

**RENEWAL OF RESOURCE CONSENTS TO ENABLE CONTINUED OPERATIONS OF THE
ALLIANCE GROUP LIMITED'S LORNEVILLE MEAT PROCESSING PLANT**

ASSESSMENT OF ECONOMIC BENEFITS

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1. INTRODUCTION

Background

- 1.1 The Alliance Group Limited (Alliance) is a co-operative owned and supplied by 4,600 shareholder farmers, who supply more than 85% of the livestock processed at its six plants located in the South Island and two in the North Island.¹ The largest of these plants is the Lorneville plant, which accounts for approximately half of Alliance's processing capacity and is located at Underwood, 7 kilometres north of Invercargill. In 2013/14², the plant processed 2.4 million lambs, 0.54 million sheep and 64,000 calves into meat and meat products, pelts and wool having an estimated total value of \$433 million. Payments for stock in 2013/14 were \$288 million, mostly to Southland (74.2%) and Otago (19.3%) farmers. In addition the plant spent around \$18 million per annum on goods and services supplied by local Southland businesses and \$5 million supplied by Otago businesses. The plant paid \$71 million per annum in wages and salaries to 165 fulltime salaried staff and 1,702 seasonal staff.
- 1.2 Alliance currently holds 12 resource consents issued by the Southland Regional Council (Environment Southland) and/or the Invercargill City Council (ICC). These resource consents enable the operation of the Lorneville plant and authorise discharges to air, land and water, irrigation, and the taking of water. Alliance is seeking renewal of six resource consents due to expire on 7 August, 2016 to enable the continued operation of its Lorneville meat processing plant for a further 35 years. The remaining consents are not due to expire until at least 2027.

Report Objective

- 1.3 The objective of this report is to assess the Invercargill City and Southland regional economic effects of the continued operation of the Lorneville plant. The report will form part of the Assessment of Environmental Effects to be lodged in relation to the consents renewal applications.

¹The plants are located at Stoke (Nelson), Smithfield (Timaru), Pukeuri (North Otago), Mataura (Southland), Makarewa (Southland), Lorneville (Southland), Levin and Dannevirke (Hawkes Bay).

²i.e. the year ending 30 September, 2014.

Report Format

1.4 This report is divided into 5 parts (in addition to this introductory section). These are:

- (a) The background to the Lorneville plant operations;
- (b) A consideration of the relevance of economic effects under the Resource Management Act (RMA);
- (c) A description of the Invercargill City and Southland regional economies;
- (d) The economic benefits from consent renewals; and
- (e) Some overall conclusions.

2. BACKGROUND TO THE LORNEVILLE PLANT'S OPERATIONS³

2.1 Meat exports of \$5.6 billion for the year ending 30 June 2014 were New Zealand's second largest exports by value behind dairy products (\$16.9 billion⁴) and ahead of logs and wood products (\$4.0 billion), fruit (\$1.7 million), mechanical machinery and equipment (\$1.6 billion), wine (\$1.4 billion) and fish (\$1.3 billion). In the year ending 30 June 2014, meat and edible offal and raw hides, skins and leather (\$0.6 billion) made up 12.1% of the value of New Zealand's commodity⁵ export trade, second only to dairy product exports which made up 33.0%.⁶

2.2 Trade enables New Zealand to specialise in the production of certain products in which New Zealand has a comparative advantage enabling production surplus to domestic consumption to be exported. The production of meat and other animal products is an area in which New Zealand has comparative advantage. Exports of these products provide foreign exchange, enabling New Zealand to finance the purchase of competitively priced imported goods and services. The alternative model of "fortress New Zealand"⁷ would see higher priced goods and services, reduced choice in the range of goods and services available in New Zealand and

³Material in this section provided by Alliance, unless stated otherwise.

⁴Includes milk powder, butter and cheese (\$15.835 billion) and casein and caseinates (\$1.046 billion).

⁵A distinction is made between "commodity trade" or "merchandise trade" and total trade. Commodity trade relates to the exporting and importing of goods only, whereas total trade includes the exporting and importing of both goods and services.

⁶ Trade statistics from Statistics New Zealand NZ Stat.

⁷ I.e. a situation where New Zealand's trade with the rest of the world is constrained and it is not possible for New Zealand to specialize in the production of those goods and services in which it has a comparative advantage, nor access cheaper goods and services from overseas.

a less efficient use of our physical and natural resources. This would result in lower incomes and a lower standard of living for New Zealanders.

- 2.3** Alliance's total revenues in 2013/14 were \$1.459 billion, of which \$1.300 billion (89%) were from export earnings. It employs 628 fulltime salaried staff and 5,000 seasonal (peak) employees and pays over \$208 million per annum in wages and salaries. Of Alliance's 4,563 shareholders on the Share Register at 30 September, 2014, 2,022 (44%) were in Southland. The shareholders are a mix of family owned farms and corporate entities.
- 2.4** The Lorneville meat processing plant was established in 1959 and processes lambs, sheep and bobby calves. The plant provides Alliance with its only processing capacity for lambs and sheep within the Southland region and any reduction in the plant's capacity to process lambs and sheep would see this livestock processed outside the region.
- 2.5** The latest estimate (December 2014) for the Lorneville plant's replacement cost is \$240 million and much of this value is sunk – i.e. it could not be recovered if the plant was forced to downsize, close or be relocated.
- 2.6** Stock for the plant is largely sourced locally, with in 2013/14, 74.2% from Southland, 19.3% from Otago, 0.9% from the rest of the South Island and 5.6% from the North Island. Stock numbers processed in 2011/12 were 2,392,222 lamb equivalents⁸, in 2012/13, 3,001,896 lamb equivalents and in 2013/14, 3,052,354 lamb equivalents. The forecast for 2014/15 is 2,902,300 lamb equivalents. Meat and meat products plus wool and pelts having a total value of \$433 million were produced at the plant in 2013/14. A total of 1,471 twenty foot equivalent unit (TEU) containers of meat and meat products were shipped from the plant through SouthPort in 2013/14.
- 2.7** Alliance has analysed the advantages of retaining processing capacity at the Lorneville plant relative to other potential new sites and/or the expansion of other existing plants. The key advantages are:

⁸Lambs = 1.0 lamb equivalents; sheep = 1.1 lamb equivalents; and calves = 1.5 lamb equivalents.

- (a) The continued use of existing plant and equipment having significant sunk costs;
- (b) Sufficient livestock production in the immediate area and wider surrounding catchment;
- (c) Optimised location from the perspective of livestock and processed products transportation;
- (d) The proximity of a trained and experienced workforce;
- (e) The proximity of supplier businesses with appropriate expertise and experience;
- (f) The proximity of both road and rail networks for plant inputs and outputs;
- (g) The availability of sufficient water supply from the Oreti River to enable livestock processing operations;
- (h) The ability to discharge treated meat processing waste to the Makawera River and treated wastewater to land;
- (i) The ability to minimise and mitigate adverse environmental effects for neighbours and the wider community;
- (j) Few incompatible adjacent or nearby land uses;
- (k) The site is large enough for any future expansion; and
- (l) Economies of scale and scope as compared to relocating processing capacity to a number of alternative sites.

2.8 Consent renewals will enable Alliance and its supplier shareholders to continue to benefit from these economic advantages of the plant. Closure or downsizing of the plant due to consents not being renewed or being renewed with more stringent conditions would result in efficiency losses, higher costs and reduced returns for Alliance's farmer shareholders. In addition there will be economic costs for the broader Invercargill and Southland communities. These are covered later in this report.

3. ECONOMICS AND THE RMA

Community Economic Wellbeing

3.1 Economic considerations are intertwined with the concept of the sustainable management of natural and physical resources, which is embodied in the RMA. In particular, Part 2 section 5(2) refers to enabling "*people and communities to*

provide for their ... economic ... well being” as a part of the meaning of “*sustainable management*”, the promotion of which is the purpose of the RMA.

- 3.2** As well as indicating the relevance of economic effects in considerations under the RMA, this section also refers to “*people and communities*” (emphasis added), which highlights that in assessing the impacts of a proposal it is the impacts on the community and not just the applicant or particular individuals or organisations, that must be taken into account. This is underpinned by the definition of “*environment*” which also extends to include people and communities.
- 3.3** The continued operation of the Lorneville plant enables the residents and businesses of Invercargill and the Southland region to provide for their social and economic wellbeing.

Economic Efficiency

- 3.4** Part 2 section 7(b) of the RMA notes that in achieving the purpose of the Act, all persons “*shall have particular regard to ... the efficient use and development of natural and physical resources*” which include the economic concept of efficiency⁹. Economic efficiency can be defined as:

*“the effectiveness of resource allocation in the economy as a whole such that outputs of goods and services fully reflect consumer preferences for these goods and services as well as individual goods and services being produced at minimum cost through appropriate mixes of factor inputs”.*¹⁰

- 3.5** More generally economic efficiency can be considered in terms of:
- Maximising the value of outputs divided by the cost of inputs;
 - Maximising the value of outputs for a given cost of inputs;
 - Minimising the cost of inputs for a given value of outputs;
 - Improving the utilisation of existing assets; and
 - Minimising waste.

⁹See, for example, in *Marlborough Ridge Ltd v Marlborough District Council* [1998] NZRMA 73, the Court noted that all aspects of efficiency are “*economic*” by definition because economics is about the use of resources generally.

¹⁰Pass, Christopher and Lowes, Bryan, 1993, *Collins Dictionary of Economics* (2nd edition), Harper Collins, page 148.

- 3.6** The continued operation of Alliance's Lorneville plant is consistent with the efficient use of resources, especially in regard to the ongoing use of significant existing assets, transport cost savings and the economies of scale in production available at the plant.

Value of Investment to the Existing Consent Holder

- 3.7** Part 6, section 104 (2A) of the RMA requires the consent authority when considering a renewal of an existing consent to "*have regard to the value of the investment of the existing consent holder.*" The value to Alliance of its investment in the Lorneville plant can be considered in terms of either the replacement value of the plant (\$240 million) or the foregone future earnings of the plant if it was forced to close. By both of these measures, the value of the Lorneville plant is significant to the existing consents' holder.

Viewpoint

- 3.8** An essential first step in carrying out an evaluation of the positive and negative economic effects of the granting of consent renewals is to define the appropriate viewpoint that is to be adopted. This helps to define which economic effects are relevant to the analysis. Typically a city (or district) or wider regional viewpoint is adopted and sometimes even a nationwide viewpoint might be considered appropriate.
- 3.9** The Lorneville processing plant is located in the Southland District, which is part of the Southland region. Because of the plant's proximity to Invercargill, the plant's operations have significant economic effects for Invercargill City as well as the wider Southland region. Therefore in this report the economic effects are considered in relation to Invercargill City and the Southland region.
- 3.10** There are also private or financial benefits associated with the granting of consent renewals. Generally these benefits are not relevant under the RMA and the main

focus of this report is therefore on the wider economic effects on parties other than Alliance and its customers. Economists refer to such effects as “externalities”¹¹.

- 3.11** However, Alliance is owned by its farmer shareholders and financial benefits to Alliance impact on the “*economic (and social) well being*” of these farmer shareholders including those within the local community – i.e. the Southland region. Increased returns to (or reduced costs for) farmer shareholders in Southland will flow through to increased expenditure, employment and incomes within the Invercargill and Southland economies, as a consequence of increased disposable income for local farmer shareholders. Also financial benefits to Alliance are relevant with respect to the “*efficient use and development of natural and physical resources*” and New Zealand’s export competitiveness, given the Lorneville plant’s significant scale and the importance of meat and meat product exports to the New Zealand economy.

4. BACKGROUND TO INVERCARGILL CITY AND SOUTHLAND REGION’S ECONOMIES¹²

- 4.1** Statistics New Zealand’s June 2014 population estimate for Invercargill City is 53,700. In 2006 population in the City was estimated to be 51,600, implying growth of 4.1% over the period 2006 to 2014, as compared to growth of 7.8% for New Zealand as whole. Statistics New Zealand’s ‘medium’ population projections¹³ have Invercargill City’s population decreasing to 48,500 in 2031 – i.e. an average rate of decline of 0.6% per annum over the period 2014-31, compared to an average rate of growth for New Zealand of 0.8% per annum.
- 4.2** Statistics New Zealand’s June 2014 population estimate for the Southland region is 96,500. In 2006 population in the region was 93,200. The region’s population over the period 2006 to 2013 has grown by 3.5%. Statistics New Zealand’s ‘medium’ population projections have the region’s population decreasing to 94,600

¹¹Defined as the side effects of the production or use of a good or service, which affects third parties, other than just the buyer and seller.

¹²Data in this section from Statistics New Zealand NZ Stat.

¹³Statistics New Zealand prepare three sets of projections – high, medium and low – according to natural population change (i.e. the net effect of birth and death rate assumptions) and net migration assumptions. These projections do not explicitly incorporate assumptions about different rates of economic development.

in 2031 – i.e. an average rate of decline of 0.1% per annum over the period 2014-31.

- 4.3** Employment data highlight the importance of manufacturing to Invercargill City. In February 2014, 3,540 jobs (13.6%) of the City's 25,980 jobs were in manufacturing with food products manufacturing contributing 1,330 jobs (of which 880 jobs were in meat and meat products manufacturing) and primary metal and metal products manufacturing (including the Tiwai Point aluminium smelter) contributing 760 jobs the most significant sub-sectors. This understates the importance of food manufacturing since the jobs included are only those within the City and Invercargill residents will in some cases travel to jobs in food manufacturing plants (e.g. the Lorneville meat processing plant and Fonterra's Edendale milk processing plant) outside the City's boundaries. Other significant sources of employment within Invercargill City are health and social assistance (3,720 jobs, or 14.3% of total employment), retail trade (3,390 or 13.0% of total employment), education and training (2,050 or 7.9% of total employment) and construction (1,990 jobs or 7.7% of total employment).
- 4.4** For the Southland region in February, 2014 there were 48,460 jobs. Agriculture, forestry and fishing with 8,370 jobs (17.3% of total employment) and manufacturing with 7,990 jobs (16.5% of total employment) are the two largest sectors. Within agriculture, forestry and fishing, agriculture accounts for around 7,874 or 94.0% of these jobs including 3,080 in dairy farming and 2,360 in sheep, beef cattle and grain farming. Within manufacturing, there are 4,940 jobs in food product manufacturing including 3,790 jobs in meat and meat products manufacturing and 680 jobs in dairy products manufacturing. Other important sources of employment for the Southland region are retail trade (4,840 jobs or 10.0% of total regional employment), health and social assistance (4,640 jobs or 9.6% of total regional employment), education and training (3,110 jobs or 6.4% of total regional employment) and accommodation and food services (3,100 jobs or 6.4% of total regional employment). However these service sectors are to a large extent "driven" by the economic activity generated by the so called "economic drivers" of the region – principally agriculture and agricultural product processing and the Tiwai point aluminium smelter. Taken together agriculture, food product manufacturing and the Tiwai Point aluminium smelter directly account for about 28% of total employment in the region. With the inclusion of the flow on, or

“multiplier” effects, (see next section of this report), these industries generate around 49% of total employment in the region.

- 4.5** Like the region, Invercargill City is also very much “driven” by these same industries.

5. ECONOMIC BENEFITS FROM CONSENT RENEWALS

Maintaining Economic Activity within the City and Regional Economies¹⁴

- 5.1** The Lorneville meat processing plant employs 165 full time salaried staff and 1,702 seasonal workers at the peak. This equates to 1,057 full time equivalent staff (FTEs). Alliance’s Lorneville plant pays out \$71.4 million in wages and salaries per annum and spends an estimated additional \$17.9 million per annum in the Southland region on goods and services. Goods and services to the plant provided by local firms include engineering, plumbing, electrical and security contractors; packaging suppliers; utilities (electricity and telecommunications); providers of medical services and supplies (doctors, physiotherapists, drug testers and other healthcare service suppliers); professional service suppliers; and providers of laboratory equipment and materials, clothing, fuels, knives and food.
- 5.2** These are the direct economic impacts for the Southland region’s economy from the plant’s operation.¹⁵
- 5.3** However in addition to these direct economic impacts there are indirect impacts arising from:
- a. The effects on suppliers of goods and services provided to the plant from within the region (i.e. the “forward and backward linkage” effects);and
 - b. The supply of goods and services from within the region to employees at the plant and to those engaged in supplying goods and services to the

¹⁴Unless stated otherwise data in this section provided by Alliance.

¹⁵No account is taken in this section of the direct and indirect economic impacts of sheep and beef cattle farming within the region. Sheep and beef cattle farming will in general not be affected by whether the resource consents are renewed – i.e. livestock produced within the region are assumed to be diverted to other meat processing plants if consents are not renewed. However to the extent the non-renewal of consents or stricter consent conditions add costs to meat processing, farmers will be impacted as a consequence of lower payments for livestock.

plant (i.e. the “induced” effects). For example, there will be additional jobs and incomes for employees of supermarkets, restaurants and bars as a consequence of the additional expenditure by employees directly employed at the plant.

5.4 Multipliers can be estimated to gauge the size of these indirect effects. The size of the multipliers is a function of the extent to which an area’s economy is self-sufficient in the provision of a full range of goods and services and the area’s proximity to alternative sources of supply. Multipliers typically fall in the range of 1.5 to 2.0 and taking the mid-point of this range (i.e. 1.75) implies total impacts (i.e. direct plus indirect impacts) of:

- 1,850 FTE jobs for local Southland residents; and
- \$125 million per annum in wages and salaries for local Southland residents.

5.5 Given the Lorneville plant’s proximity to Invercargill and the range of goods and services available in Invercargill compared to other centres in the region, most of this additional economic activity is generated in Invercargill City.

Economic Benefits from Increased Economic Activity

5.6 As indicators of levels of economic activity, economic impacts in terms of increased expenditure, incomes and employment within the local economy are not in themselves measures of improvements in economic welfare or economic wellbeing. However, there are economic welfare enhancing benefits associated with increased levels of economic activity. These relate to one or more of:

- a. Increased economies of scale: Businesses and public sector agencies are able to provide increased amounts of outputs with lower unit costs, hence increasing profitability or lowering prices;
- b. Increased competition: Increases in the demand for goods and services allow a greater number of providers of goods and services in markets and there are efficiency benefits from increased levels of competition;

- c. Reduced unemployment and underemployment¹⁶ of resources: To the extent resources (including labour) would be otherwise unemployed or underemployed, higher levels of economic activity can bring efficiency benefits when there is a reduction in unemployment and underemployment. The extent of such gains is of course a function of the extent of underutilized resources within the local economy at the time and the match of resource requirements and those resources unemployed or underemployed within the local economy; and
- d. Increased quality of central government provided services: Sometimes the quality of services provided by central government such as education and health care are a function of population levels and the breadth and quality of such services in a community is higher with higher levels of economic activity, particularly to the extent they lead to or maintain higher levels of population.

5.7 The Lorneville meat processing plant gives Invercargill City greater critical mass and as a consequence the residents and businesses within the City benefit from economies of scale, greater competition, increased resource utilisation and better central government provided services. This is also true for the Southland region, although to a lesser extent given the economic activity generated by the plant is proportionately less for the region as compared to Invercargill City.

Economic Efficiency Benefits from Optimising Plant Location

5.8 There are a number of economic efficiency benefits from Alliance obtaining consents to enable the continued operation of the Lorneville plant at its current site. These have been listed earlier in section 2 of this report and include the continued use of existing plant and equipment with a reinstatement value of \$240 million,¹⁷ the minimisation of transport costs (and carbon footprint) for livestock and finished product dispatch, the availability of a trained and experienced workforce and businesses with appropriate expertise and experience within close

¹⁶Underemployment differs from unemployment in that resources are employed but not at their maximum worth; e.g. in the case of labour, it can be employed at a higher skill and/or productivity level, reflected in higher wage rates.

¹⁷ In addition to the economic efficiency benefits from the continued use of plant and equipment having a reinstatement value of \$240 million, Alliance's significant investment in the Lorneville plant is also relevant in terms of Part 6, section 104 (2A) of the RMA, which requires regard to be given to value of the investment of the existing consent holder.

proximity of the plant, and economies of scale and scope as compared to re-locating processing capability to a number of alternative sites.

- 5.9** The Lorneville plant provides Alliance with its only lamb and sheep processing capacity in Southland and farmers would need to truck lambs and sheep out of the region for processing if the Lorneville plant's processing capacity for lambs and sheep was reduced. There is insufficient capacity at other plants within the region to handle lambs and sheep processed at the Lorneville plant. This would add to farmers' costs, reduce their disposable incomes and reduce spending in Invercargill and other centres within the region. Also the Lorneville plant provides Alliance with its only rendering operation in the region. In addition to rendering by-product from Alliance's two main Southland plants, it renders fallen stock on a tolling basis for Slink Skin New Zealand (SSNZ). SSNZ collects the fallen stock from farms in the region, skins the animals and transports the skinned carcasses to the Lorneville plant to be rendered. In the absence of this service the stock would be left on farms and need to be buried, reducing returns to farmers and adding to their costs.
- 5.10** Alliance is seeking renewal of consents for a minimum period of 35 years. There are also economic efficiency benefits associated with consents being renewed for a longer term as compared to short term (e.g. 10 year) consent renewals. Longer term consent renewals not only save more frequent consent renewal costs, but also provide greater certainty for investment in and management of the plant.
- 5.11** Maintaining these economic efficiency benefits is consistent with *"the efficient use and development of natural and physical resources"* (Part 2, section 7(b) of the RMA) as well as enabling *"people and communities to provide for their economic and social wellbeing"* (Part 2, section 5(2) of the RMA).

Greater Economic Resilience for Invercargill City and the Southland Region

- 5.12** As discussed earlier in this report, both the Southland region and Invercargill City are significantly dependent upon the agricultural sector, especially sheep and beef cattle and dairy farming. Therefore the Lorneville plant helps provide greater diversity and balance to the two economies. Although it involves the processing of livestock, having livestock processing manufacturing capacity within the region

provides employment opportunities and incomes less dependent upon returns to the agricultural sector. This makes the Invercargill City and Southland economies more resilient to agricultural commodity price cycles.

Rates Income to the ICC and Environment Southland

- 5.13** The Lorneville plant pays \$93,000 per annum in rates to the ICC and \$7,400 per annum in rates to Environment Southland. The plant also pays out \$19,000 per annum in consent fees. Whilst these payments are for services provided by the Councils and from which Alliance and its employees benefit, economies of scale mean that should the Councils lose this income, the range and quality of services provided by the Councils would diminish and/or payments by other ratepayers in the City and region would need to increase.

Wallacetown Wastewater Disposal Cost Savings

- 5.14** Wallacetown is some 5 kms from the Lorneville Plant and it's around 700 residents benefit from the Lorneville Plant's treatment and disposal of the town's wastewater. The wastewater from the town is pumped and piped to the head of the Lorneville plant's wastewater treatment plant. Wallacetown ratepayers initially paid a small (around \$15,000 in total) cost recovery charge each year, until Southland District Council introduced a district-wide wastewater levy. Now in effect all Southland District ratepayers benefit from Wallacetown's wastewater utilising the Lorneville Plant's wastewater treatment and disposal facilities.
- 5.15** Should the consents for the Lorneville plant's wastewater disposal not be granted, or be granted with more stringent conditions (e.g. requiring disinfecting of the full wastewater stream or requiring the separation of human waste, treatment and disposal to land), there would be significant additional capital and ongoing annual costs for Wallacetown ratepayers and other Southland District ratepayers to bear.

Community Sponsorship Programmes

- 5.16** In recognition of the important role the community plays in helping Alliance realise its potential, the company provides financial support to a number of initiatives at

the community and national level. In the year to 30 September, 2014 the Lorneville plant made grants totalling \$61,000 to various community organisations.

6. CONCLUSIONS

6.1 The granting of consents enabling the continued operation of the Lorneville meat processing plant will maintain the economic wellbeing of people and communities within Invercargill City and the Southland region by:

- (i) Maintaining significant direct and indirect employment opportunities for local residents;
- (ii) Maintaining significant direct and indirect wages and salaries for local residents;
- (iii) Maintaining significant levels of direct and indirect expenditure with local businesses;
- (iv) Maintaining population and economic activity levels within local communities thereby maintaining the breadth and quality level of services available to local residents and businesses;
- (v) Providing greater employment choice for local residents;
- (vi) Maintaining low cost wastewater treatment and disposal for Wallacetown residents and businesses; and
- (vii) Continuing Alliance contributions to local community activities, in its role as a responsible employer and “good corporate citizen”.

6.2 The granting of consents sought for the Lorneville plant will maintain resource use efficiency by enabling:

- (i) The continued use of existing plant and equipment with significant sunk costs;
- (ii) The minimisation of transport costs for livestock and finished product dispatch;
- (iii) The continued utilisation of a trained and experienced workforce and businesses with appropriate expertise and experience within close proximity of the plant;
- (iv) The continued benefits from economies of scale and scope as compared to re-locating processing capability to a number of alternative sites; and

- (v) The maintenance of population and economic activity levels (or “critical mass”) in Invercargill City and the Southland region, thereby providing economies of scale and competition in the local provision of goods and services.

6.3 The Lornville plant has a replacement value estimated at \$240 million. Therefore its value to Alliance (the existing consents’ holder) is very significant.