

BEFORE THE CANTERBURY REGIONAL COUNCIL

IN THE MATTER OF the Resource Management Act 1991

A N D

IN THE MATTER OF Water permit applications by Simons Pass Station Limited and
Simons Hill Station Limited

**STATEMENT OF EVIDENCE OF MURRAY GRAHAM VALENTINE
DATED 10 NOVEMBER 2009**

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QUALIFICATIONS & EXPERIENCE

1. My name is Murray Graham Valentine. I hold the qualifications of B.Com, CA, and I am a qualified Chartered Accountant with almost forty years experience. I am the Director and owner of a small chartered accountancy practice based in Dunedin called Jackson Valentine Limited. I have owned this practice for twenty-five years.
2. Well prior to the scheduling of this hearing, my wife and I had agreed to meet our children on a twenty day trek in Nepal and for that reason, I have been unable to attend early sessions of this hearing. I apologise for my absence from those sessions.
3. I am a Director and shareholder (through my family trust) of Simons Pass Station Limited, the company that operates the farm and one of the applicants at this hearing. Simons Pass Station Limited owns Mary Range Farming Limited, an area of freehold land on the eastern side of the Mary Range. I personally am the registered proprietor of the property known as Simons Pass Station which is mostly a pastoral lease of Crown owned land. The leasehold farm is currently progressing through the tenure review process. If the farm is not made freehold prior to irrigation being commenced, additional consent will be required from the Crown (through LINZ) under the Crown Pastoral Land Act to undertake the planned irrigation. The LINZ consent will require a similar assessment of the environmental effects of irrigation on the ecology of the farm that is being done for the tenure review process and for this hearing. I have been involved with Simons Pass Station since 2002.
4. I was pleased that Denis Fastier agreed to provide evidence on behalf on Simons Pass Station as he is much more qualified than me to make the statements about the historical farming issues.
5. The partnership between Simons Hill Station and Simons Pass Station (Denis Fastier / myself) has been interesting because Denis was looking for a solution to the farming issues on the Flats whereas I focused on the change in land use with irrigation that could make the 3000h of land productive rather than be a drain on our respective farming operations.

6. I am also an investor. I have outlined below some of the investments that I am involved in because of the experience and background they provide.
7. My investments relevant to these applications can be divided into those of a farming nature and those of a tourist nature. Both types are relevant as I am actively involved in them from a governance and investment position and have therefore gained substantial experience in the oversight of the operations, including ensuring that environmental, legislative, as well as financial considerations are taken into account in the management of the companies.

FARMING INVESTMENTS

8. I hold a 50% interest in **Molyneux Farm Limited** (Tarras). I have been involved in the ownership, management, and development of this farm for three years. The Farm has a total area of 570 hectares which includes 500 hectares of centre pivot irrigation which was installed since my ownership of the property. Although significantly smaller in area than Simons Pass Station, Molyneux Farm has been developed in a similar way to the way that we propose to develop Simons Pass Station, particularly the Pukaki Flats. In developing Molyneux Farm for the 10,000 stock unit operation, (1600 Cattle) management practices and environmental monitoring have been applied in a similar way to the way that we propose to apply at Simons Pass.
9. I hold a 25% shareholding in **Whitestone Pastures Limited** (North Otago). This 1000 hectare irrigated farm is on much superior soils and with better rainfall compared to Simons Pass Station. However, it has provided me with further significant experience on the complexities of large scale stock procurement and sale, the assessment of alternative farm management stocking / cropping regimes, and the monitoring of farm nutrient discharges. Whitestone's farm management plans and monitoring regime is audited in accordance with the provisions of the North Otago Irrigation Scheme shareholder agreements.
10. I hold a 30% shareholding in **Mainland Poultry Limited**. This is an intensive poultry layer farm involving approximately 1.3m to 1.5m birds in caged and free range systems. Each farm operates under a separate resource consent as well as a RMP (Risk Management Plan) system which is monitored by MAF in terms of the Animal Products Act 1999 and audited by ASURE. These regulations are integrated into the

operating procedures of each farm so that we meet Food Safety, Animal Welfare, Social Responsibility and export certification for Singapore (AVA), (MA70) and AQIS (Australia)

TOURISM INVESTMENTS

11. I have included some of my tourism investments as I consider the irrigation and agricultural intensification of the Mackenzie Basin as being completely compatible with the existing tourism operations in the same area.
12. I hold a 37.5% shareholding in the **Hermitage Hotel** and other activities at Aoraki Mt Cook. This business operates under the auspices of the Department of Conservation (DOC) who regulate visitor activities in the National Park. All visitors to the hotel travel through the Mackenzie basin at some stage during their visit.
13. It is my opinion, gained from visitors staying at the Hermitage, that the experience and memories gained from viewing the Southern Alps and surrounding mountains in this region are key features of their visit to New Zealand. I do not consider that an increase in irrigated land in the lower part of the Basin will diminish the experience for our overseas visitors. On the contrary, agricultural intensification may lead to additional tourism opportunities such as farm stays and visits which can be developed in conjunction with existing tourism and will lead to an increase in visitor nights in the Mackenzie Basin.
14. I have been closely involved in the development of this application, including being involved in the assessing of effects and possible solutions to these. I am acutely aware that most of my visitors to the Hermitage are overseas visitors who arrive on tourist coaches which travel along State Highway 8, which bisects my own Simons Pass Station. As a result, my project manager, Peter Glasson, and I, have reduced the irrigation command area on Simons Pass Station specifically because of a desire to completely eliminate any close views of irrigation from State Highway 8.
15. I have agreed to further set back any irrigation at least 600 metres from the State Highway, in existing undeveloped locations, and have also removed all of the potential (and originally proposed) irrigation command area north of State Highway 8 for landscape and ecological reasons. We also undertook a full detailed topographical survey to determine which parts of the potential irrigation areas could

be seen from State Highway 8 and these results were taken into account in determining the 600 metre landscape setback.

16. Furthermore, I would be very concerned if nutrient discharge from the proposed irrigation was to change the sport fishing opportunities of the Mackenzie Basin. I am well aware that not only Lake Benmore but also other rivers and lakes in the Basin provide world renowned sport fishing opportunities for local and international tourists. Some of these visitors also stay at the Hermitage Hotel. I am therefore well aware of the need to conserve the existing recreational resources of the Basin in conjunction with the proposed irrigation.
17. I hold a 27% shareholding in the **Coronet, Remarkables, and Mt Hutt Skifields**. I have included this investment as it is also under the DoC regime. The ski fields have strict environmental parameters which must be adhered to. Some of the visitors to these ski fields also travel along State Highway 8 through the Mackenzie Basin. The Basin and the mountains form part of the visitors overall tourist experience which I consider will not be diminished by the irrigation proposed.
18. I am also a Director of other companies such as Holcim New Zealand, Kaikoura Whale Watch, and Queenstown Airport Corporation, where I provide specialist professional advice, primarily on governance, compliance, strategic and financial matters. I have mentioned my involvement in these companies as I am well aware of the environmental basis on which companies such as Kaikoura Whale Watch and Queenstown Airport rely. In the case of Holcim New Zealand, the company has recently been granted resource consent by the Environment Court for a new cement plant north of Oamaru. The consent involves a strict environmental monitoring regime.
19. I therefore fully understand my responsibilities as an owner and Director to ensure that the proposed environmental monitoring set out in the Farm Environmental Management Plan as part of the resource consent applications is carried out in accordance with the conditions set out in the evidence of my planner, Mr John Kyle.

SIMONS PASS STATION/ SIMONS HILL STATION

20. My grandfather was the manager of Rhoborah Downs Station and Ferintosh Station early last century. My father was born on Rhoborah Downs Station, not 10

kilometres from Simons Pass Station. While I am not a farmer per se, I have had a lifetime association with the area more latterly through my involvement in the Hermitage Hotel and Simons Pass Station.

21. I have owned Simons Pass Station (6,058h) for the past six years. The farm is operated by Simons Pass Station Limited, that company being an applicant in these hearings. That Company also owns all the shares in Mary Range Farming Limited, a small freehold title, comprising a further 380h of adjoining land on the eastern side of the Mary Range, and all farmed by us as one unit.
22. Tony Wall has been the Simons Pass Station farm manager for the past twenty five years and, prior to my involvement, was responsible to a Trust Company who acted on behalf of many of the descendents of the family that owned the property in 1884.
23. Simons Hill Station is an adjacent freehold farm owned by Denis Fastier. Simons Hill Station Limited and Simons Pass Station Limited have agreed to develop part of our respective properties known as the "Pukaki Flats" (which are described below) as one single property. Aside from the financial benefits of this arrangement, there are considerable environmental benefits in that the Pukaki Flats form one environmental "unit". Farm management decisions affecting environmental outcomes can be made more logically and on-farm monitoring can be undertaken in a more logical manner.
24. For example, I also have been closely involved in preliminary farm management discussions which have taken account of different soil types across the flats allowing different land uses to be planned for different parts of the Flats and surrounding areas. If the farms were separate, there would be more pressure to have similar land uses on different parts of the Flats. In other words, the "big picture" can be taken into account which will have environmental benefits as the project progresses further.
25. At present, we are also planning environmental enhancement projects as part of the overall project. This is more possible because of the scale of our project.
26. That part of Simons Hill Station located on the eastern side of the Mary Range will be separately managed by Denis Fastier independently of the Pukaki Flats. To the North of this area, the Simons Pass property (currently Mary Range Farming

Limited), will run on a roughly similar regime to Simons Hill on that side of the Mary Range.

27. To a large extent, I have funded all of the irrigation development and consent costs for all of the companies involved in the Pukaki Irrigation Company development so that the benefits described above can be achieved.

PUKAKI IRRIGATION COMPANY

28. Simons Pass Station Limited and Simons Hill Station Limited each hold 50% of the Pukaki Irrigation Company Limited. The Pukaki Irrigation Company will provide the irrigation water to our respective properties and is also an applicant in its own right.
29. Pukaki Irrigation Company Limited is essentially a co-operative irrigation company and after all the irrigation is in place its shareholding will equate the water taken by each irrigator. Simons Pass and Simons Hill are the underwriters of this project but Pukaki Irrigation Company will also be able to supply 200 hectares (more or less) of Glentanner Station (Catherine Fields) requirements and 250 hectares (more or less) of Classic Properties (Maryburn Station) requirements should they also receive consent and wish to be part of the scheme. It will not be possible to supply these other two properties unless the Pukaki Irrigation consent is granted. The feasibility studies associated with the Pukaki Irrigation proposal has been extensive and costly. However we are confident our proposal will provide a unique and sustainable solution to a 3000h area that will otherwise continue to degrade over time.

MACKENZIE IRRIGATION COMPANY LIMITED (“MIC”) & MACKENZIE WATER RESEARCH LIMITED (“MWRL”)

30. I am a Director and the present Chairman of the Mackenzie Irrigation Company Limited. I have been a director since 2003. MIC has had the role of administering the Meridian Energy Limited (“Meridian”) agreement since 2003 which allows the 150M m³ of water for irrigation. With Denis Fastier, I was extensively involved in the negotiations whereby Meridian accepted that the farmers of the Mackenzie Basin were entitled to water for farming. The underlying premise to all of the negotiations was that Meridian would supply the water from its structures.

31. Initially, MIC challenged the exclusive right of Meridian to all the water in the Waitaki River System, but was persuaded by Meridian to withdraw the action in return for an allocation of 150M m³ of water and support at the Waitaki Water allocation Plan hearings. That 150M m³ was subsequently incorporated in the final recommendation.
32. The negotiations with Meridian were long and complex but only involved the allocation of new water for irrigation and not for renewals. The final agreement dealt with the shareholder arrangements (farmers and Meridian), controls for the construction of structures and areas, and timing of water takes, Meridian's derogation of its Resource Consent Allocation, and many other provisions. At the time of the final prospectus, approximately \$900,000 had been expended on the legal and other expenses associated with the Water Agreement.
33. The Prospectus was conditional on 90% of the property owners in the basin agreeing to subscribe for Property shares, (at \$100 each share). This was achieved.

Water shares (one required for each 6,000 m³ of water) carried with them the obligation on the holder to pay:

1 st call	\$55 per share (plus applicable GST)
2 nd call	\$15 per share (plus applicable GST)

(on consent being issued)

Annual levy	\$5/\$10 per share (plus GST)
Final Capital Levy	\$50 (plus GST) if requested

(For a 500h property in aggregate these costs amount to \$70,000 approximately.

The forecast and budgets of MIC require all of the 25,000 shares to be issued otherwise there is the prospect the annual levies will be much higher than estimated and the Final capital levy may need to be charged.

34. Up to March 31, 2009, \$980,000 had been collected from shareholders and \$835,000 remains owing to the Bank of New Zealand (guaranteed by my family investment company on behalf of the shareholders).

35. The larger applicants have obviously paid a greater share of their costs and if consents are not issued the costs fall on the successful applicants.
36. The directors of MIC have encouraged the establishment of the Upper Waitaki Water Quality Trust. I still believe it may have various roles in the long term. However, funding was always going to be problematic during the consent process but Pukaki Irrigation will always support a role for the Trust, if re-established, to undertake independent monitoring and training programmes for the farmers in the basin.
37. I am also a Director of Mackenzie Water Research Limited and have held that position since 2006. MWRL has the role of underwriting the Water Quality Study presented at this hearing. Unlike the MIC costs, there is no mechanism for the reallocation of costs between successful and unsuccessful applicants.

PUKAKI IRRIGATION COMPANY LIMITED

38. In 2003, when I first purchased Simons Pass Station, Denis Fastier and I had discussed the issue of irrigation and, as a result, agreed on, if possible, the joint development of the Pukaki Flats. However, there were additional larger issues that required resolution.
39. Simons Hill Station had some border dyke irrigation and now has one centre pivot which sources its water, via on-farm storage, from the Maryburn Stream. However, Denis Fastier has always acknowledged that it would be unrealistic and uneconomic for his 6,000 hectare farm to rely on water from the Maryburn Stream for significant further irrigation. The Stream is already restricted during the summer irrigation season and further abstractions would not be possible.
40. Initially, the primary issue for irrigation for the whole of the Mackenzie Basin related to the securing of the supply of the future irrigation water from the already issued Meridian resource consents. It was only through Denis Fastier's tenacity and my funding (with Tom Sturgess) in the early stages (2003 to 2005) that the farmers in the Basin were subsequently able to get agreement with Meridian and the Waitaki Allocation Board for water for the 25,000 hectares of land that could be potentially irrigated.

41. Even at that early stage, there were considerable costs incurred in obtaining the Meridian agreement. Because of the potential scale of this proposal, as an investor, I was prepared to put up the risk capital that no single merino farmer in the basin could justify.
42. Subsequently all the applications were called in by the Government and that decision has created huge cost, and significant time delays, for the Basin's irrigators because of the process that each irrigator has been required to be part of.
43. Following the signing of the MIC/ Meridian agreement, the Pukaki Irrigation Company again underwrote 50% of the initial costs of the Water Quality Study and again, our scale of proposed development (i.e. 4,800 hectares of irrigation) at Simons Pass and Simons Hill Stations meant this funding was acceptable in terms of the risk against the potential reward of such a large scale development.
44. I outline this brief history to give you an understanding of the background leading up to these applications and the role that the Pukaki Irrigation Company and Simons Pass and Simons Hill Stations have undertaken over the last six years.

THE PROPOSAL

45. The proposal involves two distinct areas which are effectively separated by the Mary Range.
46. The area east of the Mary Range is already intensively dry land farmed (with some assistance from the Maryburn Irrigation Scheme). Our proposal relies upon Meridian canal water and enables the relinquishment of the water permits for surface water abstraction resulting in the immediate cessation of water extraction from the Maryburn Stream. This will result in a significant positive benefit to the ecology of the Maryburn Stream and adjacent wetland areas.
47. Potential irrigation areas to the west of the Mary Range are located at the north end of Simons Pass, presently dryland farmed and on the Pukaki Flats which are essentially not farmed at present.
48. The science behind the degradation of the pasture and tussock and the invasion of *Hieracium* spp., the effect of rabbits, and the invasion of wilding pines is outlined in

the evidence of Mr Denis Fastier and Dr Peter Espie. I am also of the opinion that the effect of the cessation of flow in the Pukaki River because of the hydroelectric development, and therefore the lowering of the water table, almost certainly must have contributed to the change in vegetation cover on the Pukaki Flats.

49. All of the science and technical analysis undertaken in the Water Quality Study indicates our proposal will not have an adverse effect on any rivers, streams and soil in the area. However, I am asked by many people "*Why the scale of proposed irrigation development on the Pukaki Flats?*" There are two primary reasons for this.
50. Firstly, we recognised very early on in this process that it is not possible to slow/stop the degradation of the Pukaki Flats unless water is provided across the total area of the Flats. To irrigate only say 500 hectares of the Flats would result in the remaining 2,500 hectares continuing to degrade. Evidence to support my opinion is stated in the evidence of Dr Espie outlining the results of long term vegetation experiments on the Pukaki Flats. Furthermore it is not possible to increase stocking rates without improving the pasture so that stock will not further damage the ground cover allowing the light soils to be blown away.
51. Secondly, because of the remoteness of the Simons Pass and Simons Hill areas on the Pukaki Flats, large scale irrigation is required to justify the cost of the transference of the water from the Meridian structures, either in the Tekapo Canal, in Lake Pukaki, or from the Pukaki Canal. This work, with an approximate cost of \$10M, could only be justified if the full 5,000 hectares is irrigated.
52. Our preferred option, which is for an underground pipe from the Tekapo Canal to the Pukaki Flats, will transfer water under pressure (130 metres of head) to the entire farm eliminating the need for electricity distribution or diesel generation for all pivots. Our scheme may probably be unique in New Zealand as not requiring high energy input requirements to obtain the water or to drive the centre pivots.
53. We have also been in discussions with Meridian Energy regarding the operation of a small hydrogenation plant on the Pukaki Flats. The plant would utilise the surface pressure not required for the pivots and generate electricity which would be fed back into the local electricity network. By this means, the overall project is truly energy self-sustainable and would produce more energy than it needs itself.

CONCLUSIONS

54. I support this application unequivocally because of the research and analysis that has been undertaken so that we could get to this stage and I am confident water quality can be maintained by the use of sensible farm management plans.
55. It is easier for me to commit to farm management and farm environment plans and monitoring regimes because most of my other businesses I am involved with already comply with equivalent regulations.
56. You can be confident that the last thing I want as an owner of a Mackenzie property is to see any degradation of the environment in the Basin caused by our proposal or by others.

Murray Valentine
10 November 2009