



SUBMISSION TO

BOARD OF ENQUIRY

on the

**“Proposed National Policy Statement for Freshwater
Management”**

By

MEAT & WOOL NEW ZEALAND

23 January 2009

1 Introduction

- 1.1 Meat & Wool New Zealand (M&WZN) welcomes the opportunity to make a submission on the "Proposed National Policy Statement for Freshwater Management".
- 1.2 M&WZN is an industry-good body that is funded by livestock producers through a levy on all beef, sheep and goats slaughtered in New Zealand, and on wool sold under the Commodity Levies Act. M&WZN's activities aim to increase preference for New Zealand beef, sheep, goat meat and wool internationally and domestically; to maintain and extend trade access for New Zealand red meat and wool; and to fund research and development to help improve the profitability of New Zealand farmers.
- 1.3 The sheep and beef sector comprises a total of 8,920,000 hectares equivalent to 79% of the total pastoral sector land area in New Zealand.
- 1.4 In 1990-91 agriculture contributed 14% of GDP (total June year GDP NZ\$70.59 billion) while by 2004-05 agriculture had increased its contribution to GDP to 17% (total June year GDP NZ\$ 125.30 billion). Agriculture remains a key component of the New Zealand economy.
- 1.5 M&WZN's environmental objective is to "contribute to enhanced sheep, beef and goat sector efficiency and profitability, while sustainably managing air, soil and water resources by providing science, tools and services to sheep, beef and goat farmers".
- 1.6 M&WZN's contact for this submission is:

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2 Executive Summary

- 2.1 M&WZN supports in principle the goals of the National Policy Statement (NPS) for Freshwater Management.
- 2.2 M&WZN is a partner in the Primary Sector Water Partnership (PSWP) aimed at ensuring the sustainable use of freshwater resources in the primary sector. M&WZN believe that the PSWP is in a strong position to help deliver some of the objectives of the proposed NPS through industry best practice and non-regulatory mechanisms, and invites further discussion with the Board of Enquiry into how this initiative can contribute to the NPS.
- 2.3 Sheep and beef farming systems in New Zealand differ widely and there is a need to take into account the diverse nature of farming systems. M&WZN urge that the NPS emphasises the need for an outcome based approach with local priority setting and decision making.

- 2.4 The NPS makes specific reference to ensuring cultural well-being, and M&WZN considers that this should include sheep and beef farming in specific regions and circumstances where appropriate.
- 2.5 It is important that the decisions regarding management of freshwater resources, (including water quality standards and goals) are based on factual, accurate and scientifically robust information, rather than perception.
- 2.6 M&WZN supports specific recognition of the role industry good practice and non-regulatory methods have in achieving water quality goals. M&WZN is an industry-good body with a range of initiatives that are able to promote, encourage and facilitate industry good practice. It is important that these are not adopted as default regulation, as this would defeat the purpose of non-regulatory methods. Partnership between local government and land users to implement non-regulatory methods encourages buy-in and a sense of ownership and responsibility for actions and outcomes.
- 2.7 M&WZN are seriously concerned about the NPS focus on land use development, rather than the effects of land use activities, and strongly recommend a change in emphasis to reflect an outcome based approach.
- 2.8 M&WZN supports the general principle in the objectives that there will be progressive enhancement of overall water quality. M&WZN supports the 25 year plus overall timeframe in the proposed NPS, which recognises that meaningful outcomes with respect to improvement of water quality will take time, not only to implement, but to see and measure the effects of implementation.
- 2.9 M&WZN supports the NPS objectives specifically recognising the importance of investment in infrastructure for supply, storage and distribution of fresh water and economic considerations.
- 2.10 M&WZN considers that the objective to ensure that appropriate freshwater resources can reach or exceed a swimmable standard is a suitable goal for New Zealand, with the exception of natural adverse events.
- 2.11 M&WZN recommend that provision be made in the policies to exclude from the RMA Schedule 1 process any Regional Policy Statements, Regional Plans and District Plans that already comply with the NPS. Re-writing plans for the sake of it would result in a significant waste of resources.
- 2.12 M&WZN are concerned that references to "*protection against degradation*" go further than the RMA, and should be removed.
- 2.13 M&WZN supports specific reference in the policies to considering the needs of primary and secondary industry, existing economic investment, economic wellbeing, and transition costs, in addition to community, social and cultural needs. M&WZN also support specific recognition emphasising the importance of investment in infrastructure for supply, storage and distribution of fresh water.
- 2.14 M&WZN strongly recommends a more detailed and robust Section 32 is undertaken in the next phase of the NPS process. M&WZN are concerned over some aspects of the Section 32 evaluation. The cost to agricultural land users is likely to be underestimated, and the cost to the public of participating in the numerous submission processes has not been included. In particular, the report suggests that reductions in contaminated discharges of 30-40%, which are needed to protect

outstanding or sensitive water bodies, would cost sheep and beef farmers between \$5,000 and \$25,000 each. Compared to the 2007-2008 sheep and beef farm average profit before tax of \$15,237, this has the potential to put sheep and beef farmers at an overall financial loss. Such issues need to be more fully considered in the second round Section 32 evaluation and M&WNZ are happy to provide M&WNZ Economic Service data for the sheep and beef industry to help inform the cost-benefit evaluation.

The report also estimates the total economic value of New Zealand's clean green image (including all sectors) for overall NZ benefit at \$1 billion. If a 30-40% reduction in contaminated discharges costs the NZ agricultural sector \$600 million per annum as proposed in the report (and this may be well underestimated) then it is questionable whether the costs outweigh the benefits, and it seems that the costs are disproportionately placed on the agricultural sector. M&WNZ also question how this estimated \$1 billion is captured, and note that if it could be captured it may not be by farmers.

- 2.15 M&WNZ requests that more clarity be provided by central government to stakeholders as to how alignment of the RMA review and NPS development processes will be managed.

3 General Comments

- 3.1 M&WNZ supports in principle the goals of the National Policy Statement for Freshwater Management. Optimal and careful use of natural resources is fundamental to the business of farming. Farmers, like all New Zealanders, wish to enjoy their environment and strive to farm in both an economically and environmentally sustainable way.
- 3.2 M&WNZ is a partner in the Primary Sector Water Partnership (PSWP), which is a group of major primary sector organisations who are committed to ensuring the sustainable use of freshwater resources in the primary sector.

The collective action plan builds on the individual environmental management programmes of the various partners. The goals of the PSWP are:

- Maintain and/or enhance water quality from primary production land, with demonstrable and accelerated progress on the resolution of water quality issues from agricultural land within five years; and
- Demonstrate improvements in water use efficiency by the primary sector within five years.

The partnership approach aims to achieve sustainability goals and to maintain dynamism and flexibility in the primary sector by:

- Developing Sustainable Water Management Strategies for each partner.
- Engaging land managers in environmental outcomes and self management of their impacts, with an initial focus on identifying priority catchments.
- Working in partnership with central and regional government.

The PSWP have employed a coordinator to assist in liaison with regional councils and stakeholders, and coordinate participants to ensure that the primary sector reaches these goals. The Primary Sector Water Partnership has committed to commence at least 10 new catchment-based community initiatives each year from 2008-2013 that address water quality issues originating from productive land use. As

part of the initiative, the PSWP aim to work with communities to agree outcomes for priority catchments, adopt cost effective and flexible approaches and tools to manage and mitigate impacts and achieve targets, and implement self-management regimes.

M&WZN believe that the PSWP is in a strong position to help deliver some of the objectives of the proposed NPS, as it reflects a willingness and action by a range of major land managers in the primary sector to ensure that freshwater resources are managed in a sustainable way. This also links well with the principles of the NPS that recognise the role industry good practice and non-regulatory methods have in achieving water quality goals.

The PSWP invites further discussion with the Board of Enquiry into how this initiative can contribute to the NPS.

- 3.3 Sheep and beef farming systems in New Zealand range widely from South Island High Country farming on alpine land, to beef finishing on flat plains, and a range of variations in between. Furthermore, sheep and beef systems in New Zealand are often mixed enterprises along with other stock classes such as deer, goats, and dairy grazing. M&WZN urge that the NPS take into account the diverse nature of farming systems by emphasising the need for an outcome based approach with local priority setting and decision making.
- 3.4 M&WZN supports the NPS focus on ensuring local communities set their own goals for their region and provide flexibility in how these goals are achieved, to encourage and empower innovation and local solutions. It is important that local communities are able to decide for themselves the priority issues and water resources in their area, and how much they are willing to pay for water quality versus other community priorities. This should also take account of the diversity of farming systems and different land types and land use issues in each region.
- 3.5 It is important that the decisions regarding management of freshwater resources, (including water quality standards and goals) are based on factual, accurate and scientifically robust information, rather than perception. A scientific base for water quality standards will help ensure that goals are realistic, measurable, achievable, and objective. Robust measuring and monitoring also plays a key role in making well informed decisions.
- 3.6 Sheep farming has played an important part in New Zealand's economic and cultural history. In particular, the cultural significance to New Zealand of high country sheep farming should not be underestimated. The farmed alpine lands are a symbol of national identity and a unique system of farming that has been part of New Zealand's heritage for generations. The people of the high country (and indeed many other farming families from sheep farming lifestyles that have been carried on through the generations) have a passion for the land that goes far beyond the economic concerns of farming. Through living and working on the high country farming families have developed a deep attachment and sense of belonging to the land. Some have even articulated their affinity to the high country by saying that the mountains are their spiritual home (Akers 2004, Tussock Grasslands). The NPS makes specific reference to ensuring cultural well-being, and M&WZN considers that this should include sheep farming in specific regions and circumstances where appropriate.
- 3.7 M&WZN supports specific recognition of the role industry good practice and non-regulatory methods have in achieving water quality goals. It is important that these are not adopted as default regulation, as this would defeat the purpose of non-regulatory methods. M&WZN is an industry-good body with a range of initiatives that

are able to promote, encourage and facilitate industry good practice (for example the Land Environment Plan Toolkit, investment in R&D to validate industry good practice, and participation in the PSWP). M&WZN has specific strategies to help achieve the M&WZN environmental objective “contribute to enhanced sheep, beef and goat sector efficiency and profitability, while sustainably managing air, soil and water resources by providing science, tools and services to sheep, beef and goat farmers”.

Whilst M&WZN supports the principle of industry good practice in the NPS, farmer investment in industry good practice and other initiatives also needs to be recognised. In addition to the on-farm investment made by farmers to ensure environmental sustainability and compliance, farmer funded industry-good bodies such as M&WZN spend significant amounts on researching, developing, extending and promoting industry good practice. M&WZN invests over \$10 million per year of farmer funds on R&D and extension to help improve efficiency and profitability of NZ sheep and beef farmers, which includes environmental sustainability.

- 3.8 M&WZN consider that the NPS should specifically recognise input of those parties with “skin in the game” i.e. those who will bear the economic cost of implementing the NPS. It is noted in the Section 32 evaluation that the majority of costs will fall on the agricultural sector, and on central and local government, whereas the benefits column is ticked for nearly every aspect with respect to recreational water users. This should be recognised when evaluating and considering feedback on the NPS.
- 3.9 Timeframes for implementation of different stages of the NPS should be realistic and achievable. In particular, further consideration should be given to the timeframes set out in the NPS for councils to prepare and notify policy statements and plans. The proposed timeframes are extremely tight and are likely to place unrealistic pressure on councils and participants in the submission process.
- 3.10 M&WZN supports the 25 year plus overall timeframe in the proposed NPS. There is a need to recognise that meaningful outcomes with respect to improvement of water quality will take time, not only to implement, but to see and measure the effects of implementation. As mentioned in the NPS, this allows a balance between the need to make changes in a timely manner, and the cost incurred by making those changes.
- 3.11 It is unclear at this stage how and to what extent the review of the Resource Management Act (RMA) will impact on the current NPS process and how these processes will be aligned. Given that the purpose of this NPS is to state objectives and policies as to the management of freshwater resources as a matter of national significance relevant to achieving the purpose of the RMA, then it is important that both processes align appropriately. M&WZN requests that more clarity be provided to stakeholders by central government as to how the concurrent RMA review and NPS development processes will be managed.

4 Specific Comments on Objectives

4.1 Objective 2 - Ensuring the integrated management of effects on fresh water

M&WZN supports this NPS objective specifically recognising importance of investment in infrastructure for supply, storage and distribution of fresh water. Water storage and infrastructure is an important factor in ensuring our country's economy can be sustained. Approximately \$1 billion dollars net is produced on irrigated land per year, which is triple the production of equivalent land farmed under dryland

systems (Irrigation NZ). These benefits are realised not just by the irrigator but also flow through to the wider economy both locally and nationally.

However, M&WENZ are concerned that the proposed NPS focuses on controlling land use development rather than the effects of land use activities. M&WENZ recommends that the objectives of the NPS should focus on the effects of land use *activities*, rather than the land use itself. Focusing on effects of land use activities is also consistent with the effects based, enabling principles of the Resource Management Act (RMA).

4.2 Objective 3 - Improving the quality of freshwater

M&WENZ supports the general principles of this objective. In particular, specific reference in the objective that there will be *progressive enhancement of the overall water quality* is important as it recognises that improving water quality in a meaningful way will not happen quickly, and that an overall improvement is consistent with achieving sustainable management nationwide.

M&WENZ considers that the objective to “ensure that appropriate freshwater resources can reach or exceed a swimmable standard” is a suitable goal for New Zealand. M&WENZ supports the objective, and in particular also supports reference to *appropriate* freshwater resources. It should be up to the community to decide which water resources need to be swimmable. The objective should also include a qualifier, for example reaching or exceeding a swimmable standard with the exception of the occurrence of natural adverse events such as flooding.

4.3 Objective 5 - Addressing fresh water degradation

As mentioned above, M&WENZ are concerned that the NPS is focused on controlling land use development. Instead the objectives of the NPS should focus on the effects of land use *activities*, rather than the land use itself.

4.4 Objective 6 - Managing demand for fresh water

M&WENZ supports the inclusion of economic considerations and development of water infrastructure and storage in managing demands for fresh water.

4.5 Objective 7 – Efficient use of fresh water

M&WENZ supports the general principles of this objective, and in particular specific recognition of facilitation of opportunities to increase benefits from the use of fresh water.

5 Specific Comments on Policies

5.1 Policy 1 – Regional Policy Statements

5.1.1 The requirement for all Regional Policy Statements (RPS) to be re-written under the Schedule 1 process does not take into account those regional policy statements that do not need amending in order to comply with the NPS. M&WENZ recommends that provision be made in this policy to exclude from the Schedule 1 process any Regional Council with Regional Policy Statements that already comply with the NPS.

- 5.1.2 The requirement for Freshwater Quality Standards and Environmental Flows and Levels to be set for all freshwater resources as outlined in Policy 1 (a) is unnecessarily onerous and will be a significant drain on resource, possibly for limited outcome. This policy should be amended to refer to *appropriate* freshwater resources. Such standards should only be set where the community has decided that the values of the demands on the water resource make setting such standards necessary, and where the resources are affected by discharges or abstraction.
- 5.1.3 M&WNZ recommends that this policy focuses on the effects of land use activities, rather than controlling land use development, in line with the effects based principles of the RMA.
- 5.1.4 M&WNZ supports specific recognition in this policy of infrastructure for supply, storage and distribution of fresh water.

5.2 Policy 2 – Regional Plans

- 5.2.1 M&WNZ supports specific recognition of the role of industry good practice in achieving water quality goals. As outlined in section 3.7 of this submission, M&WNZ is an industry-good body with a range of initiatives that are able to promote, encourage and facilitate industry good practice.
- 5.2.2 The requirement for all Regional Plans to be re-written under the Schedule 1 process does not take into account those Regional Plans that do not need amending in order to comply with the NPS and RPS. M&WNZ recommend that provision be made in this policy to exclude from the Schedule 1 process Regional Plans that already comply with the NPS and RPS.
- 5.2.3 M&WNZ recommends that this policy focuses on the effects of land use activities, rather than controlling land use development, in line with the effects based principles of the RMA.

5.3 Policy 3 – District Plans

- 5.3.1 As outlined in Policy 1 and Policy 2, Policy 3 does not take into account those District Plans that do not need amending in order to comply with the NPS and RPS. M&WNZ recommends that provision be made in this policy to exclude from the Schedule 1 process District Plans that already comply with the NPS and RPS.
- 5.3.2 M&WNZ recommends that this policy focus on the effects of land use activities, rather than controlling land use development, in line with the effects based principles of the RMA.
- 5.3.3 As outlined above, M&WNZ supports specific recognition in the NPS of the role of industry good practice.
- 5.3.4 M&WNZ are concerned that references to *protection against degradation* as outlined in policy 3(b)(i) go further than the RMA and should be removed. While a worthy intention, the principles in the NPS should align with those of the RMA, which allows for balancing of considerations and activities to occur as long as effects can be avoided, mitigated or remedied. The balancing of considerations also gives local government the flexibility to take into account the achievability of goals.

5.4 Policy 4 – Preparation of Policy Statements and Plans

- 5.4.1 M&WNZ supports specific reference in this policy to considering the needs of primary and secondary industry, existing economic investment, economic wellbeing, and transition costs, in addition to community, social and cultural needs.

Confidence to invest is imperative for farm businesses to operate. Recognition of existing economic investment and provisions for transition costs are important factors that will help allow confidence to invest (for example in water storage and infrastructure, and measures to mitigate effects of land use activities on water resources). Existing water users have a legitimate expectation that provided any effects are appropriately managed, their existing use will not be undermined.

5.5 Policy 5 – Preparation of Policy Statements and Plans

- 5.5.1 M&WNZ recommends that this policy focuses on the effects of land use activities, rather than controlling land use development, in line with the effects based principles of the RMA.
- 5.5.2 As outlined above, M&WNZ supports specific recognition of industry good practice, water infrastructure, and transition costs as essential considerations when managing freshwater resources.

5.6 Policy 6 – Certain Consents and Designations

- 5.6.1 M&WNZ recommends that this policy focuses on the effects of land use activities, rather than controlling land use development, in line with the effects based principles of the RMA.
- 5.6.2 M&WNZ are concerned that policy 6(b) is inconsistent with the principles of the RMA, which seek to ensure that activities should be allowed as long as the effects from the activities on the environment can be avoided, mitigated, or remedied. *Protection against degradation* goes further than the RMA and should be removed.

5.7 Policy 7 – Non-Regulatory Methods

- 5.7.1 M&WNZ strongly supports this policy allowing regional councils and territorial authorities to give effect to the NPS through non-regulatory methods. Sections 3.2 (PSWP) and 3.7 (M&WNZ industry-good activities) of this submission outline some examples of industry good practice and non-regulatory methods that can be applied to achieve water quality goals. Partnership between local government and land users to implement non-regulatory methods encourages buy-in and a sense of ownership and responsibility for actions and outcomes.

6 Specific Comments on Definitions

6.1 Outstanding Water Resources and Notable Values

M&WENZ are concerned about the lack of clarity for the definition of *outstanding water resources* and *notable values*. There has been much debate over what constitutes *notable values*, particularly in respect to landscapes and native vegetation, which has led to polarised discussions and in many cases on to the Environment Court. M&WENZ recommends that the NPS use terms already defined in Sections 6 and 7 of the RMA, which are now backed by case law.

6.2 Land-use development

M&WENZ are concerned that the proposed NPS focuses on controlling land use development rather than the effects of land use activities. The definition of land use development refers to land use types rather than the activities that take place and have effect on natural resources. The definition of land use development also fails to recognise that some land use changes may have a positive effect on water resources. M&WENZ recommends that the NPS should focus on the effects of land use *activities*, rather than the land use itself. Focusing on effects of land use activities is also consistent with the effects based, enabling principles of the RMA.

7 Specific Comments on Section 32 Evaluation

7.1 The costs attributed to agricultural land users in this evaluation may be underestimated. The analysis seems to assume that necessary reductions in contaminated discharges can be made, and that those who will be required to make reductions are operating inefficiently. While some individuals may not be operating to best practice standards, many are operating to current best practice standards and any further reductions will therefore be at a much higher cost to achieve, or will require further breakthroughs in available technology. The fact that there may be limited currently available mitigation options must be considered.

7.2 Notwithstanding the possibly erroneous assumptions made in calculating the costs to agriculture, if the figures referenced in the report are extrapolated across NZ, then the costs to the NZ pastoral sector are significant. According to figures from the report by Harris consulting, it will cost the NZ agricultural sector anywhere from \$20 to \$110 million per annum to reduce contaminated discharges by 10%, and \$300 to \$600 million per annum to reduce contaminated discharges by 30-40%. These figures may be underestimated (that is also assuming these reductions are achievable).

The report only considers the physical on-farm cost of implementing any available technology, while the costs of farmer investment in industry-good activities to research, develop, extend and promote technology have not been accounted for. As outlined in section 3.7 of this submission, the costs to industry of implementing industry good practice need to be fully recognised.

7.3 The report suggests that reductions in contaminated discharges of 30-40%, which are needed to protect outstanding or sensitive water bodies, would cost sheep and beef farmers between \$5,000 and \$25,000 each. 2007-2008 sheep and beef farm profit before tax averaged \$15,237, which does not include drawings or debt servicing (M&WENZ Economic Survey). This was the lowest in fifty years, and sheep and beef farmers have sustained three consecutive years of very low (or negative) incomes. If

this is compared to the cost of \$25,000 per annum to reduce to levels supposedly needed to protect outstanding or sensitive water bodies, then this would put most sheep and beef farmers at an overall financial loss. Such issues need to be more fully considered in the second round Section 32 evaluation. M&WNZ are happy to provide M&WNZ Economic Service data for the sheep and beef industry to help inform the cost-benefit evaluation.

The report estimates the total economic value of New Zealand's clean green image (including all sectors) for overall NZ benefit at \$1 billion. If a 30-40% reduction in contaminated discharges costs the NZ agricultural sector \$600 million per annum as proposed in the report (and this may be well underestimated) then it is questionable whether the costs outweigh the benefits, and it seems that the costs are disproportionately placed on the agricultural sector. In this scenario it is probable that the on-farm costs may outweigh the on-farm benefits. M&WNZ also question how this estimated \$1 billion is captured, and note that if it could be captured it may not be by farmers. Furthermore, this only considers the direct costs to farmers for implementation, and does not consider the downstream effects on the local and wider economy, for example from decreased agricultural production.

- 7.4 The cost to industries and the general public of participating in public consultation under the planning process does not seem to be accounted for. This is likely to be a significant cost and demand on resources, given that there are potentially one hundred planning documents that may require re-developing under the NPS.
- 7.5 The suggested benefits from opportunities for investment in and development of mitigation technologies listed in the report are questionable, and the economic cost of investment has been discounted in favour of the possible long term gain in efficiency. Farmer funded bodies such as M&WNZ are constantly investing in development of new technologies and practices to improve efficiency and reduce adverse effects, and it must be considered that mitigation technologies that reduce adverse effects on the environment may not necessarily have a direct economic benefit. The cost of not developing the necessary technology within the necessary timeframe has also not been considered.
- 7.6 The costs of monitoring and reporting also seem to have been omitted from the evaluation. Monitoring and reporting for the purposes of the NPS could potentially have a significant cumulative cost nationwide and should be considered.