

BEFORE ENVIRONMENT SOUTHLAND

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of Lorneville Processing Plant Resource Consent Applications (APP-20158595)

**STATEMENT OF EVIDENCE OF DANIEL HAILES
ON BEHALF OF ALLIANCE GROUP LIMITED**

4 July 2016

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QUALIFICATIONS AND EXPERIENCE

- 1 My full name is Daniel Joseph Hailes.
- 2 I am employed by Alliance Group Limited (**Alliance**) in the company's corporate office as the Company Secretary. I have held this role since January 2013.
- 3 I hold a Bachelor of Laws (with Honours) from the University of Otago. I am enrolled as a Barrister and Solicitor of the High Court of New Zealand and hold a current Practising Certificate issued by the New Zealand Law Society under the Lawyers and Conveyancers Act 2006. In 2014, I graduated from the Advanced Management Programme at Harvard Business School in Boston.
- 4 I have been employed by Alliance since March 1993. Roles I have held with the company include Legal Counsel, Plant Manager at the Alliance Dannevirke Plant in Hawkes Bay and Plant Manager at the Alliance Pukeuri Plant in North Otago. Prior to accepting my current role I was the General Manager Commercial based in the company's corporate office. In my various roles with Alliance I have been actively involved in a number of resource consent applications and other environmental initiatives. I have held directorships with Network Waitaki Limited, Network Waitaki Contracting Limited and am currently a director of Deer Industry New Zealand and DEEResearch Limited. I am authorised by Alliance to give evidence in this matter.
- 5 I have reviewed various reports submitted as part of the consent applications, the evidence of Frances Wise and the Section 42A Report.

SCOPE OF EVIDENCE

- 6 My evidence addresses the following matters:
 - (a) Alliance Group Ltd company overview;
 - (b) The Alliance Lorneville site overview;
 - (c) Consent timeframes; and
 - (d) Section 42A, Council staff report to hearing.

COMPANY OVERVIEW

- 7 Alliance is a large Southland based meat processing and exporting company that was established in 1948. It operates eight meat processing

and exporting plants throughout the South Island and lower North Island. These plants are located at:

- (a) Nelson, Stoke;
 - (b) Smithfield, Timaru;
 - (c) Pukeuri, North Otago;
 - (d) Mataura, Southland;
 - (e) Makarewa, Southland;
 - (f) Lorneville, Southland;
 - (g) Dannevirke, Hawkes Bay; and
 - (h) Levin, Horowhenua.
- 8 Alliance is New Zealand's only wholly farmer-owned red meat co-operative. As a co-operative it is largely supplied by its farmer shareholders. The almost 5,000 farmer shareholders are at the heart of every decision made. Profits are delivered back to the farmer shareholders or re-invested back into the business to deliver greater returns to the farmer shareholders. A key aspect of this is maintaining or where possible, lowering, the unit cost of processing.
- 9 Alliance employs 628 full time salaried staff and at peak processing 5,000 seasonal employees. In the 2014/2015 season Alliance processed 489,000 cattle and calves, 5.7 million lambs, 1.2 million sheep and had an annual turnover of \$1.5 billion.
- 10 Alliance is committed to the sustainable management of the natural and physical resources that it depends on. Its environmental management systems are certified to both the internationally recognised ISO 14001 and the Enviro-Mark®NZ standards. The way Alliance approaches environmental management is discussed in more detail in the evidence of Frances Wise.

LORNEVILLE SITE

- 11 The Alliance Lorneville Plant (**the Plant**) is located approximately 7km north of Invercargill.
- 12 The Plant began as the foundation plant of the Alliance Freezing Company and was opened in 1960. The Plant is the largest ovine

processing export plant in the world. It currently processes in excess of 40% of Alliance's total sheep and lamb products. In the 2014/2015 season the Plant processed 2.5 million lambs, 0.48 million sheep and 81,000 calves.

- 13 All further processing of stock slaughtered at Lorneville is carried out on-site. The Plant is also equipped to undertake further processing of stock slaughtered at, and products from Alliance's other Southland Plants. The Plant and the wastewater facility also have capacity to process waste products from Alliance's other Southland Plants, and it handles domestic wastewater from Wallacetown. This currently avoids the need for Wallacetown and its ratepayers having to build their own facility. The Plant also receives products from other Southland facilities for processing; for example, renderable material from Mataura Plant and from other processors.
- 14 The Plant has the ability to operate an eight chain configuration with a maximum throughput of 32,000 lambs per day, and with the current seven chain operation 28,000 lambs per day. The Plant is a fully integrated plant, with slaughter and further processing operations, the production of edible by-products, cold storage (chilling and freezing), rendering, fellmongery, potable water treatment and an on-site wastewater treatment facility.
- 15 In the 2014/2015 season 165 full time salaried staff and approximately 1,700 seasonal staff were employed at the Plant. It paid \$75 million in annual wages and salaries, in addition to \$18 million towards locally provided goods and services. Payments for stock sourced predominantly from Southland and Otago amounted to \$273 million. Annually in excess of \$100,000 is paid to local authorities in rates and \$19,000 in consent fees to Environment Southland. The positive economic impact of the Plant is significant and is discussed in the evidence of Mike Copeland.
- 16 The Plant is critical to Alliance's southern operations. It is Alliance's sole ovine processing facility south of Oamaru. There is insufficient processing capacity at other plants within Southland to handle all the sheep and lambs currently processed at the Plant. If the Plant was to cease operating or operate at reduced throughput farmers would have to truck a large proportion of their stock out of Southland for processing.

- 17 Alliance's southern consolidated rendering operation is sited at the Plant. This is critical to the continued operation of both the Lorneville and Mataura sites. There is no other facility in Southland with the capacity to render the volume of material produced. Beef bones from Mataura are also processed at the Plant in the Soup Stock operation.
- 18 The rendering facility at the Plant renders fallen stock seasonally on behalf of Slink Skin New Zealand. No other facility in Southland has the capacity to render the approximate 4,500–5,500 tonnes of raw material over the three month season.

CONSENT TIMEFRAMES

- 19 Alliance is seeking a consent term of 35 years to ensure long term security for the sunk investment and the ongoing and proposed substantial future investment at the site. I appreciate that the consent term is one aspect that has been raised in submissions, with both Te Runanga o Waihopai and Southland Fish and Game opposing the 35 year term, whereas the New Zealand Meat Workers Union and Anna Napier have both supported the 35 year term. A 35 year term will enable future investment in all areas of the Plant to be promoted. Alliance is proposing robust monitoring and review conditions to ensure the best practicable options are adopted throughout the life of a 35 year consent.
- 20 The wastewater treatment plant up-grade is proposed to be fully operational and compliant with proposed discharge and in-river limits within 15 years of the commencement of the new consent. A 15 year period is necessary to ensure that any improvements in technology can be taken advantage of in implementing the upgrade. Significant improvement in wastewater quality has already been achieved as a programme of site improvements is implemented. In particular the concentration of ammonia-nitrogen in the discharged wastewater in the current season to date is approximately 35% lower than in the 2012/2013 season. A 15 year period also reflects Alliance's understanding of the likely time it will take Environment Southland to work with all stakeholders to deliver meaningful improvements to nutrient loads and other contaminants in the Oreti catchment. I understand from the expert evidence that it is catchment wide improvements which are necessary in order to have these measurable benefits on the New River Estuary. For example, in his evidence Dr James says that reductions in the total nitrogen load from the Plant will not have observable benefits on the New

River Estuary and that catchment-wide improvements need to be made. Alliance is committed to playing its part in achieving better overall water quality in the Oreti catchment and New River Estuary. That will involve significant capital expenditure which needs to be matched, in a timing sense, with the investments other stakeholders in the catchment will be asked to make. The co-operative nature of the company means that expenditure on capital works directly impacts on returns to our farmer shareholders, and in fairness to them needs to be timed to match similar commitments from other sectors.

SECTION 42A, COUNCIL STAFF REPORT TO HEARING

- 21 Alliance has made a very significant investment in the re-consenting process for Lorneville because of the critical nature of the plant – both to the company but also to the wider Southland community including Wallacetown. We have committed to a process involving very extensive investigations using leading experts from around the country to understand in great detail the nature of the receiving environment, the nature of our discharges, how those discharges affect (or do not affect) the environment, and what needs to happen to improve the environment over time. We have engaged early with the stakeholder community and have achieved a high degree of agreement and acceptance for the progressive improvement programme that has been developed through the consultation process. That process and the Technical Working Party in particular included representatives from Environment Southland.
- 22 Throughout the process of investigating and applying for new consents we have also been active in taking steps to improve the efficiency of our processes at Lorneville and have made real and substantial changes and improvements to the way we operate so as to reduce the effects on the environment, in particular the emissions from the boilers have been reduced and the quality of the discharge to the Makarewa River improved and this is discussed in the evidence of Frances Wise.
- 23 We have also been conscious throughout of the need to strike a careful balance in committing to further significant improvements in our discharge management between the cost to our farmer shareholders and the value of those improvements to the wider community. What that has meant is that we have had to take account of the fact that the overall river environment in particular is stressed because of other causes beyond our control, and that while Alliance makes a real contribution to contaminant

levels, were we to close the plant tomorrow, the problems in the river (and the New River Estuary) would essentially remain the same. What needs to happen is for all contributors of nutrients in the catchment to play their part in reducing levels in the river. Alliance is totally committed to that concept, and that is the approach we have developed in consultation with our stakeholders and which they accept (other than Fish & Game).

- 24 Against that background I have been extremely surprised and disappointed to read the Section 42A Report and its recommendations. To me it seems as if there has been a lack of communication between the Council representatives on the Technical Working Party and the writer of the Section 42A Report. I am very surprised to read that the writer thinks there is no certainty that the quality of the wastewater discharge will improve. We have already improved the discharge since this consenting process started, and are committing millions of dollars to further major capital projects for exactly that purpose. That is precisely what the conditions we have proposed ensure. We are getting no recognition for the work we have done. There is no acknowledgement that we are leading the drive to improve water quality in the catchment (and instead I am left with the impression that the writer thinks we are dragging the chain) and seemingly no understanding of the fiscal irresponsibility of committing millions of dollars of capital into environmental projects that will not make a real difference until other sources of contamination are addressed.
- 25 I am very frustrated to read a recommendation that our key consents should only be granted for 5 years. That is totally unacceptable to Alliance. The commitment we have made to the major capital work required to further improve the quality of our discharges is genuine, and reflects our view that the overall improvements in the river and estuary environment will not take place overnight, and to be realistically attainable they need to be staged so they are affordable for the wider community, including our farmer shareholders. In the face of those commitments we have made, and having regard to the improvements that we have already made, to have to read a recommendation that we only receive consents for 5 years is, at best, insulting.

Daniel Hailes

4 July 2016