

Submission Form

Marine Consents and Marine Discharge Consents Application

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Submitter Name:

Shaw

Robert

Hard Copy Form

Incomplete Submission

Marine Consents and Marine Discharge Consents Application

Application Name: Trans-Tasman Resources Limited iron sand extraction and processing application

EPA Reference: EEZ000011

Applicant: Trans-Tasman Resources Limited

Notification Date: 17 September 2016

Submissions Close: Further extension of submission period to 5:00pm, Monday 12 December 2016
Originally submission period was to close 5:00pm, Friday 14 October 2016

3. Electronic correspondence

You will receive information by email. If you are unable to receive emails, please indicate below:

I cannot receive electronic copies of information and updates

4. Do you wish to speak to your submission at the hearing?*

I / We **do not wish** to speak about my / our submission at the hearing.

OR

I / We **wish** to speak about my / our submission at the hearing.

If you **wish to speak** at the hearing, tick as many as apply to you:

If others make a similar submission, I / we will consider presenting a joint case with them at the hearing.

I / we wish to present in Te Reo Māori.

I / we wish to present in New Zealand Sign Language.

I / we intend on having legal representation (i.e. a lawyer speaking on your behalf).

I / we intend to have expert witnesses to support my / our submission.

5. What decision do you want the EPA to make and why?*

If you require more space, please attach additional pages. Please include your name, page numbers and *Trans-Tasman Resources Limited iron sand extraction and processing application* on the additional pages.

- Grant
- Grant with conditions
- Neutral
- Decline

My reasons for seeking this decision are:

Economic benefit to New Zealand not adequately demonstrated See attached letter.

6. Do you have an existing interest that may be affected by what is proposed in this application?

- Lawfully established existing activity, whether or not authorised by or under any Act or Regulations, including rights of access, navigation and fishing
- Any activity that may be undertaken under the authority of an existing marine consent
- Any activity that may be undertaken under the authority of an existing resource consent granted under the Resource Management Act 1991
- Settlement of a historical claim under the Treaty of Waitangi Act 1975
- Settlement of a contemporary claim under the Treaty of Waitangi as provided for in an Act, including the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992
- Protected customary right or customary marine title as recognised under the Marine and Coastal Area (Takutai Moana) Act 2011

What is your existing interest and how may it be affected by this application?

None

If you would like to attach any supporting documents please do so below.



Roberts submission.pdf
Adobe Acrobat Document
294 KB

Only ONE PDF or Word document with a maximum size limit of 15MB can be attached to this submission form. Please forward larger files or file types other than PDF or Word, or multiple documents directly to the EPA on a CD or DVD or USB stick.

Email Address

I wish to receive a copy of my completed submission via email.

EMAIL ALL COMMUNICATIONS to

11 December 2016

The Decision-making Committee
Trans-Tasman Resources Limited 2016 Application
Environmental Protection Authority
Private Bag 63002
Waterloo Quay
WELLINGTON 6140

Email: TTRLApplication@epa.govt.nz

**Trans-Tasman Resources Limited 2016 application:
Economic benefit to New Zealand**

This is the submission of Robert Keith Shaw JP BSc BA MPhil(Hons) MPubPol(VUW), PhD (Auck), MRSNZ. I live in Opunake, South Taranaki. I am a professor in the School of Business at Guangdong University of Foreign Studies and occasionally I teach at the Western Institute of Technology at Taranaki. Previously, I was a member of the Wellington Regional Council and the Porirua City Council.

This submission relates to “the economic benefit to New Zealand of allowing the application”, one of the matters which the Decision-making Committee *must* consider under section 59(2)(f) of the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012.

Local consultation

It is probably correct to say that most of the people where I live – in the coastal northern region of South Taranaki – have not heard of the application or have little idea of what it entails. When it is explained to them they usually oppose it. Apparently, this is because of their experience with the oil and gas industry.

The company consultants state that on 10/7/2015 there was consultation with the Opunake Boat Club. Apart from the fact it was a Friday, I have not been able to discover anything about this consultation: who was involved, what opportunity they had to gain expert advice, the duration of the meetings, and the concerns people raised. Next time, it would be helpful to advertise consultations in the *Opunake & Coastal News*.

Interpretation of the criterion

Your issues document cites as a relevant criterion “The economic benefits to New Zealand”. This criterion needs to be interpreted in a full and inclusive way.

One consultant suggests the positive benefits should be considered without subtracting the costs to South Taranaki, Taranaki Province, and New Zealand. That suggestion is based upon a very narrow, and probably unintended, interpretation of the word “benefits” and if it was implemented you would fail to make a fair and realistic judgement about the worth of the project to New Zealand.

Economic effects

To assess the effects of the current application it is necessary to interrogate the business model of the company.

Typically, extractive industries seek to transfer the risks of market downturn to others. For example, they own as little as possible, employ people on short-term contracts and sub-contract work.

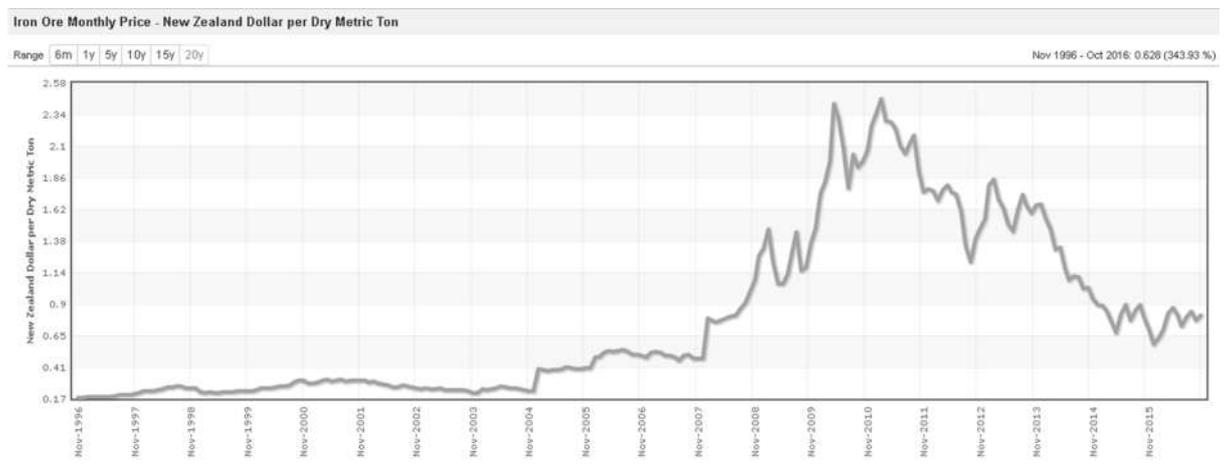
South Taranaki District already suffers from this business model in the oil and gas industry. Company shareholder newsletters (for example, from Tag Oil which has extensive holdings in Taranaki) are positive and congratulatory in the current price downturn. In contrast, the information gathered at the hairdressers and op shops in Hawera indicates families suffer as employment dwindles and local business activity declines. In the pubs at Opunake you can learn about the fate of families who lost financial support because of earlier “downturns”.

The risks described for oil and gas in the main pertain to the present application because they are extractive industries. As the TTRL consultants admit in their 28 January 2016 statement:

“As a large proportion of the direct employment is through TTR, changes in TTRs employment intentions would have an impact. The relative impact would be greater at the South Taranaki/Whanganui area level and less so at the NZ level.”

According to information supplied by TTRL, the business model for TTRL involves the extensive use of “partners”, essentially sub-contracted companies. The outcome of this is that TTRL does not need to invest in capital development on-shore. Accordingly, TTRL brings little that is material and permanent to Taranaki. The risks of any capital investment will be carried by the (Taranaki) partner organisations. *Prima facie* there is considerable potential for South Taranaki families and ratepayers to suffer significant long-term dis-benefits.

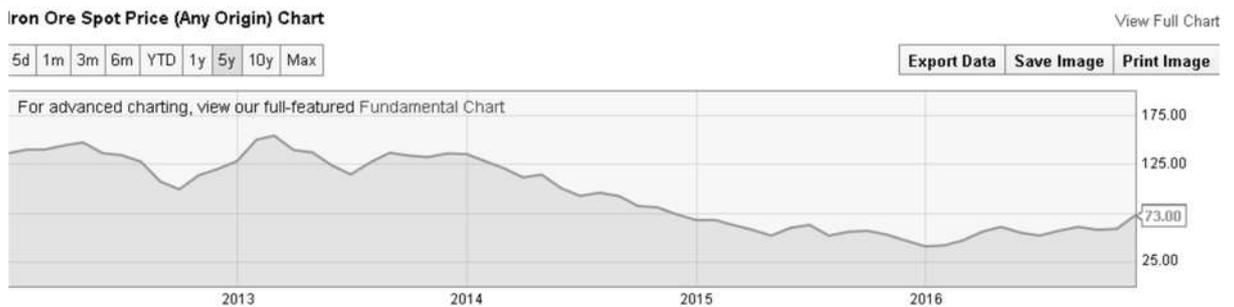
Will there be retrenchments? Price and demand volatility is a feature of the iron ore industry. The value of BHP and RIO shares over the last two decades demonstrates the volatility and the difficulties associated with global market predictions. Iron ore prices in NZD over the last 20-years are shown in the graph below.



In their report for TTRL, dated 18 October 2013, NZIER say:

“TTR expects to receive a price for its material of US\$81.80/tonne. This figure is based on an estimated world price for iron ore of \$US108.50/tonne, adjusted for the composition of the product TTR expects to produce. The world price assumption is developed by TTR as a midway between the consensus price ranges set by various bank and investment houses of \$US75-\$145/tonne.”

The iron ore spot price for the last five years has seldom reached this level (see graph below).



Hence, we may conclude demand is volatile and prices can be depressed for long periods.

National effects: I have not been able to locate any research that quantifies the cost to government of the extractive industries in Taranaki. Costs will include the full range of government services such as health, education, family support and employment services. Anecdotally, it appears such costs could be intergenerational. The income derived by government to offset costs, and hopefully produce a surplus, is derived from royalties and taxes and thus dependent on the level at which these are set.

To conclude: It is highly likely that South Taranaki workers, businesses and government coffers will suffer the effects of overseas market volatility. The return to the New Zealand taxpayer is uncertain and depends on policy settings and the price received for the material.

Climate change and global emissions

Under the rubric “Economic benefits to New Zealand” you could consider climate change and global emissions. Government policy suggests that an assessment be made of the effect of the proposal on the output of emissions – both within New Zealand and overseas. It is not adequate to confine our concern to the narrow range of localised actions involved in the crawler activity. Consideration should include the total industry supply chain and the alternatives to produce the same product. Australia faces the same issue. Monash University researchers conclude:

“Every bit of iron ore used to produce a tonne of steel gives rise to an average of about two tonnes of greenhouse gas (GHG) emissions – partly due to mining and transport, but mostly due to the smelting/refining with coking coal.”
(<http://theconversation.com/the-boom-iron-ore-and-australia-1847>)

It is possible that comprehensive emissions research will support the present proposal. I argue that analysis is desirable.

Scarcity of planning and analysis for Taranaki – the need for sustainable initiatives and diversification away from extractive industries

There is little convincing analysis undertaken regarding the economic development of Taranaki. What work has been done appears to be client driven. There is a strategic plan for the region, but it is perfunctory.

Basically, Taranaki needs to diversify away from extractive industries and take more account of those environmental risks which relate to market risk (through perceptions and reputation). Local government needs mechanisms to capture some of the wealth generated by extractive industries.

Claims that the TTRL proposal is for a “sustainable” business are debateable. It is not the volume of resource that determines the sustainability of the proposal, but the price that may be achieved for the resource and the ability of the company to avoid the costs of downturns. I make no comment on whether or not the proposal is “environmentally” sustainable.

It is most likely that in the long-term, the business model adopted by extractive industries leaves South Taranaki worse off than it would be had they not arrived. There is an urgent need to make a full economic assessment of the context for the present application and any similar proposals.

Paucity of financial information/analysis

Sections 61 of the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 requires your Committee to base its decision on the best available information, which is defined as meaning “the best available information that, in the particular circumstances, is available without unreasonable cost, effort, or time”.

In the case of the present application, it would appear that your options are to have a guess at the likely economic outcomes or decline the application on the basis that there is insufficient information available to access many significant outcomes.

Amelioration mechanism

It would be possible to ameliorate the community risks and costs by having the company contractually committed to long-term projects with the South Taranaki District Council and/or the Western Institute of Technology. Commitments may be tied to the iron ore price – all boats would rise together.

I was pleased to read the TTRL media release (dated 23 August 2016) where the Executive Chairperson says:

“As a New Zealand company we are passionate about developments that provide opportunities for investment in world class, best practice and sustainable developments that deliver positive economic, environmental and social outcomes for New Zealand”

The financial risk associated with the off-shore development appears to be mainly carried by holding companies based in the Netherlands (TTRL is registered in New Zealand but it has been reported that fewer than 3% of the ownership is within this country).

As indicated above, there are risks and costs for the South Taranaki District. In their submission dated 14 October 2016 the South Taranaki District Council says:

“TTR have suggested an annual fund of \$50,000 be set aside for projects that benefit the social and economic wellbeing of the South Taranaki community. The Council believe a minimum of \$100,000 per annum should be set aside for this purpose. The

Council also asks that the annual amount be inflation proofed and that the scheme remain in place for the life of the consent. We have experienced similar funds being established by other entities being withdrawn after a few years of operation.”

One way to implement the TTRL Chairperson’s passion would be for the company to allocate some shares to the South Taranaki District Council.

In this way the benefits would be distributed as they accrue with no cost to the company during the development phase. Such a move would demonstrate the company’s commitment to social outcomes and the establishment of an enduring relationship.

Conclusion

In my opinion, it is unlikely the proposal will in the longer-term generate economic benefits for South Taranaki. Extractive industries depend on global prices and demand. The risk of price volatility will be transferred to the people of South Taranaki. The oil and gas industry in Taranaki demonstrates this phenomenon.

It would be possible to ameliorate the community risks and costs by having the company contractually committed to long-term projects with the South Taranaki District Council or the Western Institute of Technology. Financial consideration could be tied to the iron ore price or shares issued to establish meaningful partnerships.

To assess the economic benefits to New Zealand as a whole it is important to take a longer-term view and assess the likely impacts from a down-turn in the industry. Primarily, there are costs to the taxpayer which derive from the subsequent unemployment of contracted employees and business failure. It may be possible to ameliorate these by establishing appropriate protections for workers in their contracted employment conditions and longer-term contracts for local suppliers.

I submit, the present application fails because it does not demonstrate “economic benefits to New Zealand” as is required. Nor does it provide any serious attempt to mitigate the likely cost to the community.

Thank you for the opportunity to be involved in the decision-making process. I wish you well in your deliberations.

A handwritten signature in black ink, appearing to read "Robert Shaw". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert Shaw