

Under the Resource Management Act 1991 (**RMA**)

In the matter of An application for replacement water and discharge permits for cooling and processing purposes at the Maitara Processing Plant

Applicant Alliance Group Limited (**Alliance**)

Statement of evidence of Willie Wiese for Alliance Group Limited

16 November 2020

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Qualifications and experience

1. My name is Willem Petrus Wiese.
2. I hold Master's degrees in Electrical Engineering, Engineering Science and Business Administration from the University of the Witwatersrand, Johannesburg.
3. I have been employed at Alliance Group Limited (**Alliance**) since late 2017. I am the General Manager Manufacturing responsible for all seven of our processing sites throughout the South Island and Lower North Island and am a member of the Alliance Executive Management Team. I have led significant manufacturing operations in both Australia and South Africa.
4. I am familiar with the key issues in the various reports submitted as part of the consent applications, the evidence of Doyle Richardson and our Technical Experts and the Section 42A Report.

Scope of evidence

5. My evidence addresses the following matters:
 - (a) Alliance Group Ltd company overview
 - (b) The Alliance Maitua site overview; and
 - (c) Consent timeframes

Company overview

6. Alliance is a large meat processing and exporting company operating five meat processing and export plants throughout the South Island and two plants in the North Island. These plants are located at:
 - (i) Stoke, Nelson
 - (ii) Smithfield, Timaru
 - (iii) Pukeuri, North Otago
 - (iv) Maitua, Southland
 - (v) Lorneville, Southland
 - (vi) Levin, Horowhenua
 - (vii) Dannevirke, Hawkes Bay

7. The company was established in 1948 and is now a wholly farmer-owned cooperative company. On an annual basis, Alliance processes approximately 6 million lambs, 1 million sheep, over 300,000 cattle, 190,000 deer and 270,000 calves.
8. This equates to approximately 30% of New Zealand's sheep meat production, 10% of beef and 30% of venison.
9. The company exports products to over 65 different countries. Approximately 80% of its activities are related to sheep and lamb processing, the remainder being beef, and deer processing. Processing is vertically integrated with about 80% of the meat production being further processed by boning, cutting and consumer packaging. A proportion of the production is exported in a chilled state to Europe and North America. Co-products such as wool, skins and other carcass material are also processed for export by the company, usually at the same location as the meat processing facility.
10. As a wholly farmer-owned co-operative company, all profits are returned to the company's farmer shareholders with a portion retained for growth and to fund capital projects such as those proposed in this application. Alliance employs approximately 4,650 people (permanent and seasonal staff) and services about 4,340 farmer shareholders who supply livestock, with 36% of these based in Southland.
11. Alliance's annual turnover for the 2018 / 2019 season was \$1.7 billion and operating profit was \$20.7 million.
12. Alliance is committed to the sustainable management of the natural and physical resources that it depends on. Its environmental management system is independently certified to the internationally recognised ISO 14001 Environmental Management System standard. The way Alliance approaches environmental management is discussed in more detail in the evidence of Mr Richardson.

Other environmental projects

13. Significant environmental commitments Alliance has made recently in Southland include an upgrade of the wastewater treatment plant at Lorneville targeting ammonia (with other nutrient benefits) and pathogens (disinfection). This is due to be completed in time to be fully compliant with tightened consent limits in approximately 10 years. The capital cost associated with this was estimated to be \$20.4 million five years ago (excluding any price escalation since then). Since the release of the NPS 2020, Alliance has undertaken further analysis to understand potential implications for the Lorneville site wastewater upgrade, because Alliance is aiming to be aligned with water quality standards

improvements that exist at that time post the upgrade. The reason for this is that if the performance of the wastewater treatment plant is inconsistent with the standards at that time, Environment Southland can review the wastewater discharge consent. The review identified that the updated NPS limits may require a capital spend of \$28 million to meet potential new limits in the NPS. Significant increases in wastewater treatment plant operational expenditure of \$2 million pa are also predicted.

14. Alliance has also recently submitted a consent application to renew its air discharge permit at the Mataura plant. Alliance Mataura operates a coal fired boiler under its existing air discharge consent (AUTH-20158002) so the AEE focused on this discharge, among other matters. Extensive monitoring undertaken in the Mataura Township by Alliance has shown that concentrations of fine respirable particulate matter (PM₁₀ and PM_{2.5}) is a key issue for the Mataura Township and is a key issue for the boiler discharge. As a result, Alliance has proposed significant improvements to the air discharge quality from the main boiler and two options are presented to achieve this. One option has an estimated capital cost of \$5 million and the second option has an estimated capital cost of \$8.8 million. It is proposed that one of these options be delivered in the first three years of a new consent being granted.
15. Alliance has also recently developed a decarbonisation strategy in collaboration with the Energy and Efficiency Conservation Authority (EECA Business) to assist national efforts to be Net Zero Carbon by 2050. Alliance has a pathway to achieve a 77% reduction over the next 10 to 15 years. The estimated cost to do this across the business is \$52 million (including an option for a biomass boiler at the Mataura site discussed above). Most of the decarbonisation projects are BAU projects, ie they are not profit improvement projects. Implementation of these have commenced at Lorneville and Mataura.

Mataura site

16. Alliance owns and operates the Mataura Meat Processing Plant (the Mataura Plant or the Plant) located in Mataura, Southland. The Mataura Plant is located on the true right bank of the Mataura River in the Mataura township (refer Figure 1 of the AEE). The true left bank of the river is occupied by the former Carter Holt Harvey paper mill now an industrial site managed by the Mataura Industrial Estate (MIE).
17. The Mataura Plant processes up to 1,000 beef cattle per day over two shifts at the peak of the season. The Plant generally operates 5 days per week, over almost 24 hours during peak processing. For the past two seasons, Sunday processing has also been undertaken. Originally this was to cater for *mycoplasma bovis* infected stock, however more recently Sunday processing has

been undertaken to accommodate additional demand from farmers and to compensate for a reduction in processing capacity through COVID-19 restrictions. All processing (of stock killed at Mataura) is carried out on-site, except for some transfer of blood, soft offal and bones off-site for further processing or rendering. Processed carcasses and meat cuts are refrigerated and stored in on-site chillers and freezers.

18. The Mataura Plant is a vital component of the local and regional economy, employing approximately 500 people in the peak of the season. This equates to 340 full time equivalent staff. The plant contributes approximately \$164 million per year to the economy (mostly in livestock payments) and approximately \$30 million per year for wages and salaries (it was \$35 million in 2019/20). The Mataura plant pays \$238,000 per annum in rates to the Gore District Council, and I understand that the plant is the District's largest ratepayer. The plant also pays consent fees of approximately \$13,000 per annum which partly contribute to research and monitoring of the region's natural resources. The positive impact of the Plant is significant as is discussed in the Assessment of Economic Benefits prepared by Mike Copeland of Brown, Copeland & Co Ltd in support of the application.
19. The Mataura plant has an insured value estimated at \$225 million and is Alliance's only beef processing facility south of Oamaru. There is no other facility with the capacity to process the volume of stock processed in Southland. Based on this, the value of the plant to Alliance (the existing consent holder) is also significant.

Consent timeframes

20. Alliance was originally 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 Hokonui Rūnanga, Te Rūnanga o Ngāi Tahu, Fish and Game and Department of Conservation opposing the consent term, however it should be noted that 207 other submitters support the application as applied for, which included the 35 year term. Notable submitters in support include the Mataura Angling Club, Wyndham Angling Club, Mataura Community Board, Gore District Council, the Mataura Meatworkers Union and Federated Farmers. After consultation with Hokonui Rūnanga over the last year and a half Alliance agreed that a consent term of 25 years is more appropriate to recognise Iwi policy on this issue. Consultation with Hokonui Rūnanga is discussed in more detail in the evidence of Mr Hailes and Mr Richardson. A 25-year term still provides reasonable certainty for the plant and will enable investment in all areas of the plant to be promoted as discussed below.

21. Mr Mayhew states a preference for a 10-year term to provide the opportunity for the consent to be reassessed following the Mataura limit setting process. Alliance has taken a different approach. Alliance is not using the current lack of regional limits for the Mataura catchment as a reason to delay committing to significant wastewater upgrades that will contribute to catchment wide improvement in water quality. Instead Alliance is committing to significant improvements to contribute to the required catchment wide effort now. Alliance has intentionally adopted the position of being an early adopter of significant change in the way it impact on the Mataura River environment. This has not been acknowledged by Mr Mayhew or the technical advisors. Instead, Mr Mayhew has recommended Alliance make the commitment, spend the required capital, and then come back again in a relatively short space of time to go through the entire process again, with no certainty that a further consent to allow the upgraded plant to operate will be granted.
22. I can confidently state that such an outcome is not acceptable to Alliance. As discussed in the evidence of Mr Khan, Alliance has considered alternatives to continuing with a river discharge. No practicable alternative options have been identified. Simply put, the recommendation of Mr Mayhew makes no commercial sense. It is unworkable and threatens the short to medium-term future of the Mataura Plant. There is no business case that could support the capital investment in the proposed treatment upgrades, together with the other 'business as usual' investments the company would need to make in the plant over the next decade without certainty that the value of that investment will be able to be realised.
23. What is equally disappointing to the thought applied here by Mr Mayhew, is that this recommendation has come with no forewarning from Environment Southland. Alliance finds this incredible considering the application was lodged over 18 months ago, it is agreed that the plant contributes significantly to the local economy and is an essential industry for the province. Alliance is not looking to make implementing the limit setting process less efficient, as is intimated by Mr Mayhew, but is confident that it will be at the front of the pack achieving the new limits. However, Alliance has proposed conditions to provide comfort to the Commissioners if that is not the case, and these are discussed by Mr Low in his evidence.
24. Alliance is proposing a condition (Condition 15) that will review whether the post-upgrade limits are appropriate to maintain and enhance water quality in the river and will include a comparison to relevant standards or guidelines. A copy of this review will be supplied to the Consent Authority. If the review recommends that amendments to the limits are necessary, then the Consent Authority may initiate a formal review of the post upgrade limits. This will assist to ensure that the plant meets necessary requirements for the life of the consent.

25. Within five years of the commencement of the new consent, Alliance proposes that any wastewater discharged to the Mataura River is treated via a UV plant (or equivalent disinfection unit), to inactivate pathogens. It is prudent to undertake this work after the water efficiency improvement work discussed by Mr Richardson. This upgrade is expected to incur capital costs of approximately \$4.14 million, and additional annual operational expenditure of \$230,000. This proposed upgrade and timing was supported by Fish and Game and DOC in its submissions.
26. Alliance has reviewed the evidence of Dr Poore and having discussed this with Dr Dada is still of the view that a five-year upgrade timeframe is justified. Dr Poore raises concerns about increased springtime reporting of illness in Southland. Alliance is cautious of drawing a link between that and a potential increased risk from the Alliance wastewater discharge at that time of year, particularly when there are many other potential explanations for an increase in springtime illnesses. However, Alliance takes the health of its community seriously and having taken advice from Dr Dada is now proposing additional pathogen monitoring in the wastewater discharge during the first year of the consent to provide additional data to further assess the risk of the discharge. This is discussed in Dr Dada's evidence and reflected in Mr Low's proposed consent conditions. Should the conclusions of that monitoring assess an elevated health risk, Alliance will bring forward the upgrade timing as discussed by Mr Low.
27. By Year 15, Alliance proposes to install a full biological treatment system to treat the Plant's wastewater. This system will reduce ammoniacal nitrogen and total nitrogen loads. It will also have other physio-chemical and nutrient benefits. The additional capital cost of installing tertiary disinfection of microbial contaminants (discussed above) and a biological treatment system is significant and estimated to be \$13.98 million (in total) with annual operating costs of \$1.06 million.
28. Alliance considered earlier adoption of the biological wastewater treatment plant component of the upgrade, however, it was not deemed the best practicable option because the relative difference in the effects on the environment from earlier adoption of the biological treatment do not provide a strong justification for this alternative and the financial implications of adopting the biological treatment system earlier are significant.
29. The main difference in the adverse effects of the discharge pre and post the biological treatment system upgrade will be a reduction in the Plant's contribution to cumulative catchment degradation from mass loadings of Ammoniacal Nitrogen and Total Nitrogen. I understand that there are no other adverse effects that trigger the need for immediate or urgent mitigation.

30. I am advised that the nutrient reduction achieved by this upgrade will have little, if any, detectable effect on the nutrient status of Toetoes Estuary.
31. With respect to financial implications, the expected capital cost of upgrading to a biological treatment system is significant, both in terms of capital expenditure and annual operating costs. It represents a major project, and the funds need to be budgeted and provided for alongside other capital and environmental projects Alliance needs to undertake across all seven of its plants.
32. To put the required spend into perspective, Alliance typically spends approximately \$15 million per year, across the business, on safety and sustainability capital projects. This is split between projects to address health and safety requirements, food safety changes and environmental improvements.
33. A review of the forward picture for Alliance indicates that both forecast health and safety and environmental capital requirements are significant. Recent health and safety changes have brought more focus to managing ammonia on site (which is also an environmental issue). There are also legacy asbestos and machine guarding improvements to be made.
34. Risk assessment work undertaken on five of our 13 critical risk categories indicates that Alliance is required to spend \$30.5 million on 'substantial' risks (e.g. upgrading aged refrigeration plant (which contains hazardous gases) to meet current standards) and a further \$53.1 million on marginal risks (e.g. developing inspection and detection process for corrosion, and rectification of defective plant containing hazardous gases) for these five Health and Safety critical risk categories alone. Work is yet to be complete on the eight remaining critical risks categories and it is expected that they will also require capital investment for those risks to be managed.
35. Based on Alliance risk category definitions, the impacts that will be addressed by the biological upgrade would sit in the 'marginal' risk category (i.e. there is an emission (which you can measure) which is almost certain (the highest likelihood rating), but it has no observable impact on the environment). It is known from measurements that the plant is emitting nitrogen, but investigations indicate that there is no observable effect (on its own) and thus this constitutes a marginal environmental risk.
36. As part of this consent processing Alliance is committing to spending over \$4 million on capital in the first five years of the consent term improving wastewater resilience, water reduction and disinfection. As discussed earlier, work will also be undertaken and completed on a \$20 million plus (which could be closer \$28 million when the NPS-FM 2020 is considered) upgrade of the Lorneville wastewater treatment plant in the intervening period between Year 5 and Year 11 of this consent applied for. Also discussed earlier is the commitment

to improve the air discharge from the main boiler at Mataura within three years. Alliance considers the current air discharge a substantial risk to the environment because the impacts of the boiler on its own can at times contribute significantly to the degraded air quality in Mataura. For completeness, this has a cost estimate between \$5 million and \$8.8 million.

37. When these capital requirements are considered, you already get close to Year 10 and there will be higher risk projects still not identified (eg in the eight remaining critical risks) that will need to be included in this capital works programme. It should be noted that this does not include the \$43 million (additional to the Mataura boiler) needed to reduce Alliance's carbon footprint that many people would also argue needs to be completed ASAP.
38. It is important to note that work will not start at Year 15 on the biological treatment plant, but the upgrade will be completed, operational and compliant by Year 15. This means work will be required to commence several years before this date and based on the capital works programme outlined above a Year 15 delivery date appears appropriate. However, the challenge this all represents for Alliance still cannot be underestimated.
39. In summary, Alliance has many projects where it could be argued that they should be completed ASAP when viewed in isolation, and it would be excellent for Alliance to be able to do that. But like any business, many competing demands must be prioritised to maintain a viable business. To do otherwise, sets the business up for failure.
40. Should the biological upgrade at Mataura be pulled forward, other projects must be delayed or farmer payments for stock would need to be reduced, affecting the competitiveness of the business. The co-operative nature of the company is important in this regard. Money that is set aside for this project is money which cannot be returned back to farmers and subsequently invested by them to improve on-farm environmental management, and for that reason, also needs to be approached with care. Diffuse sources of contamination contribute most of the nutrient load in this catchment and addressing that will require farmers to invest in on-farm methods to reduce nutrient runoff. That in turn relies on them having adequate access to capital which will be constrained if prices for meat and dividends received from Alliance are suppressed due to higher than anticipated capital upgrades being required at the Plant.
41. It is also worthwhile noting that no dividend has been paid to shareholders since the 2010/2011 season. The operating profit results were \$20.7 million in 2019, \$8 million in 2018, \$20.2 million in 2017, \$10.1 million in 2016 and \$7.9 million in 2015.

Conclusion

42. The Alliance Mataura Plant is a significant business for the local economy and that is agreed by all parties.
43. The consent term recommended by Mr Mayhew is not based on reality and is simply not workable. It threatens the short to medium term viability of the plant. As such, a consent of this nature will not be accepted by Alliance.
44. Alliance has given considerable effort and thought to this application to thoroughly understand the effects of its operation and how these can be reduced in line with the need for catchment-wide improvements. Alliance is proposing a consent term and improvements where needed that mean the effects of its operation can be managed as required while still maintaining a viable business.

A handwritten signature in black ink, appearing to be 'Willie Wiese', written over a horizontal line.

Willie Wiese

16 November 2020