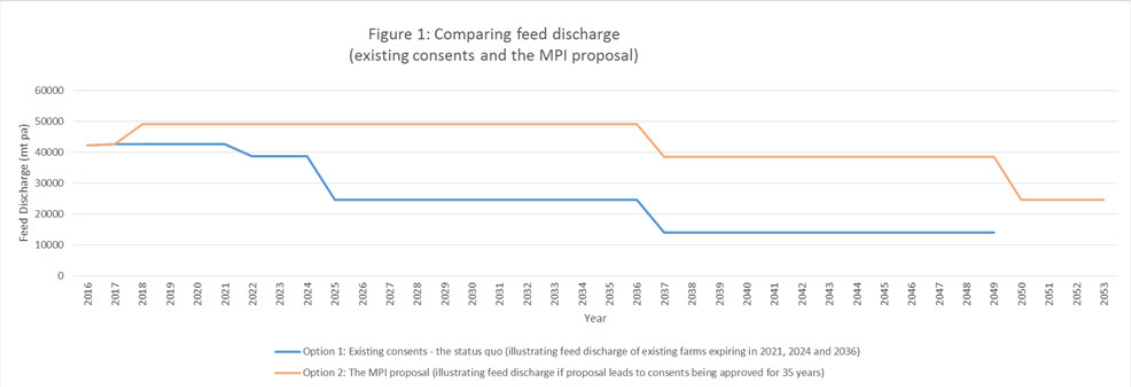
There are many reasons why we consider this MPI proposal should have proceeded as a proposal of national significance before a Board of Inquiry (BOI).

Firstly, it seems illogical that an application before the Minister in 2011 to discharge additional fish feed of 1,400,000 tonnes (40,000 tonnes p.a. over a 35-year period) was treated as nationally significant. Whereas a proposal before you in 2016 to discharge additional fish feed of approximately 770,000 tonnes

6 Smith, N., & Wilkinson, K. (9 November 2011). Minister's Direction on NZ King Salmon's Proposal [press release]. Beehive. Retrieved 3 April 2023 from https://www.beehive.govt.nz/release/nz-king-salmon-proposal-referred-board-inquiry

is not.[7] Instead it is treated as an application to amend the Marlborough Sounds resource management plan to enable relocation of up to 6 salmon farms.

Figure 1 illustrates that the feed discharge consents under the MPI proposal is a significant change to the status quo. Figure 1 takes into account all the existing salmon farm consents expiring over the next 35 years and compares these with the 2016 proposal (assuming a 2018 approval date by MDC). It highlights the maximum feed discharge under existing and proposed consents rather than representing the estimated levels of actual discharge given compliance requirements under the new *Benthic Guidelines*. The difference between the lines in Figure 1 highlights that although the public narrative is that this latest proposal is simply about swapping one farm location with another, the reality is that the feed discharge limits under this latest proposal are a significant change to the status quo. This is not obvious in the consultation documents prepared by MPI.



Secondly, the BOI determining the 2012 proposal found that costs and risks exceeded benefits in five of the nine farm sites – despite NZKS's ability to furnish expert assessments supporting those sites. The feed discharge application was halved by the BOI and the courts to approximately 700,000 tonnes over 35 years (in comparison with the 1,400,000 tonnes that NZKS applied for). The BOI decision to decline five of the nine farms applied for demonstrated that the process was capable of rigorously testing proposals of this scale and complexity.

Thirdly, the number of farm locations assessed in 2011 was nine of 17 (53% of existing and proposed farms), whereas in 2016 this is six of 11 farms (55%).[8] Therefore this latest proposal involves a greater proportion of farms requiring assessment than the 2011 application.

Fourthly, the panel leading the consultation, the Marlborough Salmon Farm Relocation Advisory Panel (the panel), has only one field of expertise – law. This sends a message that this proposal is about employing the law to prevent a judicial review rather than inviting a range of perspectives and areas of expertise to hear a complex and contentious proposal. The panel's singular field of expertise intrinsically weakens the panel's ability to rigorously test the expert evidence, and make sound assessments on matters

7 Assumes another 35-year consent period. See cumulative difference in the Excel documents on the McGuinness Institute website.

8 See Appendix 9 of Working Paper 2016/02 – New Zealand King Salmon: A financial perspective for an up-to-date list of current NZKS coastal permits (this working paper is included in this submission as Attachment 2). The 17 farms include eight existing farms: Ruakaka, Forsyth, Waihinau, Otanerau, Clay Point, Crail Bay (x2) and Te Pangu plus the nine new farms applied for in 2011. The three approved in the 2011 application are Waitata, Richmond and Ngamahau. The 11 farms are the eight already existing in 2011, plus the three approved as a result of the 2011 application. See McGuinness Institute. (July 2016). *Working Paper 2016/02 – New Zealand King Salmon: A financial perspective.* Retrieved 3 April 2023 from https://www.mcguinnessinstitute.org/publications/working-papers/

of marine science and environmental planning. There is a risk that the panel does not have the breadth of experience necessary to provide you the best advice.

Fifthly, the inherent weakness of a homogenous panel is compounded by the *Terms of Reference for the Advisory Panel* (21 February 2017),[9] issued four weeks after the public consultation began. Those terms preclude the panel from allowing cross-examination, and burden the panel with exclusive responsibility for questioning the expert evidence it hears. Further, the panel does not have authority to commission additional technical assessments itself. In both respects, that lessens the ability of the panel to conduct as robust an assessment as could a BOI. This is particularly relevant considering the panel are being asked to give advice without the evidence of a cost-benefit analysis.

Sixthly, any alternative options that the panel might recommend would have to derive either from the panel's own analysis, or from the comments of the public or iwi authorities. Yet, as this is a novel use of s360A, we doubt many members of the public have understood the process in the way that they probably would have understood a further BOI process. For instance, the consultation documents do not make it easy to understand that the proposed regulations will circumvent any requirements for further public consultation when consenting the new farm locations. This means that the current process is the only opportunity for members of the public to address their concerns about the proposed new farms.

Given these factors, it is hard to understand the decision that a s360A process may be appropriate. The end result is that this 2016 proposal fails to have the same levels of diligence, expertise, analysis, transparency, independence, public consultation, critical inquiry and review that were required in the 2011 application.

Based on the terms of reference of the panel, it reads as though the goal for the panellists is to find a way to achieve the government's aquaculture goal within the current law, rather than asking the panel to make the best decision for New Zealand. The panel is required to undertake a very narrow and specific task in contrast to what the former Board of Inquiry was required to consider – which was the national interest under section 142 (3).

The *Terms of Reference for Marlborough Salmon Farm Relocation Advisory Panel* state:[10]

> The Panel will provide an independent report and recommendations to the Minister on the comments received through this consultation process on the proposed regulations. The report may frame up options for the Minister, as opposed to recommending one approach. It is possible that there may be various combinations of the sites and/or alternative rules (including conditions/standards) which meet the **requirements of the RMA, achieve the Government's policy for aquaculture** (and give effect to the identified objectives) as well as addressing issues raised in the comments. […]
>
> The Panel will need to test the material before it, **keeping in mind** the provisions of the Government's policy for aquaculture and the RMA. [bold added]

The difference in treatment of these two proposals brings into question the integrity of MPI resource management processes. It suggests that section 360A is being used as a backdoor in 2016 because the front door in 2011 (section 142) did not work. This manipulation of the Act undermines the intent behind the legislation and, as a result, erodes public trust.

Given the above, we believe that the 2016 proposal is as nationally significant as the 2011 proposal, and should be treated with the high level of due diligence it deserves.

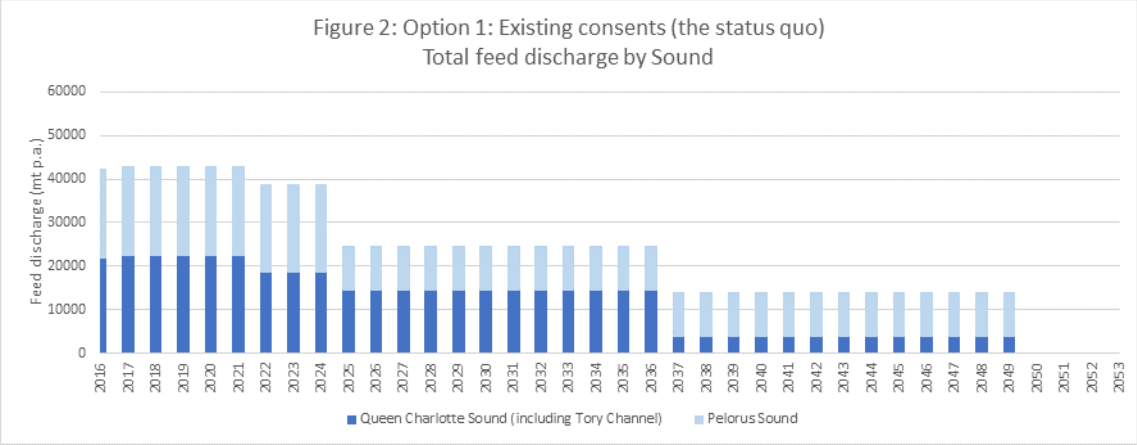
9 Ministry for Primary Industries. (21 February 2017). *Terms of reference for Marlborough Salmon Farm Relocation Advisory Panel*. Retrieved 6 March 2023 from https://www.mpi.govt.nz/dmsdocument/16489

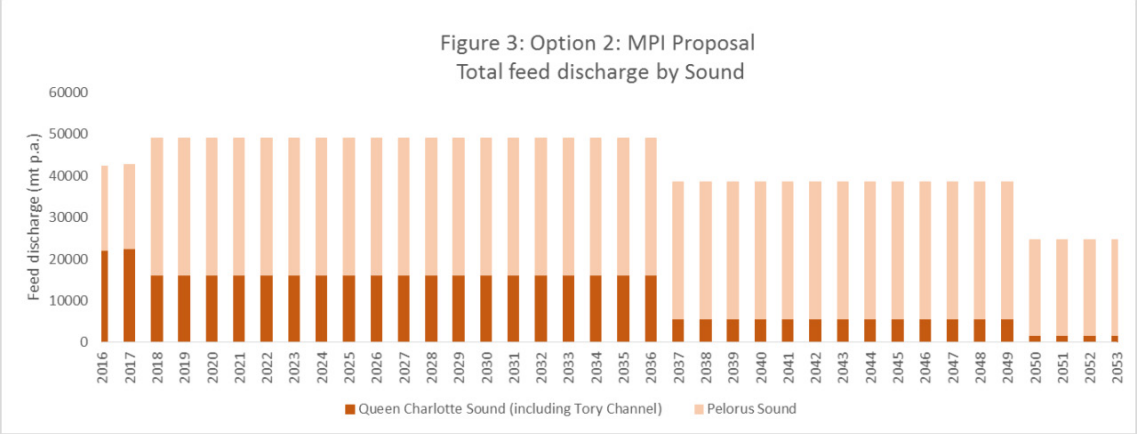
10 Ministry for Primary Industries. (21 February 2017). *Terms of reference for Marlborough Salmon Farm Relocation Advisory Panel*. Retrieved 6 March 2023 from https://www.mpi.govt.nz/dmsdocument/16489

2. Failure to assess the impact of existing and proposed farms as a package, in each Sound and in the Marlborough Sounds in totality.

The current process focuses on the area of water space occupied by each new farm rather than how the existing and proposed farms will collectively impact on each Sound and the region as a whole. This includes the cumulative impact of the feed discharge from the farms on the environment over the long term. We believe that the Sounds should be assessed both individually and together, taking into account their unique characteristics while also considering the cumulative impact of the farms together. Importantly, this proposal may be the last opportunity to do this for 35 years.[11]

Assuming the resource consents are approved for 35 years, NZKS will discharge significantly more feed into the Pelorus Sound and more feed discharge into the Tory Channel (this will in turn place more feed into Queen Charlotte Sound via the Tory Channel). Figures 2 and 3 breakdown the feed discharge shown in Figure 1 by each Sound – by option 1 (the status quo) versus option 2 (proposed). Option 2 takes into account the existing five farms and the six relocated farms if this latest proposal was fully adopted.





3. NZKS's use of alternative performance measures (APMs) in the media.

11 We have been advised by MPI on the 26 March 2017 in response to a question over the possible duration of the consents. Their response was that 'Legislation says duration of consents should be a minimum of 20 and maximum of 35. MDC have discretion of how long the consent will be granted for within that range.' We have gone back to MPI to clarify this point, but for the purposes of this letter we have assumed that NZKS would apply for 35 years, as that would be prudent business practice.

The government needs to be mindful that some companies are presenting alternative performance measures (APMs) in the press without disclosing that their figures are not prepared using Generally Accepted Accounting Practices (GAAP) and are therefore different from the figures reported in their financial statements. NZKS used alternative performance measures in the press before it went public last year. In an August 2016 article that appeared on *Stuff*, originally published by *Marlborough Express*, it was noted of the Chief Executive of NZKS, Grant Rosewarne, that:

> He did not deny King Salmon had four "difficult" years but each year a profit had been made, and the company was coming out of that phase now.[12]

This was incorrect. On becoming aware of this article, we asked *Marlborough Express* to go back to NZKS to disclose GAAP information. However, we understood (from a conversation with the journalist concerned) that Grant Rosewarne would not change his original statement. This led to additional text being added by the editor noting that this information conflicted with the information available on the Companies Office. This showed losses for NZKS in 2012 and 2014 of more than $9m and $1.5m respectively (see the two losses in the four years in Figure 4). It was around this time that NZKS would have been preparing a proposal to list on the NZX and negotiating the relocation proposal with government officials. Therefore, it was in NZKS's interest to appear profitable to the investment market and non-profitable to government officials. This is discussed further in point 9.

The Financial Markets Authority (FMA) has been undertaking some work on non-GAAP, and we have prepared a submission to them using NZKS as a case study.[13] We believe that if companies such as NZKS are going to use alternative figures in the public domain, they should be required to state they are not using financial information prepared under GAAP and that these alternative figures should be reconciled with GAAP information. We also consider this emerging trend to be deserving of immediate regulation and stringent penalties.

4. Inadequate time, excluded information, biased information and narrow questions in the consultation process.

We believe New Zealand could work harder at improving consultation processes. This point is also discussed in Attachment 3: *Working Paper 2013/01 – Notes on the New Zealand King Salmon Decision.*

The relocation proposal was open for consultation from 26 January 2017 until 27 March 2017 (eight and a half weeks).[14] We consider eight and a half weeks to be an insufficient written submission period for a community that, in our view, is still suffering from consultation fatigue. The 2011/12 BOI process was harrowing and divisive; it would have been challenging for a number of people to engage in yet another NZKS application process. In addition, the consultation period took place shortly after Christmas and New Year and before the Easter holidays, further restricting people's ability to prepare and contribute. The Institute had some timing issues as a result.[15]

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12 Please see the full article in Appendix 11 of *Working Paper 2016/02: New Zealand King Salmon: A financial perspective*. See also excerpts from NZKS's Financial Statements for the four years in question: the years ended 30 June 2012, 30 June 2013, 30 June 2014 and 30 June 2015 in Appendix 8 of *Working Paper 2016/02: New Zealand King Salmon: A financial perspective* at https://www.mcguinnessinstitute.org/publications/working-papers/. See also Figure 4 for a graph of actual and forecasted profit.

13 McGuinness Institute. (April 2017). *Submission – Submission on disclosing non-GAAP financial information*. Retrieved 6 March 2023 from https://www.mcguinnessinstitute.org/publications/submissions/

14 Ministry for Primary Industries. (n.d.). Marlborough salmon relocation – Consultation closed. Retrieved 3 may 2023 from https://www.mpi.govt.nz/consultations/marlborough-salmon-relocation/

15 The Institute had engaged with MPI and others; raising questions that were not answered until after submissions closed. We asked for an extension but that was declined. Due to the draft nature of our submission we placed 'draft' on our working submission and emailed it to MPI. The draft was not of sufficient quality to be placed on our website but MPI did make our draft submission public. The implications of this has gone on to create a few issues.

As noted earlier, we believe that it was not made adequately clear in the proposal that any resulting resource consent by NZKS applications would not be publicly notifiable. Additionally, it has not been made clear that use of RMA regulations as proposed will make it much harder for MDC to refuse NZKS resource consent applications, particularly because any possible reasons MDC may have to refuse a consent application will have already been addressed in this consultation.

We also have concerns about the exclusion or bias of information that was provided to the community, particularly given the size and complexity of the proposal. The PFI does indicate that NZKS will be able to make a significant profit even when it is compliant with the *Benthic Guidelines* – without relocating the farms. This appears to contrast with the narrative in the MPI proposal that NZKS will not be able to make a profit given the high level of environmental standards being required of the company by the *Benthic Guidelines*.[16] Although it does not discuss the company's profitability in the handouts, the text implies the company may struggle financially if the relocation does not happen. This is apparent in both the public drop-in poster and the consultation questions and is in complete contrast to the financial information that was provided in the *Prospective Financial Information* (PFI) to the investment market in September 2016. This is discussed further in points 9 and 10.

To illustrate the historical context of this proposal, we have provided a timeline of key events in Attachment 1. Key documents that we consider should have been included on the consultation website are marked by a '#'. Of particular concern is the extent to which relevant financial documents were excluded. These documents include the *Prospective Financial Information* (PFI), *Product Disclosure Statement* (PDS) and *Pro Forma Statement of Financial Position as at 30 June 2016*. We believe they were excluded because they indicated the significant change in NZKSs financial structure that took place in late 2016 and the resulting improvements in profitability that this is predicted to generate (see Figure 4). This evidence is in contrast to the narrative that underlined the December 2016 Cabinet paper and the MPI consultation documents. We discuss these conflicting narratives in more detail in Point 9.

In addition, there are a number of gaps in the information provided as part of the consultation. These include details of the history of NZKS's permits and operation (including the BOI decision and the court cases), records of NZKS's compliance with their current resource consent conditions, alternative strategic options for use of the water space and the actual increase in feed discharge being proposed. We believe graphs similar to Figures 1–3 above better illustrate the possible impacts of the proposal.

We also have a view that timelines and searchable documents are something that government departments should work hard to provide the public. This would demonstrate a desire to help the public engage in complex processes. There is also inconsistency in the use of NZKS's company name (see footnote 30). MPI's process are difficult to navigate and documents have different names once links are opened, creating unnecessary confusion. In our view, MPI's consultation process is less user-friendly and professional than the EPA's.

The 40 questions in the consultation documents are site-specific and do not acknowledge the full historical context, complexities, trade-offs or costs, benefits and risks of the proposal. The questions do not invite responses on alternative strategic uses for the Marlborough Sounds, on the costs, benefits or risks to the Crown or MDC, or on how NZKS might improve its management practices going forward.

16 The public drop-in poster notes: 'Under modelled minimum potential feed levels, all four of the currently active lower-flow sites (Ruakaka, Waihinau, Forsyth, and Otanerau) would become commercially unviable resulting in a sustained loss of $10 million GDP and 105 FTEs' and 'Under the modelled maximum potential feed levels, three of the four sites (Waihinau, Forsyth, and Otanerau) would remain commercially viable at reduced production levels. Reduced production at these three sites is estimated to result in an ongoing loss of $3.6 million GDP and 38 FTEs'. Ministry for Primary Industries. (January 2017). *Can salmon farming in the Marlborough Sounds be improved without increasing space?* Salmon Farming in the Marlborough Sounds Consultation - Public drop-in posters. Retrieved 6 March 2023 from https://www.mpi.govt.nz/dmsdocument/16012

Hence the consultation fails to both fully inform and invite considered feedback on the broader nature of the proposal.

5. A lack of clarity over the time frame and when the public would next have an opportunity to engage with and review the process.

While the time frame for the 2011 proposal was 35 years, this new proposal does not specify a time frame. Instead the new Plan change sets the rules of engagement, and leaves it for NZKS to seek the requisite consents from MDC. It is up to NZKS what period it applies for; but we expect, based on the 2011 proposal, that NZKS will seek coastal permits for a 35 year duration. This raises a number of concerns, given that the public will not have an opportunity to stress test the sustainable viability of the farms in this unique ecosystem for 35 years.

Firstly, not stipulating the time frame invalidates any economic assessment, as time is a key element that needs to be considered in order to assess costs, benefits and risks. This perhaps explains why PwC, in their November 2016 *Economic Impact Assessment*, applied a piecemeal approach based on 100 tonnes of net new annual salmon production; they simply had no other option. We discuss PwC's approach further in point 12.

> Because some details about future levels of production and future sites are yet to be decided, our analysis estimated the impacts per 100 tonnes of production and per annual site developed. (p. 5)[17]

Secondly, we consider the public has not been well informed about the lack of opportunities for involvement in subsequent resource consent processes. For example, the public drop-in poster, *What happens if the lower-flow farms are not relocated?*, lays out three outcomes and then states: 'Note that new resource consents will still be required for each relocated farm'.[18] This note encourages a perception that the public will have further opportunities to engage with each consent application (as in the past), but this is not the case: the only opportunity for engagement is now.

Further, the proposed rules contain (in Appendix D4 of the proposed regulations) a set of 'requirements' that any subsequent consent application must satisfy, which are extremely detailed and in content resemble conditions of consent. It seems likely in practice that NZKS's future consent applications would include undertakings to comply with these 'requirements', and because these establish the entitlement to proceed as a non-notified discretionary restricted activity, the 'requirements' would almost certainly be replicated into a consent document as conditions of consent, with little or no adjustment. Thus, the consent process would provide neither a forum for the public to be heard, nor would it function as the primary forum for setting detailed operational conditions to manage the effects of the operations. That both of these functions are happening now, under the present consultation, is unlikely to have been well understood, particularly given the novelty of using s360A, and the use of a Hearings Panel process that does not resemble the BOI processes with which the public are familiar.

Furthermore, given developments in scientific knowledge and technology (e.g. technology involved in the move to offshore salmon farming by Huon Aquaculture in Australia, see Attachment 4), we consider the length of time should be much shorter than the 35 years (mentioned above), for example, five to ten years.

6. Concerns over credibility of environmental impact assessments.

The pool of experts in New Zealand is relatively limited making it difficult for regulators to seek truly independent experts. Further, these experts need to be paid by someone, and the applicant, being the

17 PwC. (November 2016). *Marlborough Salmon Relocation – Economic Impact Assessment.* Ministry for Primary Industries, p. 5. Retrieved 6 March 2023 from https://www.mpi.govt.nz/dmsdocument/16051

18 Ministry for Primary Industries. (January 2017). *Can salmon farming in the Marlborough Sounds be improved without increasing space?* Salmon Farming in the Marlborough Sounds Consultation - Public drop-in posters. Retrieved 6 March 2023 from https://www.mpi.govt.nz/dmsdocument/16012

entity most likely to gain from the proposal, is the best solution. However, the system relies on not treating them as any less independent than if they were not being paid by the party who is using them. This problem is not unique to the MPI proposal. However, our argument is that more could have been done to seek out, real and perceived, independent experts.

The December 2016 Cabinet paper notes that:

> There is also a risk that the environmental impact assessments that have been commissioned to date are perceived as not being credible as they have been paid by King Salmon. To ensure impartiality and credibility of the assessments, MPI and King Salmon entered into a Heads of Agreement in October 2015 whereby MPI procured and managed the assessments, and King Salmon paid all the costs. [Para 39]
>
> The Heads of Agreement required that MPI consult King Salmon and include 2 King Salmon representatives on the researcher selection panel. King Salmon provided operational information to inform the assessments. MPI was required to consult King Salmon on each draft research report. However, King Salmon was prohibited from directly contacting the researchers without MPI's approval. [Para 40][19]

Table 1 lists the 19 topics (left hand column) covered by the 15 research providers (right hand column) commissioned by MPI (but paid for by NZKS) to consult for the Marlborough Salmon Working Group (MSWG). Of the 15 consulting research providers, 11 had been expert witnesses employed by NZKS at the 2012 BOI.[20] Furthermore, seven worked directly as part of the Boffa Miskell team for NZKS between 2009 and 2013 (Cawthron Institute, NIWA, Statfishtics, Cawthorn and Associates, Marshall Day Acoustics, Taylor Baines and OECL).[21]

This means that of the 19 research reports commissioned by MPI, 15 were authored by consultants who had benefited from a financial relationship with NZKS in the past. Two of the other consultants were NZKS themselves and PwC, which also had a relationship with NZKS through Bill Kaye-Blake, who was one of NZKS economic experts at the BOI.

19 We have assumed that the Cabinet paper refers to the environmental impact assessments provided to the Marlborough Salmon Working Group (MSWG) and put on the MPI website to support this proposal. See Ministry for Primary Industries. (December 2016). Sub16-0078*: Consultation proposal on potential relocation of salmon farms in the Marlborough Sounds,* para 39–40. Retrieved 3 April 2023 from https://www.mpi.govt.nz/dmsdocument/16159

20 Board of Inquiry. (27 September 2012). *Board of Inquiry: New Zealand King Salmon Proposal.* Transcript of proceedings (day 23). Retrieved 8 March 2023 from https://www.epa.govt.nz/assets/FileAPI/proposal/NSP000002/Hearings/f674d8027d/Day-23-transcript-27-September-2012.pdf

21 Boffa Miskell. (n.d.) New Zealand King Salmon: How do you navigate a complex plan change to obtain resource consent? Retrieved from www.boffamiskell.co.nz/project.php?v=new-zealand-king-salmon

Table 1: List of research commissioned for MSWG[22]

Research	Provider
Navigation	Navigatus Consulting Ltd
Landscape and natural character	Hudson and Associates
Tourism and recreation	TRC Tourism Ltd
Seabirds	NIWA
Marine mammals	Cawthorn and Associates
Pelagic fish	Statfishtics
Benthic	NIWA and Cawthron Institute
Water quality	NIWA and Cawthron Institute
Discharges (Cu/Zn, greywater)	Cawthron Institute
Disease and pests	DigsFish and Cawthron Institute
Biosecurity	Cawthron Institute
Underwater lighting	Cawthron Institute
Noise	Marshall Day Acoustics
Cultural impact assessment	Maximize Consulting Ltd
Heritage impacts	Heritage Works
Social impacts	Taylor Baines & Associates
Economic analysis	PwC
Operations	NZKS
Engineering	OCEL

Based on our initial research, only two consultants seemed completely independent of NZKS (i.e. did not have past working relationships with NZKS). These were Hudson and Associates and Maximize Consulting Limited, authors of the landscape and natural character and cultural impact assessment research respectively.

Hence, although the intent was to ensure impartiality and credibility, the reality is that this process was less rigorous than the BOI process. While this latest process was intended to deliver 'impartiality and credibility' (noted in the Cabinet paper), in practice it delivered research to MPI of which 90% was prepared by the 2012 NZKS BOI team.

Ideally, all consultants should be independent (in reality and perception). If there is anything in their past history that might call their independence into question, that should be acknowledged in their reports and statements. Ideally all consultant reports should be transparent, setting out the data that has been relied upon and the processes that have been undertaken. However, in cases where all three factors coexist: (i) a lack of independence by the author (in reality or perception), (ii) a failure to disclose factors that might lead to a lack of independence (in reality or perception) and (iii) a lack of transparency over data and processes, those intending to rely on those reports should, in our view, reject such reports outright.

Financial and economic issues

We see financial and economic analyses as complementary; both are important in terms of making public policy decisions. Financial and economic analyses have similar features: both estimate the net benefits of

22 Marlborough Salmon Working Group. (23 November 2016). *Marlborough Salmon Working Group Advice to the Minister of Aquaculture*, p. 30. Retrieved from www.mpi.govt.nz/document-vault/15982.
Please note there is an error in this table; the heritage impacts research was undertaken by HistoryWorks Ltd., not Heritage Works, see D. A. Armstrong. (5 September 2016). *New Zealand King Salmon Relocation Options*. HistoryWorks. Retrieved 6 march 2023 from https://www.mpi.govt.nz/dmsdocument/16072).
HistoryWorks was also an expert witness employed by NZKS at the BOI.

an initiative against the status quo. As a general rule, financial analysis compares benefits and costs from a company perspective, whereas economic impact analysis compares the benefits and costs across the whole economy. Financial analysis explores costs and benefits in terms of the flow of cash, whereas economic impact analysis explores costs and benefits in terms of a range of assumptions about externalities. We believe good practice is for a risk assessment to sit alongside an analysis of costs and benefits but in practice there are a range of possible configurations of economic and financial analyses. To understand and use economic impact analyses, it is crucial to understand the key material inputs that, when inserted into the model, have the biggest impact (e.g. the most sensitive inputs), as well as what model is being applied.

With this background in mind, we have a number of concerns about the financial and economic analyses relied on in the MPI proposal. We discuss each of these below.

7. Failure to include full assessment of costs, benefits and risks to the Crown.
8. Failure to include a full assessment of costs, benefits and risks and to MDC. Please note we have drawn a distinction between the responsibilities of the Crown and those of MDC as they are separate legal entities; district councils are not technically part of the Crown.
9. Failure to comprehensively assess the profitability and financial stability of NZKS.
10. Failure to comprehensively review the productivity of NZKS.
11. Concerns about employment figures.
12. Concerns about the PwC *Economic Impact Assessment*.

7. Failure to include full assessment of costs, benefits and risks to the Crown.

Please be aware that discussion in this section is based on information in the public arena and is not exhaustive. There may be a range of other costs, benefits and risks that we are not aware of. As noted in Para 54 of the December 2016 Cabinet paper, a cost-benefit analysis is required under section 32 of the RMA.[23] While the same Cabinet paper does provide assessment of the environmental, social, cultural and economic benefits and costs of the relocation proposal, they are noted as 'preliminary' (Para 42). Risks are also discussed in the paper, but only from the perspective of Cabinet (e.g. the risk of public opposition is discussed, see Para 59). This therefore does not constitute a comprehensive risk assessment of the proposal from the perspective of New Zealand over the long term.

We understand that a cost-benefit analysis as required under section 32 of the RMA will be prepared after the recommendations of the Panel. This means the Panel (and the public) will not be able to take this analysis into account. We find it highly unusual that a lower level report such as the *Economic Impact Assessment* forms part of the public consultation and evidence before the Panel, whereas the higher level cost-benefit analysis does not. This, in our view, indicates poor process, which is likely to lead to poor advice and, therefore, poor national decisions.

The Crown has borne and will continue to bear significant costs in managing this proposal. We are aware of the following direct costs but imagine that there will be ongoing costs to the Crown that have not, as yet, been disclosed. We are also aware of the existence of a *Heads of Agreement entered into between NZKS and MPI* in October 2015; this may shed more light on the extent of any cost recovery from NZKS. Please therefore treat the following as an informative starting point.

- Existing and committed MPI costs to date (2016 and 2017) $1,257,537[24]

23 Ministry for Primary Industries. (December 2016). Sub16-0078: *Consultation proposal on potential relocation of salmon farms in the Marlborough Sounds* [cabinet paper]. Retrieved 3 May 2023 from https://www.mpi.govt.nz/dmsdocument/16159

24 Comprising (i) MPI external costs: approx. $507,537 from 1 January 2016 to 1 March 2017 (OIA, Doole, February 2017) (ii) MPI staff costs: $450,000 for 'staff, contractor and consultation costs'. (iii) MPI internal costs: approx. $300,000 (panel to hear submissions and prepare a report) from 1 January 2017 to date. See Ministry for Primary Industries. (24 November 2016). Sub16-0078: *Consultation proposal for relocation of salmon*

- Possible future MPI costs (from 2017/2018) $1,150,000[25]
- Grants from New Zealand Trade and Enterprise (2014 and 2015) $368,000[26]
- **Total estimated costs to the Crown to date (tax-payers) $2,775,537**

The company does not provide any direct financial benefits to the Crown other than paying taxes. For the purposes of this analysis, we have treated taxes as covering infrastructure etc. and therefore excluded taxes from our assessment.

Risks to the Crown
The Institute has not endeavoured to complete an extensive assessment of risks, but such a list might include: (i) pollution and/or biological hazards and diseases delivering extensive clean-up costs for future generations, (ii) reduced competition in the salmon market (this proposal process presents an obstacle for other organisations interested in farming salmon in the Marlborough Sounds, including iwi) and (iii) reduction of biodiversity in the Sounds and the corresponding negative impacts on the tourism industry.

To conclude, when taking into account the estimated costs of this proposal and having a tentative understanding of the possible risks, the impact of the relocation proposal is likely to be negative.

8. Failure to include a full assessment of costs, risks and benefits to MDC.

MDC (via Tony Quirk, District Secretary) noted in an email response to our questions:

> 1. There has been no analysis of financial cost to Council. The cost to date for Council relate to staff time participating in the *Salmon Relocation Working Group* and in preparing the Council submission.
>
> In terms of future costs there is likely to be little cost in any plan change since Council would be directed if it proceeds to change our plan by the Minister without further formality. The costs would relate to publishing, printing and staff time to make the changes. Any application for resource consent enabled by any change to the Marlborough Sounds Resource Management Plan would be on a user pay basis as would subsequent monitoring costs. No one can determine those at this point since it all depends on the Minister's decision.
>
> 2. A framework for coastal occupancy charges is set out in the proposed MEP (Marlborough Environment Plan). Submissions on this have been received but have yet to be heard. If the framework is confirmed following hearing of submissions, coastal occupancy charges would be introduced via the Annual Plan process.
>
> Officers are unaware of any "financial benefits" to MDC from any source should the proposal be confirmed.
>
> 3. The decision is one which will be generated following recommendations by a panel to the Minister. The Minister is the decision maker. Council is not part of that decision making and therefore we are unable to see where any conflict of interest might exist.

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farms in the Marlborough Sounds [Briefing paper], para 83. Retrieved 6 March 2023 from www.mpi.govt.nz/document-vault/16567

25 Comprising (i) the possible costs of joining a judicial review: approximately $150,000 (ii) agreement to bear the costs of the plan change and the judicial review: $750,000 plus contingency of up to $250,000 for the potential review. See Ministry for Primary Industries. (December 2016). Sub16-0078: *Consultation proposal on potential relocation of salmon farms in the Marlborough Sounds* [cabinet paper], para 34. Retrieved 3 May 2023 from https://www.mpi.govt.nz/dmsdocument/16159

26 New Zealand Trade and Enterprise (NZTE) is a Crown entity and is included in the *Financial Statements of the Government of New Zealand for the Year Ended 30 June 2016*. See page 46 of www.treasury.govt.nz/government/financialstatements/yearend/jun16/fsgnz-year-jun16.pdf.
Grants received from NZTE include $195,000 (2015) and $173,000 (2014).
See also *New Zealand King Salmon Investments Limited and Subsidiaries: Financial Statements for the year ended 30 June 2015*, p. 14, Note 4(a). Retrieved 27 June 2016 from www.business.govt.nz/companies/app/service/services/documents/CA4C13F3C56BAC09A942F0687B3B3ED0.

Risks to MDC

There is a wide range of risks to the Marlborough community. Unfortunately, we are already seeing consultation fatigue and a lack of trust in central government processes. This will be difficult for the community and MDC to work through and is likely to lead to a range of hidden costs and risks in the future. We are particularly concerned about the ongoing administrative costs and are unsure what mechanisms are in place for MDC to exit from this obligation or how the community might be consulted in the future (if at all), as standard practices and processes do not seem to be applied here. In our view, MDC has all the responsibility but little control.

It appears as though this proposal is being pushed onto MDC and the local community by central government; there is no allowance for MDC to take charge and shape the proposal other than as a party to the MSWG and being a party making comments before the Panel.

9. Failure to comprehensively assess the profitability and financial stability of NZKS.

The question of profitability is central to the argument for the Crown supporting this proposal.

Profitability was also an issue discussed at the BOI, in particular, the lack of financial information. As a follow up to a working paper we prepared in 2013, *Working Paper 2013/01 – Notes on the New Zealand King Salmon Decision*, we prepared a second working paper in 2016, *Working Paper 2016/02 – New Zealand King Salmon: A financial perspective* to review the financial information that had, at that time, been missing.[27]

The December 2016 Cabinet paper notes:

> At the proposed relocation sites, New Zealand King Salmon Company Limited *[sic]* could farm consistently with environmental standards for benthic quality agreed in 2014 **while remaining commercially viable, which is not possible at the existing sites.** [Para 5] […]
>
> Six of the New Zealand King Salmon Company Limited's (King Salmon), 11 consented sites are in locations with lower than optimal current flow. Consents for all of the sites expire between 2021 and 2024. Implementing the Benthic Guidelines at any of the existing sites will require reducing feed and stocking levels to decrease the discharge of wastes. **This is expected to significantly reduce productivity and commercial viability**. In contrast, if the farms were relocated to more suitable sites, the standards in the Benthic Guidelines could be met at increased levels of production. [Para 16] [Bold added] [28]

The above sentences, like much of the narrative in the consultation documents, imply that NZKS is not going to be commercially viable unless a relocation package is instigated. This is incorrect.

In our view, the December 2016 Cabinet paper should have included a paragraph that NZKS had announced to the market in September 2017 that its FY17 profit figure is likely to be in the vicinity of $10 million and that the $10 million profit figure was based on the status quo (i.e. without the relocation of any of the six farms). We believe that if Cabinet had known this, the MPI proposal may not have eventuated and instead the Marlborough community would have been consulted about the direction of the aquaculture industry along with the rest of the county in mid-2017.

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27 We published the final draft of the second working paper on our website in July 2016, only to find that the company was in the process of going public. In July 2016, NZKS had significant debt, which, in our view, made the business commercially challenged. We have since revisited this work because the latest financial statements at the time of the BOI were not available on the Companies Office website. Both the Institute (and other submitters) thought NZKS should have made these latest financial statements available to the BOI and the public. The second working paper was an opportunity to revisit the data that had been missing and to learn more about where the company was heading.

28 Please note this paragraph uses the wrong legal name; NZKS's full legal name is New Zealand King Salmon Investments Limited not New Zealand King Salmon Company Limited. This is a consistent issue in MPI documents. See the Cabinet paper at: Ministry for Primary Industries. (December 2016). Sub16-0078: *Consultation proposal on potential relocation of salmon farms in the Marlborough Sounds* [cabinet paper]. Retrieved 3 May 2023 from https://www.mpi.govt.nz/dmsdocument/16159

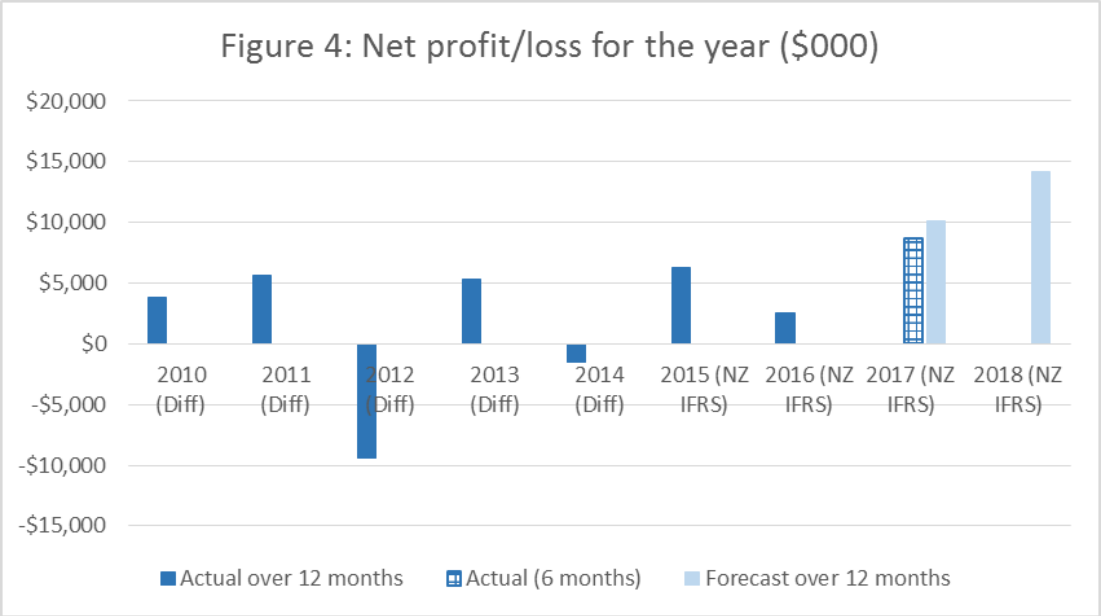


Figure 4 illustrates the losses experienced in 2012 and 2014 but that profitability has increased in 2015 and 2016. However, as a result of the shares going public in late 2016, NZKS was able to significantly restructure its debt. This had a profound impact on NZKS's profitability forecasts, as outlined in the *Prospective Financial Information* (PFI)[29] and graphed in Figure 4 above. Please note this graph excludes an additional $1.8 million one-off profit announced in May 2017, indicating the profit for the 2017 year could be well above $10 million.[30]

What is critically important is that the profit shown in Figure 4 is based on the existing salmon farms (and we assume compliance with the *Benthic Guidelines*[31]); the figures were prepared for the market on the assumption that the farm relocations would not eventuate. NZKS, in their 23 September 2016 PFI, told the investment market that:

> 4. Consent swap application expense write off. All expenses relating to an ongoing initiative being progressed by the Government and the Marlborough District Council to swap all existing low flow seafarm consents to new sites with improved characteristics were written off in FY2016. The consent swap initiative has not been used before and, in the Group's view, is unlikely to be used in the future. Accordingly, these expenses are regarded as one off in nature and, while the process is progressing positively, there is insufficient certainty of

29 Please note these profit figures are before 'non-recurring or infrequent items'. New Zealand King Salmon. (n.d.). *New Zealand King Salmon's Prospective Financial Information, a reconciliation of non-GAAP to GAAP information and supplementary financial information.* Retrieved 7 March 2023 from https://www.kingsalmon.co.nz/wp-content/uploads/2018/12/New-Zealand-King-Salmons-Prospective-Financial-Information-a-reconciliation-of-non-GAAP-to-GAAP-information-and-supplementary-financial-information.pdf

30 On 1 May 2017, an NZX announcement noted that: 'The company has signed a settlement agreement with a key supplier in regards to additional costs incurred and absorbed in the current and prior financial years, resulting in a positive one-off profit impact to New Zealand King Salmon of $1.8 million. Cash payment is due in May 2017.' NZX. (1 May 2017). NZK fish performance update, and supplier claim. Retrieved 7 March 2023 from https://www.nzx.com/companies/NZK/announcements/300414

31 This assumption is based on the fact we would have expected the Prospective Financial Information (PFI) to note this if that was not the case. New Zealand King Salmon. (10 December 2018). *New Zealand King Salmon's Prospective Financial Information, a reconciliation of non-GAAP to GAAP information and supplementary financial information,* p. 3, Factor 4. Retrieved 7 March 2023 from https://www.kingsalmon.co.nz/wp-content/uploads/2018/12/New-Zealand-King-Salmons-Prospective-Financial-Information-a-reconciliation-of-non-GAAP-to-GAAP-information-and-supplementary-financial-information.pdf

> outcome to meet the required test under NZ IAS 38- Intangible Assets for capitalisation of this expenditure. **Our financial forecasts do not assume any benefit as a result of this process**. [Bold added]

This has a number of implications. For example, was the investment market misled and money raised from the public based on misinformation that NZKS is viable, was Cabinet misled based on misinformation that NZKS is not viable and therefore must relocate six farms to become viable, or were government officials simply wishing to achieve the goal of expanding the aquaculture industry before the election.

The section below explains why we think NZKS's profitability forecasts are realistic.

Given the improvement in fish health events (see Figure 5) and its debt management (Figure 6), NZKS is now in a better position to deliver solid profits without needing to relocate farms.

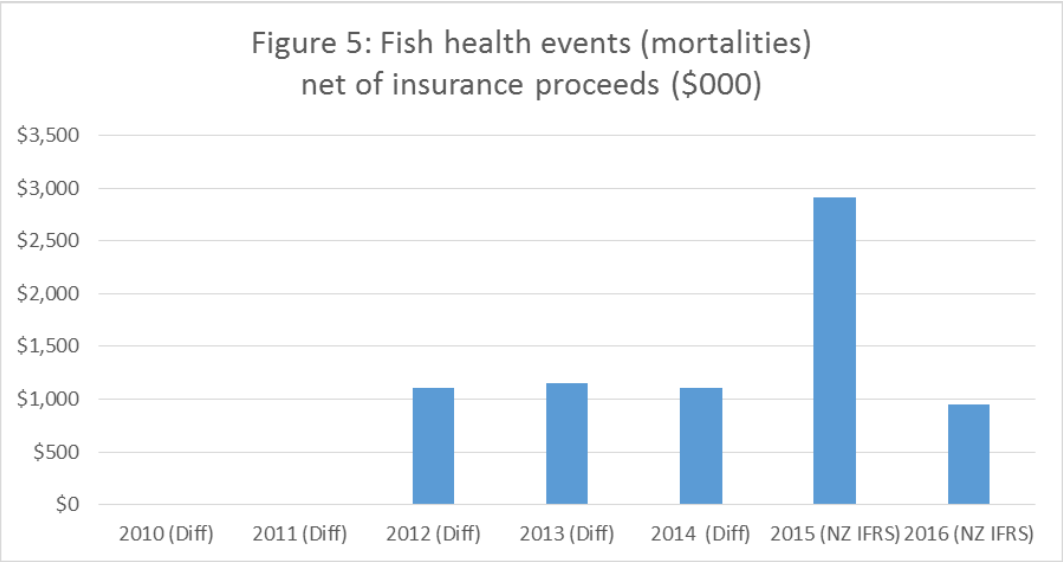


Figure 5 illustrates that although the cause of the mortalities was never ascertained, better management of existing farms sites has led to lower mortality levels and better production. Evidence of this decline can also be found on the Global Salmon Initiative website (which contains data supplied by NZKS): 2013: 13.61%, 2014: 16.32%, 2015: 14.59% and 2016: 9.25%.[32] There were also recorded mortalities in 2010, mentioned in the BOI decision, but the amount was not disclosed.[33]

Figure 6 illustrates that shareholder advances and loans have now been turned into equity. Note 3 in the *Pro Forma Consolidated Statement of Financial Position* states:

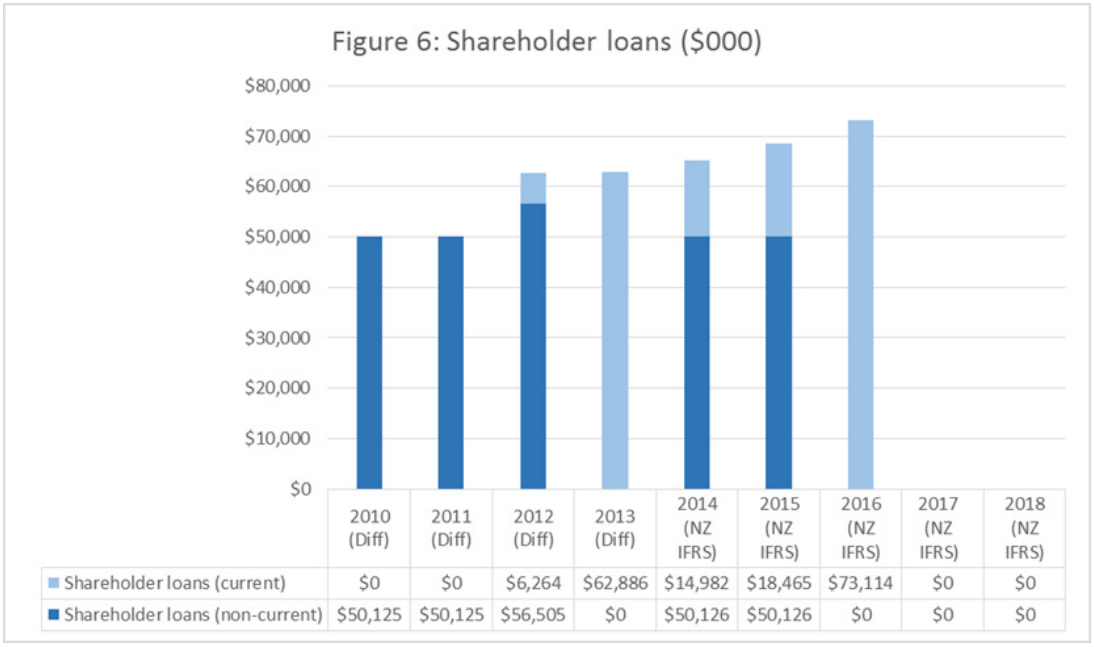
32 Note: the data supplied from NZKS for the years 2013–2016 are no longer available on the Global Salmon Initiative website. Originally found on Global Salmon Initiative. (n.d.). Data Deep Dive – New Zealand King Salmon, New Zealand. Retrieved 5 April 2023 from https://globalsalmoninitiative.org/en/sustainability-report/sustainability-indicators

33 Para 415: 'In June 2010 a bloom originating in the Grove Arm of Queen Charlotte Sound caused substantial mortalities at the Ruakaka salmon farm'. See Board of Inquiry. (22 February 2013). *Board of Inquiry New Zealand King Salmon Requests for Plan Changes and Applications for Resource Consents: Final Report and Decision of the Board of Inquiry*, p. 149. Retrieved 7 March 2023 from https://www.mcguinnessinstitute.org/wp-content/uploads/2021/12/Board-of-Inquiry-Final-Decision.pdf

> **Conversion of shareholder loans to equity**: Prior to registration of the PDS the Group's capital structure included a significant amount of shareholder loans. These shareholder loans were converted to ordinary equity on 21 September 2016.[34]

In addition, interest-bearing loans and borrowings are down from $19,326,000 to $326,000 due to the proceeds of the offer. In practice, this means financing costs of $5,215,000 are likely to significantly drop in the 2017 financial year (NZKS estimate about $1,064,000 p.a. in the 2017 year).

> **Repayment of debt**: At the IPO date, a net $16.7 million of debt will be repaid from the proceeds of the Offer. Concurrently, $10 million of bank debt will be reclassified as term debt due to updating existing facilities as a part of the IPO process.[35]



	2010 (Diff)	2011 (Diff)	2012 (Diff)	2013 (Diff)	2014 (NZ IFRS)	2015 (NZ IFRS)	2016 (NZ IFRS)	2017 (NZ IFRS)	2018 (NZ IFRS)
Shareholder loans (current)	$0	$0	$6,264	$62,886	$14,982	$18,465	$73,114	$0	$0
Shareholder loans (non-current)	$50,125	$50,125	$56,505	$0	$50,126	$50,126	$0	$0	$0

Based on very approximate workings, the above indicates that the profit forecasted by NZKS is likely to be correct; our mortality and interest adjustments to the FY2017 equals $8,709,000,[36] which is close to NZKS forecasted profit figure of $10,000,000. Based on this, it is our view that NZKS is likely to generate $10,000,000 tax-paid profit in the FY2017.

Figure 7: Excerpt from NZX of NZKS share prices

34 NZX. (30 June 2016). *Pro Forma Consolidated Statement of Financial Position*, p. 3. Retrieved 7 march 2023 from https://www.asx.com.au/asxpdf/20161018/pdf/43c28mmgypwzy6.pdf

35 See Note 7: NZX. (30 June 2016). *Pro Forma Consolidated Statement of Financial Position*, p. 3. Retrieved 7 march 2023 from https://www.asx.com.au/asxpdf/20161018/pdf/43c28mmgypwzy6.pdf

36 This is based on adjustments to the FY2016 profit of $2,593,000. That is adding savings from mortalities (down by net $1,965,000 [assuming insurance claims have been netted off against this figure]) and savings from interest costs (down by $4,151,000).

NZKS shares were released to the market in November 2016; the price would have taken into account the forecasted profit but not the relocation (as per PFI, Factor 4, mentioned above). Importantly, at this time the Product Disclosure Statement (PDS) did not refer to the relocation at all. Figure 7 illustrates the movement in NZKS's share price to April 2017. The market therefore took a view that NZKS would make a profit based on the existing farms. We believe that you should prepare an updated paper for Cabinet noting the latest financial information and specifically why you are undertaking this process. The reason must be clear and transparent, and should refer to up-to-date data and evidence.

10. Failure to comprehensively review the productivity of NZKS

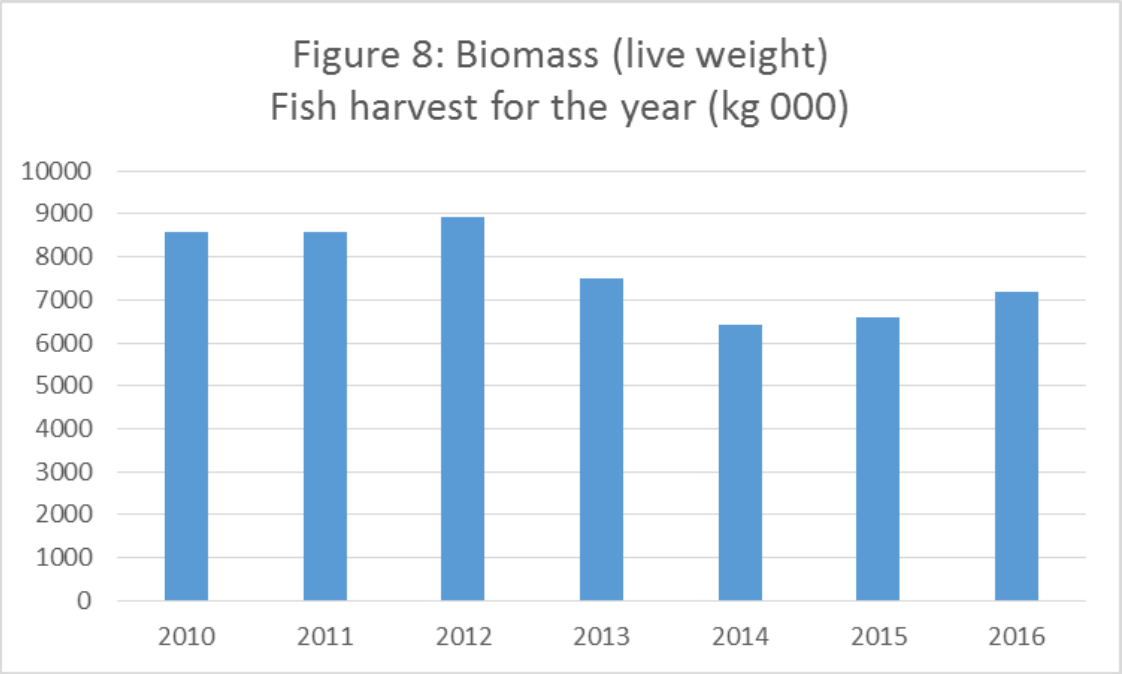
Related to profitability is production. The question of productivity is also central to the argument for the Crown supporting this proposal. The December 2016 Cabinet paper notes on p. 4:

> The problem: meeting the Benthic Guidelines without limiting production.

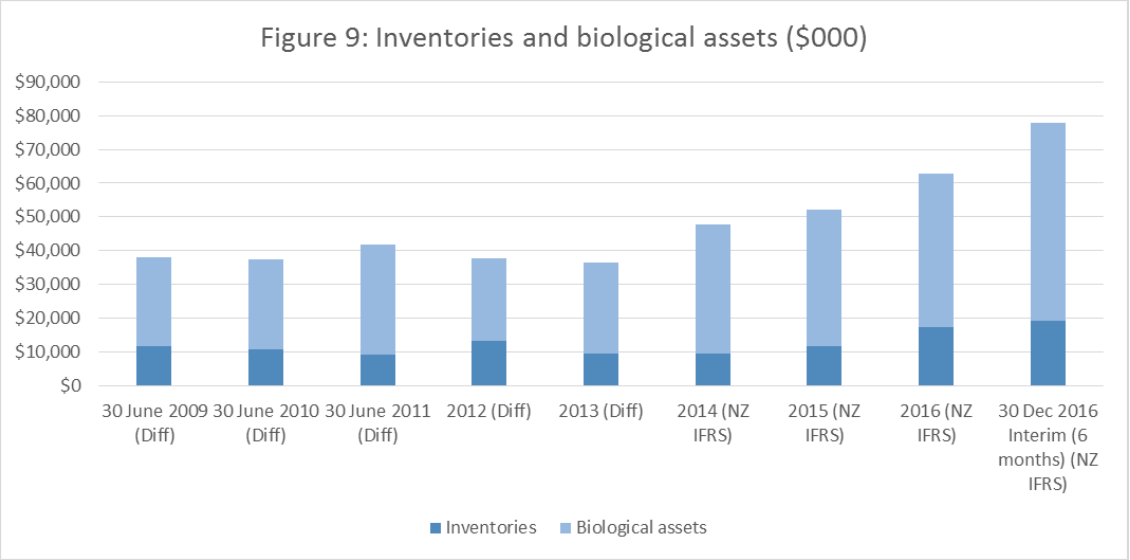
Six of the sites (Waihinau Bay, Crail Bay, Forsyth Bay, Ruakaka Bay and Otanerau Bay) are low-flow sites. The Cawthron Institute found that three of the farms were not meeting the best-practice *Benthic Guidelines* and another three were due to fall short of the guidelines before the renewal date of the farms in 2024. This information is believed to have triggered the MPI-led salmon working group process (the MSWG).[37]

Given this narrative, one would have expected that the financial statements would report a significant decrease in production but, as indicated in Figure 8, this is not the case:

37 McPhee, E. (28 march 2017). Q&A: What you need to know about New Zealand King Salmon's farm proposal. Stuff. Retrieved 7 March 2023 from https://www.stuff.co.nz/business/farming/aquaculture/90826973/qa-what-you-need-to-know-about-new-zealand-king-salmons-farm-proposal



Further, if productivity was an issue, we would expect to see a decrease in inventories and biological assets as products are dispatched to meet demand. As indicated in Figure 9, this is not the case and both have instead increased. The data indicates there is no urgency to increase production by relocating the farms and raises questions about whether productivity is the problem the MPI proposal is trying to solve.



11. Concerns about employment figures.

Understandably, there is a great deal of interest in exploring ways to grow regional employment. This might be another reason why you and government officials support this proposal but it has not been prominent issue raised in the official papers.

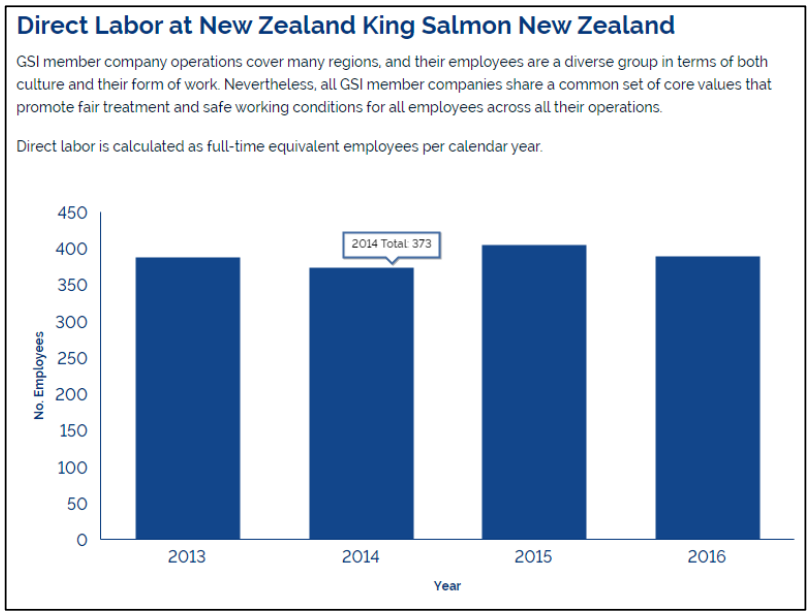
From our observations, salmon farming does not have a proven history of significantly increasing full time equivalents (FTEs) alongside increases in production. Compare for example Figure 8 with Figure 10. Figure 10 provides data on the Global Salmon Initiative website (which includes data on FTEs provided by NZKS).[38] We are not aware of any proposed FTE figures under the MPI proposal (other than figures provided by NZKS to PwC, which are different).

At the BOI there was a range of figures discussed and we caution those reviewing this MPI proposal to seek out verified FTE information. For example, an excerpt at the BOI, from Andrew Clark (NZKS's Chief Financial Officer), referred to a current headcount of 441 growing to 816 (being the addition of 375 additional employees once full production was achieved). We are unsure what the actual FTE figures were for 2012, but it was likely to be below 400 (assuming Figure 10 is correct). Clark states:

> Current employment levels as at end of July 2012 are 441 headcount. These figures are currently lower than the NZ King Salmon report indicated, due to NZ King Salmon having in place a temporary "sinking lid" on replacement of staff who leave, in order to manage costs better due to fish availability constraints and pending availability of further waterspace; seasonal lows; and mothballing of Crail Bay. [Para 6.4]

The distinction between a headcount and FTEs is significant. We believe that salmon farming will become increasingly mechanised over time (e.g. using sensors so that staff do not need to live on or close to the farms), hence FTEs are likely to stay the same or decrease. If employment is the objective of this proposal, MPI should ensure FTE data is measurable and independently verified by a third party.[39]

Figure 10: Direct Labour from 2013 – 2016 (by calendar year)



38 Originally found on Global Salmon Initiative. (n.d.). Data Deep Dive – New Zealand King Salmon, New Zealand. Retrieved 5 April 2023 from https://globalsalmoninitiative.org/en/sustainability-report/sustainability-indicators

39 This mechanisation through sensors and robotics, which will lead to significant job losses, is also the reasoning for our view that New Zealand should be requiring significant businesses to report on their FTE figures as a matter of good practice.

12. Concerns about the PwC Economic Impact Assessment

An economic impact assessment compares the costs and benefits across the economy. It does not assess risks to the Crown or to MDC in terms of probability and magnitude, nor does it replace a review of the costs and benefits under Section 32 of the RMA.

The PwC *Economic Impact Assessment* report is narrow in its purpose, and in our view, is being used beyond what it is able to illustrate (see, for example, the mention of the PwC report in the December 2016 Cabinet paper). The most useful observations that can be drawn from the report is what it tells us about the 11 farms in totality; that:

- The Ruakaka farm creates -$3.5 million of the -$3.6 million estimated decrease of value add for all six of the farms – 97% (3.5/3.6).
- The other five currently in operation (and not part of the relocation proposal) must be very profitable and going to be extremely profitable (as this analysis is prepared before the three new farms approved in 2012 become fully operational, see Figure 4).

Our specific concerns are that the work of PwC does not disclose all the data or the assumptions that drive the *Economic Impact Assessment*,[40] nor verify the input data that was provided by NZKS. PwC took that data at face value. Further, some of this data is old (e.g. the 2014/15 data in the Table at the top of p. 58).

We met with PwC on 1 May 2017 to clarify the quality of their data and assumptions. We do not have access to key data provided by NZKS or the input-output multipliers, which are protected intellectual property and therefore commercially available rather than publicly available. We requested copies of specific Excel sheets (e.g. spreadsheets of the maths for Tables 3, 5 and 6 and the Excel sheet in footnote 40 of the PwC report), but were advised that these requests were outside the terms of their engagement and that we should contact MPI.

EY reviewed the PwC report, but once again relied on the data provided by NZKS and did not verify the data in terms of stress testing it for accuracy (e.g. reviewing full time equivalents (FTEs) or looking to see if the costs of the new building represented market value. In addition, the model assumes all newly relocated farms would be built in New Zealand and no old equipment would be moved from the old sites to the new sites (farms are often dragged around the Sounds). All these assumptions, together, drive up the positive impacts of relocating the farms (see Table 41).

We also have more general concerns about independence, particularly combined with a lack of transparency. We consider the author of the PwC report and EY (who reviewed the PwC report) to not be good choices for MPI due to their previous and ongoing relationship with NZKS. These issues are discussed above under Point 6 and in our *Statement of Evidence* presented to the Panel.

Additional concerns

We have a range of additional concerns about the proposal, which we discuss below.

13. A range of outstanding issues.
14. Concerns about NZKS expansion into Southland.
15. Concerns about lack of innovation in the NZKS business model.

13. A range of outstanding issues.

There are a number of issues pertaining to the Marlborough Sounds environment that we do not cover in this letter in detail but felt was appropriate to raise briefly here:

40 PwC. (November 2016). *Marlborough Salmon Relocation – Economic Impact Assessment.* Ministry for Primary Industries. Retrieved 6 March 2023 from https://www.mpi.govt.nz/dmsdocument/16051

- Details of coastal occupancy charges are not clearly outlined in the consultation documents. We note that there is information available on proposed coastal occupancy charges in MDC *Report for Public Consultation on Proposed Framework to Introduce Coastal Occupation Charges* (1 July 2014) but the proposed charges are small given the size of the impact of the farms. Secondly, the charges are yet to be implemented (note that paper was published three years ago).
- Navigation will be an issue in Pelorus Sound, particularly the farms in the middle of the channel. Dangerous fogs from the north are not an uncommon phenomenon and mooring in the dark or in fog next to mussel farms and salmon pens is challenging.
- Hectors dolphin numbers appear to be decreasing in the Marlborough Sounds. This is based on anecdotal evidence, but the implications are that further farms in the Tory Channel may act as a further barrier between the mammal reserve that exists on the outskirts of the channel, and the inner sounds.
- The mortality issues are not fully resolved and should be monitored and public reports prepared. As indicated in Figure 5, these were significant events and only began in 2012.[41]
- We remain concerned that the December 2016 Cabinet paper refers to a statement that 'NZKS has already paid $1 million for assessments of environmental effects' (see Para 34). These figures are not evident in the financial statements. It would be good to know that government officials are monitoring what NZKS are saying by referring back to the financial statements for clarification.

14. Concerns about NZKS expansion into Southland.

We remain unsure whether section 360A would be used by NZKS in Southland and whether section 360A could be adopted by other salmon farmers operating in the Marlborough Sounds. What is clear from the *Product Disclosure Statement* (PDS) is that NZKS, no matter the outcome of this proposal, intends to look to Southland for future farm locations. This raises issues of another community undergoing a similar legal and consultation process in the short to medium term. The September 2016 PDS states:

> New waterspace. In order to reach the industry target of over $1 billion in sales by 2025, further waterspace will be required. The Southland Regional Development Strategy identifies aquaculture as one of the key economic growth priorities for the Southland region. Should waterspace be made available in Southland, we plan to pursue this opportunity. [Note 1]

We believe there is a need for greater clarity over how the government plans to manage waterspace given the possibilities of other salmon farmers entering the Marlborough Sounds, or NZKS (or others) wanting to use water space in other parts of New Zealand. We believe the processes are still adhoc with dubious benefits, and place an unfair burden on small isolated communities.

15. Concerns about lack of innovation in the NZKS business model.

NZKS's business model has not changed very much over time; the existing model is reliant on expanding inshore farms. It has not moved with the times like other international companies who are researching new ways to operate land-based systems, feed fish more efficiently or explore offshore farming. For example Huon Aquaculture in Australia (which farms Atlantic salmon, not Pacific salmon) is extending the hatchery period (producing larger smolt in land-based tanks so they only have fish in the sea for 12 months) and developing sensors to detect and optimise the eating of fish feed and preventing waste. In addition Huon Aquaculture has already made the move to offshore farms.[42]

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41 See timeline entry for July 2013: Ministry for Primary Industries. *Salmon Mortality Investigation: REW-1017 Pelorus Sound (MPI Technical Paper 2013/19).* Retrieved 7 March 2023 from https://www.mpi.govt.nz/dmsdocument/4094-Salmon-Mortality-Investigation

42 Mutter, R. (18 April 2017). Farm Focus: Huon prepares for a future offshore. *IntraFish*. Retrieved 7 March 2023 from https://www.intrafish.com/aquaculture/farm-focus-huon-prepares-for-a-future-offshore/1-1-1238365

None of these options are discussed in the proposal, nor to our knowledge, have been explored by NZKS or MPI. NZKS see expanding production in terms of the cheapest option – inshore water expansion. This expansion may be in the Marlborough Sounds or Southland, but it is the same model. This expansion represents the cheapest option in dollar value to NZKS, but it comes at the expense of exploring strategic options with better environmental outcomes. There is currently no incentive for NZKS to be innovative while MPI is allowing the company to pollute inshore waterways. In our view, MPI needs to balance its two roles – working to both 'grow' and 'protect' New Zealand. We believe this 'grow' proposal leads to poor public policy practices and outcomes, which if approved, is likely to be emulated across the aquaculture sector and across other industries in New Zealand.

Concluding Remarks

To conclude, we acknowledge the needs and desires of three of the institutional players (NZKS, MDC and MPI) below and ask you to consider, as the decision maker, what is best for New Zealand and New Zealanders going forward.

We acknowledge NZKS's desire to achieve profits and have certainty over the regulatory landscape they are operating within; this is a common desire across many businesses. However, NZKS's specific desire, namely to use a public resource for private profit (currently at no private cost) over 35 years, is unique. While the benefits of using this resource go to the company in the short term, the costs and risks are incurred by tax-payers and rate-payers over the long term. This places an additional burden on future generations of New Zealanders living in the Marlborough district as they deal with the consequences of change and disruption to the natural ecosystem. In the long term, this disruption will lead to reduced opportunities in areas such as tourism and the additional costs of regulating and monitoring the compliance of NZKS's use of public resources.

We acknowledge Marlborough District Council's (MDC) desire to effectively monitor regulatory compliance, but compliance will only be as valuable as the existing regulations and guiding principles and will be restricted by the extent to which the Council can afford to enforce them. Compliance costs are likely to have already placed a burden on rate-payers, and these costs will continue to increase with development over time. Further, the current economic investment model places compliance costs on local government while benefits accrue to central government (through tax revenue). The MPI proposal illustrates differences between the incentives driving Crown behaviour and local government.

We acknowledge the important balancing role of MPI, as outlined on their website.

> Growing and protecting New Zealand: We're helping to maximise export opportunities for our primary industries, improve sector productivity, increase sustainable resource use, and protect New Zealand from biological risk.

However, we have three main concerns with MPI's practices to date.

Firstly, the relocation process is not a competitive process. MPI has set up a process that prevents other salmon farmers from entering the market. This means that despite the significant impact the proposed changes will have on production and profits for NZKS, there is still no guarantee that the public will get the best price from the market. If we are going to allow for-profit use of water space in the Marlborough Sounds, we should set up a process that ensures the public get the best operator at the best value for the community. We suggest the Minister cancel the current relocation proposal and open up a tender process for water space in the Marlborough Sounds.

Secondly, the proposal implies that moving the salmon farms away from areas with a high population base to areas with a low population base is beneficial, as the visual pollution of the farms no longer impacts on the populace. Your ministerial foreword (p. 3) notes:

> Relocating farms provides an opportunity to get better outcomes by reducing environmental effects and moving farms to less populated areas.

However, shifting the farms to areas more precious by virtue of their lower population actually represents a greater environmental impact. Hence, arguing that it is acceptable for the Pelorus Sound to be filled with fish farms does not align with what environmentalists and tourists expect to find in New Zealand, and therefore does not, in our view, represent a benefit of the MPI proposal.

Lastly, the Government's goal, initiated by a report prepared by the industry (as part of the 2006 document: *The New Zealand Aquaculture Strategy*) articulated the goal of $1 billion a year by the year 2025. This was echoed by the Government at the time:

> The Government supports the aims of the New Zealand Aquaculture Strategy, released in June 2006. The industry's goal is to grow the industry to $1 billion a year by the year 2025.[43]

We believe a goal based purely on generating revenue is outdated and fails to take into account other dimensions (such as the four capitals in the Treasury's living standard framework: economic capital, natural capital, social capital and human capital).

Eleven years is a long time to pursue a revenue goal without reviewing results and assessing emerging trends and technologies. The timeline of key events included in this letter as Attachment 1 illustrates the progression of this strategy and reveals that an industry report written in 2006 is still influencing public policy today. Importantly, we do not believe the strategy is a strategy, rather an industry goal that has been set without any limitations or consideration of strategic options. In addition, we could not find how this goal is being measured, by whom and how we are performing and most importantly, what mix of initiatives is best for the country – for example we understand mussel farming is better than salmon farms in terms of net climate change impacts. These are important questions that policy analysts should be asking. This is particularly important as this so called strategy forms part of the considerations for the panel (see the panel's terms of reference). We believe it is timely for the Government to drop the 2006 revenue goal and instead develop a strategy that balances 'growth and protection', based on evidence and designed to meet the values of New Zealanders today.

NZKS is an important case study for New Zealand public policy; how we manage this proposal sets the scene for our shared future. Government officials need to critically assess the mistake of first committing to a goal (in 2006 the government committed to growing the industry to a value of $1 billion a year by 2025) and then trying to back-fill this goal through *ad hoc* changes in legislation and poor consultation.

We need Ministers and officials to fulfill their stewardship responsibilities by looking beyond financial goals set by the industry and instead focusing on critically assessing the benefits, costs and risks from the perspective of all New Zealanders. I believe we, as New Zealanders, have a responsibility to future generations to do this.

Wendy McGuinness
Chief Executive

43 Anderton, J. (25 November 2006). *Aquaculture sector strategy* [press release]. Retrieved 7 March 2023 from https://www.beehive.govt.nz/release/aquaculture-sector-strategy

Attachment 1: Timeline

Please be aware this is not a comprehensive list. Please also be aware that if you are copying a link across from this document into your web browser, sometimes hyphens will be dropped or added, causing the link to become broken or inaccurate. If you find that a link is not working, check the URL in your browser carefully against the URL in this document.

Note: # Indicates key documents that we believe should have been included in the list of documents on the MPI consultation page.[44]

Note: * Indicates documents listed on the MPI consultation website under a different title than the title noted on the front page of the document. Where this has happened, we have used the title on the document.

Late 1990s[45]
'Demand for access to unpolluted, nutrient-rich waters for a diverse range of marine farming increase[s] five-fold' (p. 1).

August 2000
'The Government seeks submissions on proposals to change the way aquaculture is managed – 242 submissions [are] received' (p. 2).

November 2001
'The Government approves the proposed reforms and puts in place an immediate moratorium on new applications, pending the new regime' (p. 2).

March 2002
'The Resource Management (Aquaculture Moratorium) Amendment Act comes into force. Originally for two years, the moratorium is extended to 31 December 2004 to ensure the aquaculture reform is consistent with the foreshore and seabed policy' (p. 2).

Later in 2002
'Wai 953 raises the possibility of conflict between the aquaculture reform and Treaty principles. This is addressed by the 20 percent iwi provision in the Maori Commercial Aquaculture Claims Settlement Act 2004' (p. 2).

August 2004
'The Aquaculture Reform Bill is introduced for its first reading' (p. 2).

December 2004
'The Aquaculture Reform Bill is passed into law, and takes effect from 1 January 2005' (p. 2).

July 2006 #
The New Zealand Aquaculture Strategy[46]
Commissioned by the New Zealand Aquaculture Council with assistance from the New Zealand Seafood Industry Council and the Ministry of Economic Development.

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44 See Ministry for Primary Industries. (n.d.). Marlborough salmon relocation. Retrieved 8 December 2022 from https://www.mpi.govt. nz/consultations/marlborough-salmon-relocation/

45 The timeline entries from the late 1990s to December 2004. See Ministry for the Environment. (January 2005). *Aquaculture Reform 2004: An Overview*, p. 1. Retrieved 8 December 2022 from https://www.epa.govt.nz/assets/FileAPI/proposal/NSP000002/ Applicants-proposal-documents/ca6e2519a7/Application-Attachment-Report-on-National-Significance-Appendix-1-MFE-Infosheet.pdf

46 New Zealand Aquaculture Council Inc. (July 2006). *The New Zealand Aquaculture Strategy*. Retrieved 8 December 2022 from https:// epub.sub.uni-hamburg.de/epub/volltexte/2009/3398/pdf/16450_Aquaculture_Strategy.pdf

Prepared by LECG (Mike Burrell and Lisa Meehan, with assistance and input from others).
To our knowledge there has been no review of the approach taken, it remains based on out of date data and values. The strategy articulated the goal of growing the industry to a value of $1 billion a year by 2025. This was echoed by the government at the time: 'The Government supports the aims of the New Zealand Aquaculture Strategy, released in June 2006. The strategy's goal is to grow the industry to $1 billion a year by the year 2025'.[47] Mike Burrell was later appointed CEO of the newly established New Zealand Aquaculture Ltd.

10 September 2009

New Zealand Aquaculture: Industry Growth Scenarios[48]

Commissioned by Aquaculture New Zealand, funded by New Zealand Trade and Enterprise (NZTE).
Prepared by Ernst & Young (EY) (Peter Goss, Duncan Wylie, Ray Greenwood and Michael Ross).
It is in this report that the estimated figure for the growth potential of the aquaculture industry was doubled from $1 billion to $1.7/2.2 billion (see quote from Aquaculture Technical Advisory Group [TAG] in the timeline entry for 15 October 2009).

15 October 2009

Re-Starting Aquaculture: Report of the Aquaculture Technical Advisory Group[49]

The Technical Advisory Group (TAG) was established to provide the government with a report including recommendations 'to enable the development of sustainable aquaculture in New Zealand' (p. 6). Mike Burrell, CEO of New Zealand Aquaculture Ltd, was a member of the group. The TAG drew on the content of the *New Zealand Aquaculture: Industry Growth Scenarios* report by EY referenced in the timeline entry for 10 September 2009.

> In the medium term the growth potential of aquaculture has been estimated in a recent Ernst and Young report to be in the order of between $1.7 to $2.2 billion per annum by 2025 if some basic business practices are followed, further water space is made available and there is flexibility for farm conversions in some existing space. (p. 8)

15 March 2010

Cabinet Minute of Decision (10) 9/2[50]

Prepared by Secretary of the Cabinet.
This decision notes that 'the government supports the industry goal of generating annual sales of $1 billion by 2025' (n.p.).

June 2010

The Net Economic Benefit of aquaculture growth in New Zealand: Scenarios to 2025[51]

Commissioned by Aquaculture New Zealand.
Authored by NZIER (Chris Schilling and James Zucollo).

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47 Anderton, J. (25 November 2006). *Aquaculture sector strategy* [press release]. Beehive. Retrieved 8 December 2022 from www. beehive.govt.nz/release/aquaculture-sector-strategy

48 See Ernst & Young. (10 September 2009). *New Zealand Aquaculture: Industry Growth Scenarios*. Retrieved 8 December 2022 from www.parliament.nz/resource/0000149424

49 See Aquaculture Technical Advisory Group. (15 October 2009). *Re-Starting Aquaculture: Report of the Aquaculture Technical Advisory Group*, pp. 6, 8. Retrieved 8 December 2022 from https://www.epa.govt.nz/assets/FileAPI/proposal/NSP000002/Applicantsproposal-documents/3400eb79ad/Application-Attachment-Report-on-National-Significance-Appendix-2-TAG-Report.pdf

50 See Cabinet Minute of Decision (10) 9/28. The original link was retrieved in 2017 found at this link: https://www.epa.govt. nz/Publications/Application%20Attachment%20-%20Report%20on%20National%20Significance%20Appendix%203%20-%20 Cabinet%20Minute.pdf

51 Schilling, C. & Zucollo, J. *The Net Economic Benefit of aquaculture growth in New Zealand: Scenarios to 2025*. NZIER. The original link was retrieved in 2017 and found here: www.epa.govt.nz/Publications/Day%2018%20NZIER%20Net%20Economic%20 Benefit%20of%20aquaculture%20growth%20in%20NZ%20June%202010.pdf

June 2010

***Aquaculture in New Zealand: Supplementary analysis for "New Space" settlement obligation* (draft)**[52]

Commissioned by the Ministry of Fisheries.

Prepared by LECG (Sally Wyatt and Bastiaan van der Scheer, David Moore).

This report reviewed the 2009 EY report *New Zealand Aquaculture: Industry Growth Scenarios* and the 2010 NZIER report *The Net Economic Benefit of aquaculture growth in New Zealand: Scenarios to 2025*. Both reports were found to be optimistic, with NZIER's assumptions about future production being considered 'significantly more optimistic than Ernst & Young's.'

3 December 2010

The New Zealand Coastal Policy Statement 2010[53]

Published by the Department of Conservation.

July 2011

Aquaculture Growth Strategy Phase II[54]

Prepared by Aquaculture New Zealand.

This is a 12 page action plan, rather than a document based on strategic analysis.

13 August 2011

NZ King Salmon Report[55]

Prepared by NZKS as part of their proposal before the Board of Inquiry (BOI) for additional farms.

The report relies on earlier reports written by EY and NZIER:

> 97. Aquaculture is an important contributor to the New Zealand economy, with exports of $380 million in 2009, and a goal of becoming a $1 billion industry by 2025 [Ref: The New Zealand Aquaculture Strategy 2006.]
>
> 98. Independent expert assessment of the sector growth potential confirm revenues closer to $2 billion are attainable by the New Zealand aquaculture industry. [Ref: **Ernst & Young 2009: New Zealand Aquaculture Industry Growth Scenarios** and **NZIER 2010: The Net Economic Benefit of aquaculture growth in New Zealand**.] [Bold added] (p. 31).

22 August 2011

Review of Salmon Farming Proposal: Market Economics Analysis for New Zealand King Salmon Proposal[56]

Commissioned by the Environmental Protection Authority (EPA).

Prepared by NZIER (Bill Kaye-Blake).

This report 'reviewed the economics technical report prepared by Market Economics and supplied by NZKS to support the application lodged with the EPA. The review determined whether the report contained enough information for the public (and a board of inquiry, if appointed) to assess the effects of

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52 Wyatt, S., van der Scheer, B. & Moore, D. (June 2010). *Aquaculture in New Zealand: Supplementary analysis for "New Space" settlement obligation (draft),* p. 3. LECG. Retrieved 8 December 2022 from https://www.mpi.govt.nz/dmsdocument/8449/direct

53 Department of Conservation. (November 2010). *New Zealand Coastal Policy Statement 2010*. Retrieved 8 December 2022 from www.doc.govt.nz/Documents/conservation/marine-and-coastal/coastal-management/nz-coastal-policy-statement-2010.pdf

54 Aquaculture New Zealand. (July 2011). *Aquaculture Growth Strategy Phase II*. Retrieved 8 December 2022 from https://afdf.org/asset/6369173d36f90/11b-New-Zealand-Aquaculture-Strategy-Phase-ll-2011-1.pdf

55 New Zealand King Salmon. (13 August 2011). *NZ King Salmon Report*. Environmental Protection Agency (EPA), p. 31. Retrieved 8 December 2022 from https://www.epa.govt.nz/assets/FileAPI/proposal/NSP000002/Applicants-proposaldocuments/6e18a60c5b/Appendix-2-NZKing-Salmon-Report.pdf

56 Kaye-Blake, B. (22 August 2011). *Review of Salmon Farming Proposal: Market Economics Analysis for New Zealand King Salmon Proposal*. NZIER, p. i. Retrieved 8 December 2022 from https://www.epa.govt.nz/assets/FileAPI/proposal/NSP000002/EvidenceApplicants-evidence/6a9e3ddbdd/9a-William-Kaye-Blake-Appendix-1.pdf

the NZKS application' (p. i). NZIER was not asked to undertake a peer review, therefore sources of data were not verified and assumptions not externally assessed.

3 October 2011

Sustainably Growing King Salmon – A Proposal of National Significance[57]

Prepared by NZKS as part of the company's application to be considered as a proposal of national significance under the RMA 1991.

This report is NZKS's application for plan changes and resource consents with the Environmental Protection Authority (EPA). The report again relies on work by EY.

> 29. In terms of the Proposal's implications for the aquaculture sector, the NZ King Salmon Report echoes the findings of **Ernst & Young cited in the TAG Report** - that while up to $2 billion of net revenue is attainable by the industry, delays in reforming the regulatory environment have led to decreased spill-over benefits to the economy. In short, NZ King Salmon needs space urgently. Any further delay is costing NZ King Salmon and the economy. (p. 5) [Bold added]

3 November 2011

Minister's Direction on NZ King Salmon's proposal[58]

Prepared by Minister of Conservation, Hon Kate Wilkinson.

In this statement the Minister of Conservation considered the two plan change requests to the Marlborough Sounds Resource Management Plan and the nine resource consent applications by NZKS as a proposal of national significance and accordingly referred it to a Board of Inquiry under section 147 of the Resource Management Act 1991. Her statement identifies that the proposal 'involves or is likely to involve significant use of natural and physical resources (s 142(3)(a)(ii))', citing the doubling of operational fin-fish sites in the Marlborough Sounds with an increase in occupied area of approximately 206 hectares and a possible length of occupation up to 35 years. The statement also notes the feed discharge of 40,000 tonnes per annum and the increase in farmed and harvested salmon in the area of 20,000 tonnes per year.

March 2012[59]

The Government's Business Growth Agenda (Cabinet paper)[60]

Prepared by Office of the Minister of Finance and Office of the Minister for Economic Development.

This Cabinet paper does not discuss the goal of growing the aquaculture industry to a value of $1 billion a year by the year 2025. Instead it outlines a 120-point action plan for economic development. Point number 70 is 'Aquaculture: reform legislation to promote investment, reduce costs and uncertainty' (p. 14). The paper notes that this action point has been achieved, giving it the status 'completed'.

In 2013, the action point is recorded in *The Business Growth Agenda Progress Report 2013* as 'Implement the aquaculture reforms to enable the industry to become a $1b contributor to the economy' and is coded as

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57 The New Zealand King Salmon Co. Limited. (n.d.). *Sustainably Growing King Salmon – a Proposal of National Significance*. Environmental Protection Agency, p. 5. Retrieved 8 December 2022 from https://www.epa.govt.nz/assets/FileAPI/proposal/ NSP000002/Applicants-proposal-documents/cda422603a/Application-Attachment-Report-on-National-Significance.pdf

58 Environmental Protection Authority (EPA). (3 November 2011). *Minister's Direction on NZ King Salmon's proposal*. Retrieved 16 December 2022 from https://www.epa.govt.nz/assets/FileAPI/proposal/NSP000002/Hearings/b24d3d871b/Day-19-MinistersDirection-on-NZ-King-Salmons-proposal.pdf

59 The Government's Business Growth Agenda (Cabinet paper): The original link was retrieved in 2017 from: Cabinet Economic Growth and Infrastructure Committee Minute of Decision EGI Min (12) 3/1 in response to this Cabinet paper for confirmation of the March 2012 date at www.mbie.govt.nz/info-services/business/businessgrowth-agenda/pdf-and-image-library/EGI%20 Minutes%20-%20The%20Governments%20Business%20Growth%20Agenda.pdf

60 Ministry for Business, Innovation and Employment. (March 2012). *The Government's Business Growth Agenda*. Originally retrieved 2017 from www.mbie.govt.nz/info-services/business/business-growth-agenda/pdf-and-imagelibrary/Cabinet%20Paper%20-%20The%20Governments%20Business%20Growth%20Agenda.pdf

'implementing' (p. 70).[61] Note also the change in wording from 'promote' in the Cabinet paper to 'enable' in the *Business Growth Agenda*, as well as the re-inclusion of the $1 billion goal. This may explain why it again became part of public policy – see timeline entry for November 2015.

April 2012

The Government's Aquaculture Strategy and Five-year Action Plan to Support Aquaculture[62]

Prepared by MPI.

The Government adopted an aquaculture strategy and 5-year action plan to guide sustainable growth of the aquaculture sector. The document does not review strategic options. It refers to an action plan to guide sustainable growth with the goal of building an industry valued at $1 billion at the centre of the handout.

May 2012

Investment Opportunities in the New Zealand Salmon Industry[63]

Commissioned by Ministry of Economic Development (now the Ministry of Business, Innovation and Employment) as part of the Food and Beverage Information Project.

Prepared by Coriolis.

The report notes that initially there was a lot of industry hype about the potential for growth; five companies were listed on the stock exchange between 1980–1990. However, all five proved to be 'poor long term investments' (p. 21). Further, the report suggests on pp. 32–34 that the recent production surge in New Zealand is 'purely export driven', hence domestic consumption has 'flattened and stabilised' and is unlikely to increase in the future.

11 September 2012

Joint Statement of Economics Experts[64]

Prepared for the 2012 Board of Inquiry into NZKS requests for plan changes and applications for resource consents.

Bill Kaye-Blake is one of the NZKS economics experts who prepared this statement for the BOI.

22 February 2013

Final Report and Decision of the Board of Inquiry into the NZ King Salmon Proposal[65]

The final report and decision was the culmination of the 2012 BOI initiated by the 2011 Minister's direction (see timeline entry for 3 November 2011). The EPA received 1294 submissions on the NZKS plan changes and consent applications by 28 June 2012 (1221 submissions were received before the submission period closed on 2 May 2012 and a further 73 late submissions were granted a waiver and accepted). According to the EPA, the majority of the submissions (approximately 725 of the 1294) were in opposition to the plan changes and the resource consent applications, while approximately 358 of the submissions were in support of both the plan changes and all of the resource consent applications.

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61 New Zealand Government. (2014). *The Business Growth Agenda: Future Direction 2014,* p. 94. Retrieved 8 December 2022 from https://www.mcguinnessinstitute.org/wp-content/uploads/2021/04/The-Business-Growth-Agenda-Future-Direction-2014.pdf

62 Ministry for Primary Industries. (April 2012). *The Government's Aquaculture Strategy and Five-year Action Plan to Support Aquaculture*. Retrieved 8 December 2022 from https://www.mcguinnessinstitute.org/wp-content/uploads/2021/04/12e.-The-GovernmentsAquaculture-Strategy-and-Five-year-Action-Plan-to-Support-Aquaculture.pdf

63 Coriolis. (May 2012). *Investment opportunities in the New Zealand Salmon industry*. Part of the Food & Beverage Information Project, pp. 21, 32–34. Retrieved 8 December 2022 from https://www.mbie.govt.nz/assets/d71644ede3/investment-opportunitiesin-the-nz-salmon-industry.pdf

64 Fairgray, J., Hazledine, T., Kay-Blake, B., Offen, T. & McGuinness, W. (September 2012). *Joint Statement of Economics Experts*, p. 4. Originally retrieved 5 March 2013 from https://www.epa.govt.nz/Publications/Economics%20Expert%20Witness%20Caucusing%20Statement.pdf

65 Board of Inquiry. (22 February 2013). *Board of Inquiry: New Zealand King Salmon requests for plan changes and applications for resource consents*. Final report and decision of the Board of Inquiry. Environmental Protection Authority (EPA), p. 46. Retrieved 8 December 2022 from www.epa.govt.nz/Publications/BOI%20NZKS%20Final%20Decision%2022%20Feb.pdf

Approximately 118 submissions indicated mixed positions, while the remaining submissions either supported in part, opposed in part, were neutral or did not state a position (p. 46).

The BOI allowed plan change requests and resource consents for four of the nine proposed sites, declined plan change requests and resource consents for four sites and declined resource consent for one site. It was later appealed and then taken to the Supreme Court, where one of the farms was further declined.

March 2013
Think Piece 16 – New Zealand King Salmon: Was it a good decision for New Zealand?[66]
Prepared by the McGuinness Institute.

June 2013
Aquaculture Mid-Term Research Strategy: 2013 (MPI Information Paper No: 2013/01)[67]
Published by The Aquaculture Unit for MPI.
The 'Aquaculture Research Strategy aims to communicate a vision for research in the aquaculture sector. It focuses on seven key Research Areas: biosecurity; animal productivity; climate change; water; new species; social licence for aquaculture; consumers, products, and markets' (p. 2).

July 2013
Salmon Mortality Investigation: REW-1017 Pelorus Sound (MPI Technical Paper 2013/19)[68]
Prepared by MPI.
NZKS 'notified MPI of a significant mortality event' at a farm in Waihinau Bay in outer Pelorus Sound on 1 March 2012 (p. 3). This MPI technical paper outlines the investigations into possible causes of the deaths. These included two forms of bacteria, high water temperature, water flow and fish feed. The investigations did not reach a definitive conclusion on the cause of the mortality event. See Figure 6 in this working paper for the size of these events.

66 McGuinness Institute. (March 2013). *Think Piece 16 – New Zealand King Salmon: Was it a good decision for New Zealand?* Retrieved 8 December 2022 from https://www.mcguinnessinstitute.org/publications/think-pieces/

67 Ministry for Primary Industries. (June 2013). *Aquaculture Mid-Term Research Strategy: 2013*. Information Paper No. 2013/01, p. 2. Retrieved 8 December 2022 from www.mpi.govt.nz/document-vault/3964

68 Ministry for Primary Industries. (July 2013). *Salmon Mortality Investigation*. REW-1017 Pelorus Sound. Technical Paper 2013/19, p. 3. Retrieved 8 December 2022 from www.mpi.govt.nz/document-vault/4094

August 2013

Overview of Ecological Effects of Aquaculture[69]

Published as part of the Aquaculture Ecological Guidance Package, developed by MPI with the Cawthron Institute, NIWA, DoC, regional councils and the aquaculture industry.

The package is a 'web-based package' that 'provides information and advice on the ecological effects of marine-based aquaculture to assist in planning and managing aquaculture development' (p. 3).

November 2013

NZKS and MDC made a commitment to work together to develop environmentally and economically sustainable salmon farming practices.[70] This led to the formation of the Benthic Standards Working Group with membership comprising Nigel Keeley (Cawthron Institute), Mark Gillard (NZKS), Niall Broekhuizen (NIWA), Richard Ford (MPI), Rob Schuckard (Sounds Advisory Group), Steve Urlich (Marlborough District Council). Specialist advice was also provided by Ross Sneddon (Cawthron Institute).

17 April 2014

The Environmental Defence Society Incorporated took the BOI decision to the Supreme Court.[71] Papatua, one of the previously approved farms, was declined because it did not comply with Resource Management Act 1991 s 67(3)(b) as it did not give effect to policies 13(1)(a) and 15(a) of the *New Zealand Coastal Policy Statement*, leaving only three of the nine farms approved.

November 2014

Best Management Practice Guidelines for salmon farms in the Marlborough Sounds: Benthic environmental quality standards and monitoring protocol[72]

Prepared by the Benthic Standards Working Group (see November 2013 timeline entry for membership). This was published as a living guidance document to inform benthic monitoring programmes for salmon farms in the Marlborough Sounds. The document stated that 'ideally all salmon farm consents should include a standard condition' of being in compliance with the *Best Management Practice Guidelines* (BMP). One of the intentions in creating this document was to 'align' standards and protocols for salmon farming 'with the consent conditions resulting from the BOI process' (p. 6).

March 2015

Report 10 – One Ocean: Principles for the stewardship of a healthy and productive ocean[73]

Prepared by the McGuinness Institute.

New Zealand has one of the largest exclusive economic zones in the world. This report discusses the role of oceans in New Zealand's culture, economy and natural environment as well as the need for change in oceans governance. It contains 30 unique perspectives and proposes a principle-based approach.

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69 Ministry for Primary Industries. (August 2013). *Overview of Ecological Effects of Aquaculture*, p. 3. Retrieved 8 December 2022 from https://www.mpi.govt.nz/dmsdocument/4300-Overview-of-ecological-effects-of-Aquaculture

70 Jorgensen, E. & Brosnan, B. (November 2015). Best Management Practice guidelines for salmon farms in the Marlborough Sounds: Operations. Retrieved 8 December 2022 from https://www.kingsalmon.co.nz/wp-content/uploads/2019/03/2015-11-25-BMPGuidelines-Operational-Final.pdf

71 *Environmental Defence Society Inc v The New Zealand King Salmon Company Limited and others – [2014] NZSC 41*. Retrieved 9 December 2022 from https://www.courtsofnz.govt.nz/assets/cases/2014/sc-82-2013-eds-sc-84-2013-sos-civil-appeal-reasons.pdf

72 Benthic Standards Working Group. (November 2014). Best Management Practice guidelines for salmon farms in the Marlborough Sounds: Benthic environmental quality standards and monitoring protocol, p. 6. Retrieved 8 December 2022 from www.mpi.govt.nz/ document-vault/15994

73 McGuinness Institute. (March 2015). *Report 10 – One Ocean – Principles for the stewardship of a healthy and productive ocean.* Retrieved 8 December 2022 from https://www.mcguinnessinstitute.org/publications/project-2058/

September 2015
The economic contribution of marine farming in the Marlborough region: A Computable General Equilibrium (CGE) analysis[74]
Commissioned by the Marine Farming Association.
Prepared by NZIER (Peter Clough and Erwin Corong).
This report was relied on by MPI as evidence of economic impact in the *Marlborough Salmon Working Group: Advice to the Minister of Aquaculture*, which notes in Para 33: 'The Government supports well-planned and sustainable aquaculture growth in New Zealand and the industry's goal to grow to a $1 billion annual sales a year by 2025' (see also timeline entry for 23 November 2016).

October 2015#
Heads of Agreement entered into between NZKS and MPI
This is not included in the consultation documents on the MPI website, but was referred to in Para 39 of the December 2016 Cabinet Paper (see timeline entry for December 2016).

November 2015
Best Management Practice Guidelines for salmon farms in the Marlborough Sounds: Operations[75]
Prepared by the farm operations working group.
This document was published as an updated version of the *Best Management Practice Guidelines*. This updated document specified that 'in the future all salmon farm consents should be referenced to these guidelines with a standard condition that relates to compliance with the BMP' (p. 5).

November 2015
Business Growth Agenda 2015/16: Towards 2025: Building Natural Resources (Chapter 04)[76]
Prepared by the Ministry of Business, Innovation and Employment.
This chapter outlines a number of goals including to 'develop our aquaculture, fisheries and other marine resources, while maintaining marine biodiversity and sustainability' (p. 15). Within this goal is a specific project to 'explore opportunities to support aquaculture development regionally' and it is noted as part of this that 'MPI is investigating Government intervention to unlock salmon growth opportunities in Marlborough' (p. 15). This is the first time that the Marlborough Sounds are mentioned in the *Business Growth Agenda*.

December 2015
Think Piece 22 – Proposal for the creation of an Oceans Institution[77]
Prepared by the McGuinness Institute.

20 April 2016
Multiple factors responsible for Marlborough salmon farm deaths[78]
Authored for *The Marlborough Express* by Mike Watson and republished on *Stuff*.
The article notes increased controls placed on salmon farms in the sounds by MPI in the previous 12 months following a large scale salmon mortality event in February 2015 additional to the event reported

74 NZIER. (September 2015). *The economic contribution of marine farming in the Marlborough region: A Computable General Equilibrium (CGE) analysis*. Retrieved 8 December 2022 from https://www.mpi.govt.nz/dmsdocument/17458-NZIER-Economic-contributionof-marine-farming-in-MarlboroughMarlborough-salmon-relocation-proposal-presentation

75 Jorgensen, E. & Brosnan, B. (November 2015). *Best Management Practice guidelines for salmon farms in the Marlborough Sounds: Operations*, p. 5. Retrieved 8 December 2022 from https://www.kingsalmon.co.nz/wp-content/uploads/2019/03/2015-11-25-BMPGuidelines-Operational-Final.pdf

76 New Zealand Government. (8 September 2015*). The Business Growth Agenda: Towards 2025,* pp. 9, 15. Retrieved 8 December 2022 from https://www.mcguinnessinstitute.org/wp-content/uploads/2021/04/12.-Ministry-of-Business-Innovation-and-Employment-Business-Growth-Agenda-Towards-2025-Combined.pdf

77 McGuinness Institute. (November 2015). *Think Piece 22 – Proposal for the Creation of an Oceans Institution*. Retrieved 8 December 2022 from https://www.mcguinnessinstitute.org/publications/think-pieces/

78 Watson, M. (20 April 2016). Multiple factors responsible for Marlborough salmon farm deaths. Stuff. Retrieved 22 October 2022 from www.stuff.co.nz/business/farming/aquaculture/79129283/Multiple-factors-responsible-for-Marlborough-salmon-farms-deaths

in 2012. See Figure 6 in the letter to the Minister for Primary Industries. MPI also produced a fact sheet, dated October 2015 and titled *Unusual Mortality Rates in Marlborough farmed salmon*.

1 August 2016

McGuinness Institute report attacks King Salmon financial position[79]

Authored for *The Marlborough Express* by Elena McPhee and republished on *Stuff*.

In this article, Chief Executive of NZKS, Grant Rosewarne uses alternative performance measures (APM), claiming that '… King Salmon had four "difficult" years but each year a profit had been made …'. An updated version of the article notes the conflict of this statement with information available from the Companies Office showing losses for NZKS in 2012 and 2014. This was added after Grant Rosewarne declined to change his statement to reflect GAAP information.

5 August 2016#

New Zealand King Salmon Investments Limited and Subsidiaries Financial Statements for the year ended 30 June 2016[80]

EY Christchurch are the independent auditors of NZKS, signing the NZKS 2016 financial statements as such on 5 August 2016 and doing so every year since 2010.

11 August 2016

Marlborough Salmon Working Group Terms of Reference[81]

Prepared by Marlborough Salmon Working Group.

> 'Role
> The role of the Marlborough Salmon Working Group (MSWG) is to provide recommendations to implement the guidelines.
>
> The aims of the MSWG are:
> - to consider options for existing salmon farms in Marlborough to adopt the guidelines; and
> - to ensure the enduring sustainability of salmon farming in Marlborough, including environmental outcomes and landscape, amenity, social and cultural values.
>
> While non-binding, the recommendations will inform the future planning work on salmon farming in Marlborough. The group will not replace statutory consultation processes required to establish any potential new salmon aquaculture space under the Resource Management Act 1991.' (p. 1)

29 August 2016#

New Zealand King Salmon IPO[82]

New Zealand King Salmon Investments Limited

> has confirmed its intention to undertake an initial public offering and a listing on the NZX Main Board and a foreign exempt listing on ASX. New Zealand King Salmon seeks to raise capital to fund future investment and working capital, repay debt and to enable Direct Capital to realise some or all of its investment. A product disclosure statement is expected to be available in September and New Zealand King Salmon expects its shares to be quoted on the NZX Main Board and ASX in mid-October.

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79 McPhee, E. (1 August 2016). McGuinness Institute report attacks King Salmon financial position. Stuff. Retrieved 22 October 2022 from www.stuff.co.nz/business/farming/aquaculture/82560364/mcguinness-institute-report-attacks-king-salmon-financialposition

80 Ernst & Young. (5 August 2016). *New Zealand King Salmon Investments Limited and Subsidiaries Financial Statements for the year ended 30 June 2016*. Retrieved 8 December 2022 from https://www.kingsalmon.co.nz/wp-content/uploads/2018/12/NZKS-Grp-AFS-signed-FY16.pdf

81 Marlborough Salmon Working Group. (23 November 2016). *Advice to the Minister of Aquaculture.* Appendix 2, p. 44. Retrieved 22 October 2022 from www.mpi.govt.nz/document-vault/15982

82 First Capital New Zealand. (n.d.). New Zealand King Salmon IPO. Originally retrieved 13 September 2016 from www. firstnzcapital.co.nz/public/New- Zealand-King-Salmon-IPO.html. This link was checked 24 March 2017 and found to be broken. The hard copy printed by the McGuinness Institute on 13 September 2016 has been scanned and uploaded and is now available. See scanned version here: www.mcguinnessinstitute.org/wp-content/uploads/2017/03/FirstNZCapital-2016-New-Zealand-KingSalmon-IPO.pdf

23 September 2016#

Pro Forma Statement of Financial Position as at 30 June 2016[83]

Prepared by EY Transaction Advisory Services Limited (EYTAS).

EYTAS clearly indicate in the introductory section that the report was prepared for the purpose of listing NZKS on the Australian Securities Exchange (ASX).

September 2016#

Prospective Financial Information (PFI)[84]

This is a key excerpt that is relevant to the conclusions of this letter.

> [Note] 4. Consent swap application expense write off. All expenses relating to an ongoing initiative being progressed by the Government and the Marlborough District Council to swap all existing low flow seafarm consents to new sites with improved characteristics were written off in FY2016. The consent swap initiative has not been used before and, in the Group's view, is unlikely to be used in the future. Accordingly, these expenses are regarded as one off in nature and, while the process is progressing positively, there is insufficient certainty of outcome to meet the required test under NZ IAS 38- Intangible Assets for capitalisation of this expenditure. **Our financial forecasts do not assume any benefit as a result of this process.** [Bold added] (p. 3)

23 September 2016#

Product Disclosure Statement (PDS)[85]

Prepared by New Zealand King Salmon.

Learn more about the purpose of a PDS here.[86]

The PDS states:

> **1. New waterspace.** In order to reach the industry target of over $1 billion in sales by 2025, further waterspace will be required. The Southland Regional Development Strategy identifies aquaculture as one of the key economic growth priorities for the Southland region. Should waterspace be made available in Southland, we plan to pursue this opportunity.
>
> **2. Waterspace swaps.** The Government and the Marlborough District Council are working together on the implementation of Best Practice Guidelines for salmon farming in the Marlborough Sounds. A possible outcome of this could be a process to swap some existing low flow seafarm consents for waterspace with improved characteristics and at which compliance with Best Practice Guidelines can be more easily achieved. (p. 38)

16 November 2016

Marlborough Salmon Relocation Economic Impact Assessment Peer Review[87]

Commissioned by MPI.

Authored by Chris Money of EY Wellington, Transactions in review of the PwC economic impact assessment.

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83 Australian Stock Exchange (ASX). (30 June 2016). *Pro Forma Consolidated Statement of Financial Position.* Retrieved 9 December 2022 from https://www.asx.com.au/asxpdf/20161018/pdf/43c28mmgypwzy6.pdf

84 New Zealand King Salmon. (10 December 2010). *New Zealand King Salmon's Prospective Financial Information, a reconciliation of non-GAAP to GAAP information and supplementary financial information*, p. 3. Retrieved 9 December 2022 from https://www. kingsalmon.co.nz/new-zealand-king-salmons-prospective-financial-information-a-reconciliation-of-non-gaap-to-gaap-informationand-supplementary-financial-information/

85 New Zealand King Salmon. (23 September 2016). *Product Disclosure Statement*, p. 38. Original retrieval date, March 2022 from https://198i9o1t5qhfqwhf2z86x4y1-wpengine.netdna-ssl.com/wp-content/uploads/2018/12/3309_NZKS_PDS_v26-no-forms.Pdf. The hard copy printed by the McGuinness Institute on 13 September 2016 has been scanned and uploaded and is now available.

86 'A Product Disclosure Statement (PDS) provides you with essential information to help you decide whether to invest in a financial product. It uses clear language to explain the product and replaces older forms of financial product disclosure information such as investment statements and prospectuses.' See Financial Markets Authority (FMA). (15 March 2021) Guide to Product Disclosure Statements. Retrieved 22 October 2022 from https://www.fma.govt.nz/investors/resources/guide-to-pds

87 Ernst & Young (EY). (16 November 2016). *Marlborough Salmon Relocation Economic Impact Assessment Peer Review.* Retrieved 8 December 2022 from www.mpi.govt.nz/document-vault/16105

23 November 2016
Marlborough Salmon Working Group: Advice to the Minister of Aquaculture[88]
Prepared by the Marlborough Salmon Working Group (MSWG) for the Minister of Aquaculture.

24 November 2016*
Consultation proposal on potential relocation of salmon farms in the Marlborough Sounds
(briefing paper to the Minister for Primary Industries)[89]
Prepared by MPI with the Ministry for the Environment and Department of Conservation.
Manager responsible is Luke Southorn, Director for Economic Development and Partnerships. Principal author's name is redacted, but is the manager of the aquaculture unit.
This briefing paper recommends that the Minister for Primary Industries agrees 'to progress to consultation with the public and iwi authorities on proposed regulations […] to amend the Marlborough Sounds Resource Management Plan to enable the relocation of up to six existing lower flow salmon farms to higher flow sites' (p. 1).

30 November 2016
Marlborough Salmon Relocation: Economic Impact Assessment[90]
Commissioned by MPI.
Authored by PwC (Bill Kaye-Blake).
Bill Kaye-Blake previously worked for NZIER (see 22 August 2011) and was the economics expert for NZKS at the Board of Inquiry in 2012.[91] The extent of the relationship between PwC and NZKS was illustrated when, on request for clarification of the math underlying key figures in the model, Kaye-Blake referred the Institute directly to NZKS rather than MPI. While on one level this was understandable, as Kaye-Blake would have relied on the numbers provided to him, it also indicated the strength of this relationship. Our understanding is that MPI was not aware that the author of the PwC report had previously been an expert for NZKS.[92]

December 2016
Consultation proposal on potential relocation of salmon farms in the Marlborough Sounds
(Cabinet paper)[93]
Prepared by the Office of the Minister for Primary Industries for the Chair of the Cabinet Economic Growth and Infrastructure Committee.

26 January 2017
Potential relocation of salmon farms in the Marlborough Sounds (MPI Discussion Paper No: 2017/04)[94] *

88 Marlborough Salmon Working Group. (23 November 2016). *Advice to the Minister of Aquaculture*. Retrieved 22 October 2022 from www.mpi.govt.nz/document-vault/15982

89 See Ministry for Primary Industries (MPI). (24 November 2016). *Consultation proposal for relocation of salmon farms in the Marlborough Sounds*, p. 1. Retrieved 22 October 2022 from www.mpi.govt.nz/document-vault/16567

90 PricewaterhouseCoopers (PWC). (November 2016*). Marlborough Salmon Relocation – Economic Impact Assessment*. Ministry for Primary Industries. Retrieved 22 October 2022 from www.mpi.govt.nz/document-vault/16051

91 Kaye-Blake, B. (22 August 2011). *Review of Salmon Farming Proposal: Market Economics Analysis for New Zealand King Salmon Proposal*. NZIER, p. i. Retrieved 8 December 2022 from https://www.epa.govt.nz/assets/FileAPI/proposal/NSP000002/EvidenceApplicants-evidence/6a9e3ddbdd/9a-William-Kaye-Blake-Appendix-1.pdf

92 Personal communication, March 2017. Originally retrieved in 2017 from McGuinness Institute. (May 2017). Working Paper 2017/02 Letter to the Minister on New Zealand King Salmon.

93 Cabinet Office. (n.d.). SUB-16-0078: *Consultation proposal on potential relocation of salmon farms in the Marlborough Sounds* [Cabinet paper]. Ministry for Primary Industries (MPI). Retrieved 22 October 2022 from www.mpi.govt.nz/document-vault/16159

94 Ministry for Primary Industries (MPI). (n.d.). *Potential relocation of salmon farms in the Marlborough Sounds*. MPI Discussion Paper No: 2017/04. Retrieved 22 October 2022 from www.mpi.govt.nz/document-vault/16162

Prepared by MPI.
This is the main consultation document. It was released with a summary and photo simulations.

February 2017
Clean Water: 90% of rivers and lakes swimmable by 2040 (consultation document)[95]
Published by the Ministry for the Environment.
This document is part of the Government's *Clean Water package 2017* of initiatives to improve fresh water.[96] The 90% of rivers and lakes swimmable consultation seeks feedback on proposed amendments to the *National Policy Statement for Freshwater Management* and on the details of policy proposals to exclude stock from waterways.

21 February 2017
Terms of Reference for Marlborough Salmon Farm Relocation Advisory Panel[97]
Published by MPI.

28 February 2017
New Zealand King Salmon Investments Limited Interim Financial Statements – For the six months ended 31 December 2016[98]

March 2017
Response to Bev Doole's 20 February 2017 Official Information Act Request.[99]
Authored by Luke Southorn.

11 April 2017
Review of the McGuinness Institute report on New Zealand King Salmon: An economic and financial perspective[100]
Published by PwC.
NZKS Chief Financial Officer, Andrew Clark, includes this report as part of his statement of evidence in support of NZKS's submission before the Marlborough Salmon Farm Relocation Advisory Panel on this day.

95 Ministry for the Environment. (February 2017). *Clean water: 90% of rivers and lakes swimmable by 2040*. Retrieved 8 December 2022 from https://environment.govt.nz/assets/Publications/Files/clean-water.pdf

96 Ministry for the Environment. (February 2017). Clean water: 90% of rivers and lakes swimmable by 2040. Retrieved 8 December 2022 from https://environment.govt.nz/assets/Publications/Files/clean-water.pdf

97 Ministry for Primary Industries. (21 February 2017). *Terms Of Reference for Marlborough Salmon Farm Relocation Advisory Panel*. Retrieved 22 October 2022 from www.mpi.govt.nz/document-vault/16489

98 New Zealand King Salmon. (n.d.). Interim Financial Report – For the six months ended 31 December 2016. Retrieved 22 October 2022 https://www.kingsalmon.co.nz/wp-content/uploads/2018/12/NZK-1H17-Interim-report-A4-sml.pdf

99 Personal communication, March 2017. Originally retrieved in 2017 from McGuinness Institute. (May 2017). Working Paper 2017/02 Letter to the Minister on New Zealand King Salmon.

100 New Zealand King Salmon. (11 April 2017). *Statement of Evidence of Andrew Christopher Clark in Support of the New Zealand King Salmon Co. Limited's Submission.* Marlborough salmon relocation proposal presentation, Appendix 3. Retrieved 8 March 2023 from https://www.mpi.govt.nz/dmsdocument/17479

Mid-2017

National direction for aquaculture[101]

The national direction 'will help councils and industry:

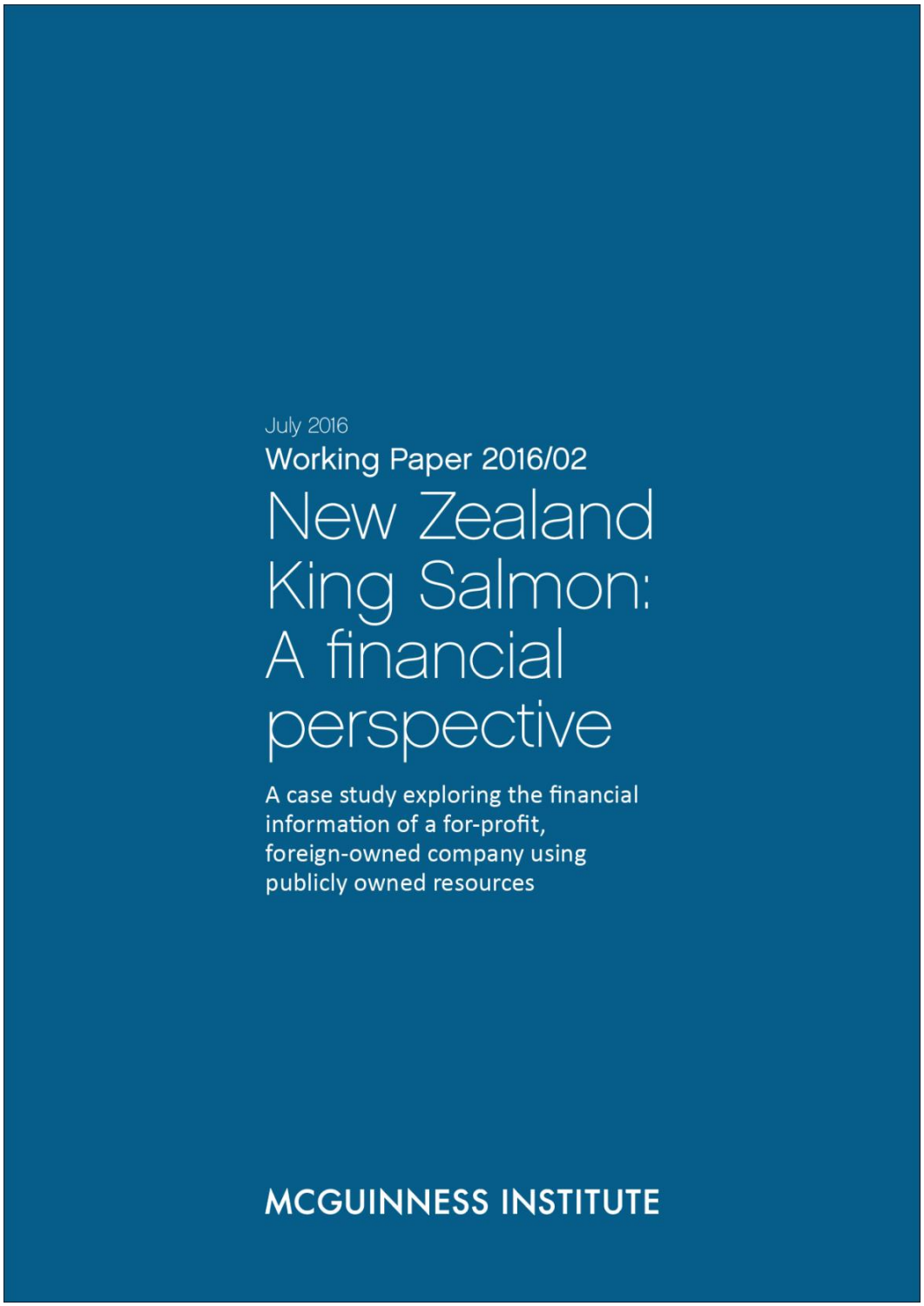
- manage re-consenting of existing marine farms more consistently and efficiently across the country
- enable better use of existing marine farms
- improve environmental outcomes
- increase community confidence in the industry.'

Agencies are working with an expert reference group to provide advice on the content and scope of national direction. The reference group includes members from local government, the aquaculture industry, Te Ohu Kaimoana, and environmental organisations. Public consultation on national direction will occur in mid-2017, and decisions finalised in 2018.

101 Ministry for Primary Industries. (n.d.). Aquaculture. Originally retrieved in May 2017 at www.mpi.govt.nz/law-and-policy/legal-overviews/aquaculture

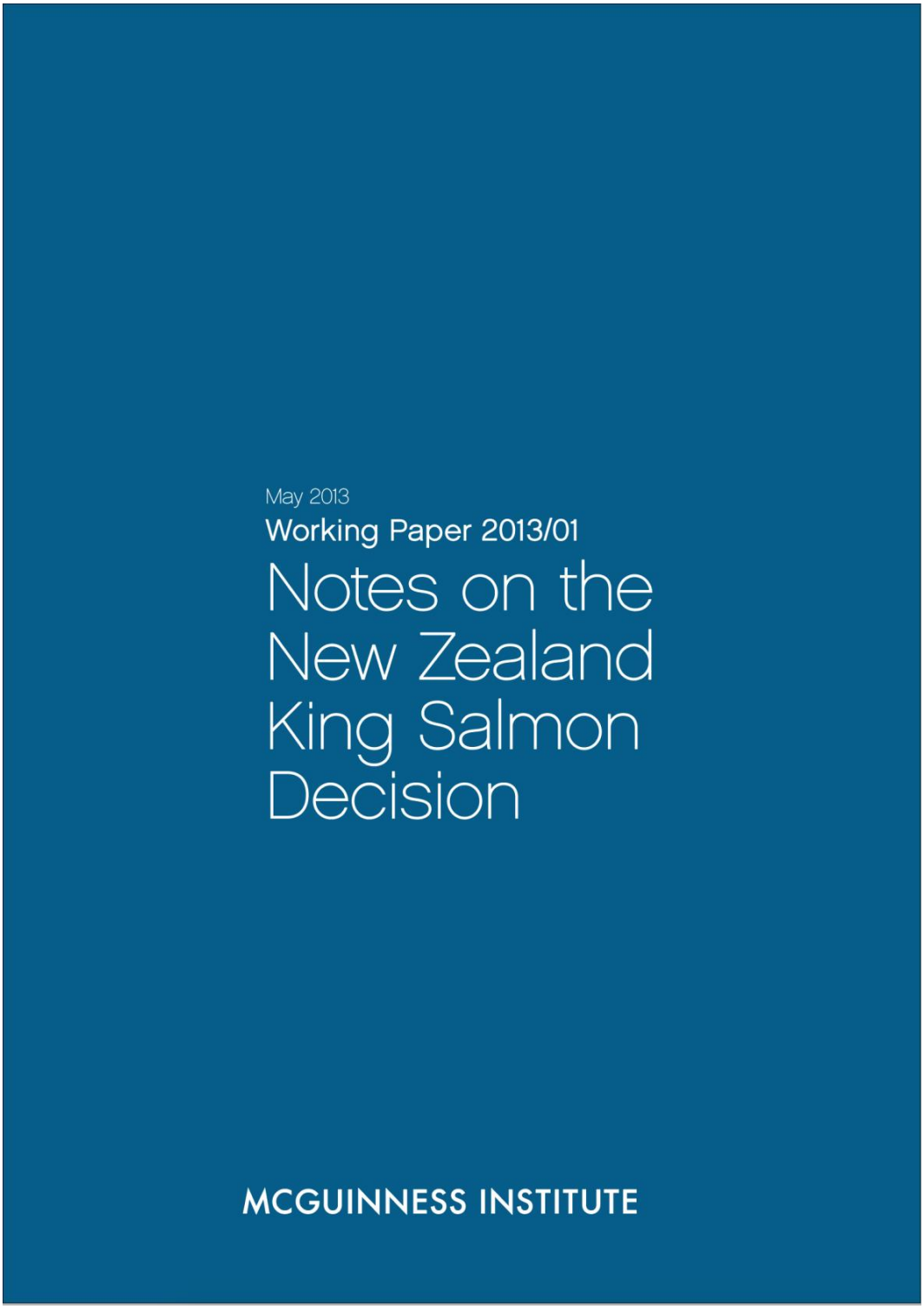
Attachment 2: Working Paper 2016/02 – New Zealand King Salmon: A financial perspective

Please download the full working paper at www.mcguinnessinstitute.org/working-papers.



Attachment 3: Working Paper 2013/01 – Notes on the New Zealand King Salmon Decision

Please download the full working paper at www.mcguinnessinstitute.org/working-papers.



Attachment 4: Huon prepares for a future offshore (17 April 2017)

Mutter, R. (18 April 2017). Farm Focus: Huon prepares for a future offshore. IntraFish. Retrieved 7 March 2023 from https://www.intrafish.com/aquaculture/farm-focus-huon-prepares-for-a-future-offshore/1-1-1238365

FARM FOCUS: Huon prepares for a future offshore

Technological innovations are allowing Australia's second largest salmon farmer to create a new vision of the future for its farms.

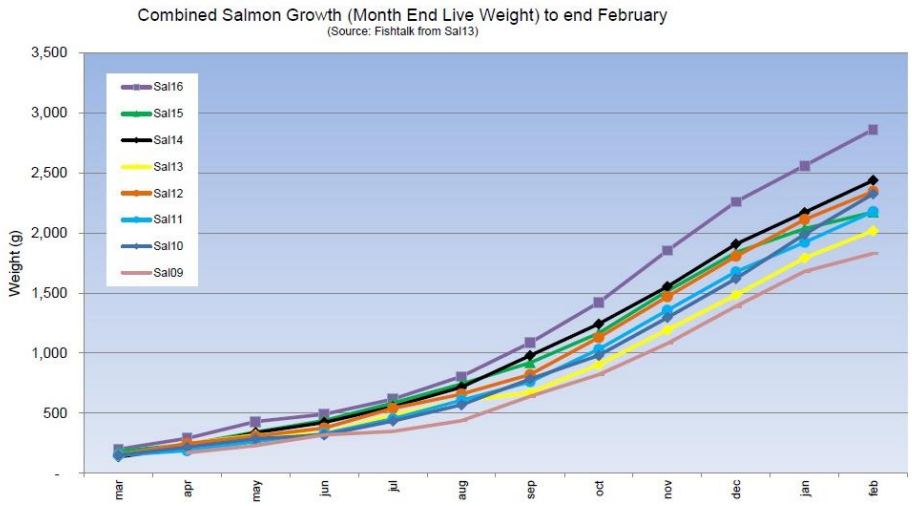
by **Rachel Mutter**

An isolated island state off Australia's south coast, Tasmania is known for its rugged environment. Such a seascape brings as many, if not more, challenges as it does advantages but this is where Huon Aquaculture produces its 20,000 metric tons of Atlantic salmon, adapting to the unique environment with custom-made innovations and science.

At its farm locations on the edge of the Great Southern Ocean, nutrient levels are high, meaning weed growth is prolific and Huon has to clean its nets frequently and thoroughly. Water temperatures are also warmer in summer than in other salmon farming regions, and while Australia's salmon farmers do not have sea lice to deal with, they do have amoebic gill disease (AGD), which means the fish have to be bathed in freshwater on a 30 day cycle.

For this purpose and for transporting fish between sites, Huon has *Ronja* -- a 76 meter well boat with a 3000 cubic meter treatment capacity.
However, this unique environment produces high quality fish, according to Co-Founder Frances Bender, who proudly tells IntraFish of a recent visit by a contingent of smaller scale Norwegian fish farmers who had some very positive observations about Huon's salmon, including, notably, "these fish are better than ours."

Huon's feed research facility has compare fish diets and improved fish growth over the years (see graph). The company has also worked with an external company to develop technology using infrared sensors to detect pellets falling through the water column, with the principal of giving fish every opportunity to eat whilst minimising wasted feed and nutrient loading on the seabed.



Open door policy on environmental challenges

The environmental awareness amongst the general public in Australia means Huon and its salmon farming counterparts have to deal with an unprecedented amount of public scepticism and backlash around their practices.

“I think it comes from a lack of understanding about how amazing and robust and scientific [our business]is,” said Bender.

“That is partly the industry’s fault,” she said. “If we don’t manage our environment then we don’t have a business, and we haven’t managed to communicate that.”

Huon, however, prides itself on its transparency and was, claims Bender, the first company in the world to produce and make publicly available, a ‘sustainability dashboard.’ Detailing data such as ‘wildlife interactions’ – seals removed from cages etc – sea temperature, antibiotic use, freshwater use and employee numbers, Huon encourages questions and comments from consumers and will happily discuss challenges and improvements that need to be made.

“We have always had the approach that we understand as salmon farmers we are using a shared resource,” said Bender.

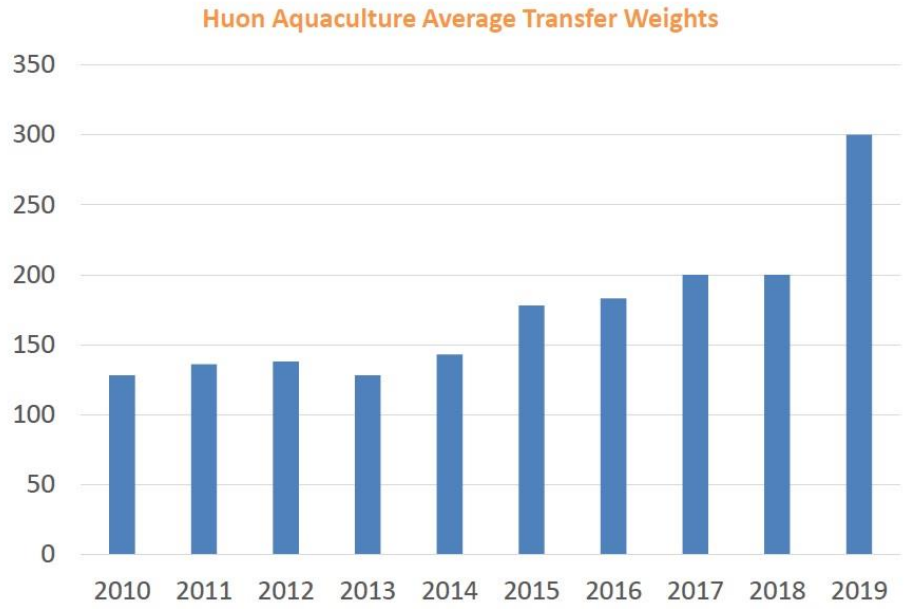
“We believe in putting information – both good and bad – out there... and our door is always open for questions and discussion.”

A future offshore

A recent news article in the Australian press cited the local Shooters and Fishers party pushing for Tasmania’s salmon farming industry to be brought on land.

But Bender sees this as an unrealistic premise for the salmon industry at the current time. “At this particular point in time, one of the major issues is cost, and the environmental status is not what everyone thinks it is.”

Bender also points to the animal welfare aspect of land-based farms. “The one thing people never consider,” she said. However, the company have started to extend their hatchery period, producing larger smolt with an aim of the fish being in the sea for just 12 months (see graph).



But for Huon, offshore farming is a more realistic solution to close shore challenges than land farming, having shut down its shallowest inshore sites in the Huon River and moved into deeper, higher energy areas. Its Storm Bay site (see map) is its first foray offshore, where exposure to the wild Tasman Sea and waves up to 13 meters high puts Huon’s purpose-built ‘fortress pens’ to the test.

The key to moving offshore, according to Huon's founders -- Frances and her husband Peter -- is to have a centralised monitoring system, reducing the need for Huon staff to work on the pens in rough weather.

To enable this cameras mounted on a winch system will be able to monitor pens and allow for net inspections, mort collection, environmental monitoring, data collection and general site surveillance, allowing manual tasks such as bathing, net cleaning and filling feed barges to be carried out on calm days.

Huon is also adapting other technology to suit its offshore future with plans for a new mega well boat: *Ronja Storm*. At 117 meters long and with four fish tanks totalling 7,500 cubic meters, there is capacity to bathe an entire 240 meter fortress pen in one go.

"If there’s a way to improve, make changes, we will do it,"said Bender.


HUON
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MOST LOVED SALM
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Attachment 5: New Zealand King Salmon farm sites – existing and proposed

Table 2: Existing NZKS Coastal Permits

Expiry Date[1]	Coastal Permit (CP#)[1]	Farm Site Name	General Location	Average water current speeds/ flows/ velocity (cm/s)(CI#)[1]	Consented Area (Occupancy) (ha)[1]	Maximum Feed Discharge Approved (mt pa)[1]	Status as at May 2017
7 May 2021▪	U021247	Ruakaka	Inner Queen Charlotte	3.7 CI#2960	11.300	4000	In operation CI# p. 3[1]
31 Dec 2024▪	U040412	Forsyth	Outer Pelorus	3 CI#2958	6.000	4000	Fallowed in 2001* CP# p. 6[1]
31 Dec 2024▪	U000956 (MFL456)	Waihinau	Outer Pelorus	8.4 CI#2957	8.000	3000	Fallowed (approximately November 2015)* CI# p. 3[1]
31 December 2024▪	U040217	Otanerau	Outer Queen Charlotte	6 CI#2961	10.800	4000	In operation CI# p. 3[1]
1 Dec 2036	U160675 (Replaced U060926 in Nov 2016)	Clay Point	Tory Channel	19.6 CI#2784	19.644	4500	In operation CI# p. 3[1]
31 Dec 2024▪	U090634 (MFL032)	Crail Bay	Central Pelorus	2.5-3 CI#2470	7.790	1440	Not stocked since purchased by NZKS in 2011[3], non-operational, p. 5[2]
31 Dec 2024▪	U090660 (MFL048)	Crail Bay	Central Pelorus	2.5-3 CI#2471	4.500[6]	1770	Not stocked since purchased by NZKS in 2011[3], non-operational, p. 5[2]
1 Feb 2036	U150081	Te Pangu	Tory Channel	15 CI#2809	21.092	6000	In operation CI# p. 3[1]
11 Dec 2049	U140294 Application approved in 2013, p. 122	Waitata	Outer Pelorus	not available	24.000	6000	Operational[5]
11 Dec 2049	U140295 Application approved in 2013, p. 122	Kopāua (Richmond)	Outer Pelorus	not available	10.000	4000	Operational[5]
11 Dec 2049	U140296 Application approved in 2013, p. 122	Ngamahau	Tory Channel	22 CI#2808	12.000	4000	Operational[5]
Total					**135.126**	**42710**	
▪ Total A: Existing farm sites included in the MPI proposal					**48.390**	**18210**	

Note

*NZKS has indicated that they plan to use Waihinau and Foresyth as seasonal smolt sites from April 2017.[4]

Sources

1 See Marlborough District Council. (n.d.). Marlborough District Council Property Files. Originally retrieved 2017 from https://www.marlborough.govt.nz/services/property-filesonline

2 Ministry for Primary Industries (MPI). (n.d.). *Potential relocation of salmon farms in the Marlborough Sounds*. MPI Discussion Paper No: 2017/04, p. 5. Retrieved 22 October 2022 from www.mpi.govt.nz/document-vault/161623 Andrew Clark, *Personal communication*, 8 May 2017.

3 Personal communication with Andrew Clark, 8 May 2017.

4 Pricewaterhouse Coopers (PWC). (November 2016). *Marlborough Salmon Relocation – Economic Impact Assessment*, p. 37. Retrieved 22 October 2022 from www.mpi.govt.nz/document-vault/16051

5 New Zealand King Salmon. (12 July 2016). *New Marlborough salmon farms come on stream* [media release]. Retrieved from https:// www.kingsalmon.co.nz/new-marlborough-salmon-farms-come-on-stream/

Table 3: Proposed NZKS potential sites included in the MPI proposal

Farm Site Name	General Location	Average mid-water current (cm/s)●	Consented Area (Occupancy) (ha)	Predicted feed level per year to comply with ES5* (tonnes)	Would it be consented for a barge?
Blowhole Point North	Outer Pelorus Sound (CMZ 1)	13	10.020	4500	Yes
Blowhole Point South	Outer Pelorus Sound (65% in CMZ 2, 35% in CMZ 1)	14	9.990	5000	Yes
Waitata Mid-channel	Outer Pelorus Sound (CMZ 1)	24	15.950	7000	A feed receptacle only
Richmond Bay South	Pelorus Sound (CMZ 1)	18	13.730	5000	Yes
Horseshoe Bay	Pelorus Sound (CMZ 2)	11	10.740	1500	Yes
Tio Point	Tory Channel (70% in CMZ 2, 30% in CMZ 1)	23	4.180	1600	Yes
Total B: Proposed farm sites included in the MPI proposal			**64.610**	**24600**	

Adapted from Table 6: Environmental characteristics and predicted feed levels of potential relocation sites p. 39. See *Erratum to the Potential relocation of salmon farms in the Marlborough Sounds – Consultation document*, p. 3. (14 March 2017). Retrieved from www.mpi.govt.nz/news-and-resources/consultations/marlborough-salmon-relocation.

Note

*ES5 is referred to in the *Benthic Guidelines*. It sets the maximum permitted level of enrichment ('bottom lines') for a salmon farm. 'Exceeding ES5 means the seabed receives too much organic matter, and this may reduce the availability of oxygen in the seabed sediments.'[1]

● Cawthron reports refer to a combination of 'Average water current speeds / flows / velocity' in cm/s. MPI figures refer to an 'Average mid-water current' in cm/s. Therefore these figures may not be comparable as Cawthron have not specified where their average was taken whereas MPI refer to mid-water.

Source

1 Marlborough Salmon Working Group, (2016), *Advice to the Minister of Aquaculture*, p. 12. Retrieved from www.mpi.govt.nz/document-vault/15982.

Observation

An overarching question with the MPI proposal is what a swap of water space means in practice. Tables 2 and 3 illustrate this issue in terms of what is potentially being swapped. In particular does this mean a direct swap in terms of coastal permit expiry dates, consented areas, feed discharges and/or farms in operation? For example, comparing Tables 2 and 3, the MPI proposal is asking for a 34% increase in the total consented area and 35% increase in the total feed discharge.

The Institute would argue the MPI proposal to relocate low-flow sites was already taken into account as part of the BOI decision and therefore no farms should be swapped.[102]

If the Minister was to disagree and pursue a swap in principle, we would argue the Minister should only swap the farms currently in operation. This means the Forsyth and the two Crail Farms would be removed from the MPI proposal, leaving only three farms to be swapped. Further, we would suggest that these three farms should carry across the same footprint in terms of expiry date, consented area and feed discharge. This way the three newly relocated farms under this MPI proposal would undergo public consultation in 2021 and 2024 (x2). This would be necessary as these three farms would expire and NZKS would need to reapply for a new coastal permit using the current legislative framework.

102 This is evidenced by the numerous references to the flow levels of both existing and proposed sites in the Final Report and Decision of the Board of Inquiry, see paragraphs 133, 135, 137, 301, 304, 319 and 1177 in Board of Inquiry New Zealand King Salmon Requests For Plan Changes And Applications For Resource Consents (22 February 2013). Retrieved from www.epa.govt.nz/Publications/BOI%20NZKS%20Final%20Decision%2022%20Feb.pdf.

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