

**IN THE MATTER** of the Resource Management Act 1991

**AND**

**IN THE MATTER** of the Proposed Waikato Regional Plan Change  
1 – Waikato and Waipa River  
Catchments (“Proposed Plan or PC1”)

**AND**

**IN THE MATTER** of submissions and further submissions by Oji  
Fibre Solutions (NZ) Limited

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**STATEMENT OF PRIMARY EVIDENCE OF PHILIP MILLICHAMP ON  
BEHALF OF OJI FIBRE SOLUTIONS (NZ) LIMITED  
FOR HEARINGS PARTS A AND B**

**15 FEBRUARY 2019**

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## 1. SUMMARY STATEMENT

- 1.1 The Kinleith Pulp and Paper Mill employs over 500 people and contributes over \$0.5 Billion in sales. It relies heavily on the natural resources in the region, including the sustainably-grown plantation forestry and the Waikato River resources.
- 1.2 Oji Fibre Solutions has several key concerns with PC1 as notified. Firstly, it creates disincentives for afforestation, because the initial allocation and land-use change restrictions devalue forestry as a land-use.
- 1.3 The effect is to not only threaten the Mill's supply chain but also inhibit potential water quality gains that could result from increasing forestry as a land use.
- 1.4 Secondly, PC1 essentially imposes a two-tier approach to water regulation whereby point source discharges must adopt best practice while most farming activities need only continue to meet their Nitrogen Reference Points without requiring further reductions.
- 1.5 This is inequitable because point source discharges, like the Kinleith Mill, will likely bear the economic burden of the objectives to improve water quality while other business sectors face no explicit requirement to continuously improve or otherwise internalise their environmental outputs.
- 1.6 Thirdly, we are concerned the s42A report indicates a general reliance on the outcomes of the Collaborative Stakeholder Group (CSG) process as the basis for PC1, particularly in relation to the above issues<sup>1</sup>. Oji Fibre Solutions and the Kinleith industrial complex were excluded from meaningful participation in the CSG, despite a clear desire to actively participate.
- 1.7 In our view the CSG process did not achieve genuine collaboration, its outputs do not represent community consensus and the Panel should give it little weight.

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<sup>1</sup> Section 42A Report Part A and B, paras [54]-[55].

## 2. INTRODUCTION

### Qualifications and experience

2.1 I am Group Manager: Environment and External Relations at Oji Fibre Solutions (“**OjiFS**”). I have responsibility for overseeing the environmental management of OjiFS operations in Australia and New Zealand, which includes the Kinleith Mill.

2.2 I am a chemical and process engineer by training and have over 25 years environmental management experience. I began my current position with OjiFS in January 2011. In this role I have represented the wood processing industry and OjiFS on the Land and Water Forum (Small Group) and the Bay of Plenty Regional Council’s Water Advisory Panel. From 2005 to the end of 2010 I was employed by the Ministry for the Environment in a management role responsible for advising the Government on climate change policy. Prior to that I led a team of environmental specialists within the engineering consulting firm of Sinclair Knight Merz Ltd, providing advice to Regional Councils and industrial clients on air pollution effects, including the development of air-quality sections in Regional Plans. Before joining SKM I worked as an air pollution specialist within the Otago Regional Council in a role encompassing policy, environmental monitoring and consents administration.

2.3 I am authorised to present this evidence on behalf of OjiFS.

### Scope of Evidence

2.4 In my evidence, I will address the following matters:

- (a) The business activities undertaken by OjiFS;
- (b) The Kinleith Pulp and Paper Mill, its history and important role in the North Island forestry industry;
- (c) The social and economic benefits the Kinleith Mill contributes to the Waikato Region and New Zealand;
- (d) The importance of the natural resources to the Kinleith Mill;
- (e) OjiFS’s position on the approach adopted by PC1;

- (f) OjiFS's involvement in the collaborative stakeholder group ("CSG") processes including its concerns.

### **3. OJI FIBRE SOLUTIONS**

- 3.1 OjiFS is one of Australasia's leading pulp, paper and packaging companies. Owned by Oji Holdings and Innovation Network Corporation of Japan, most of its operations are based in New Zealand. OjiFS employs over 1700 people. Market Kraft pulp and container board products are produced in three large New Zealand mills being Kinleith Mill in the Waikato Region, Tasman Mill in the Bay of Plenty Region and the Penrose Mill in Auckland. Nine packaging operations in New Zealand and Australia produce corrugated packaging products and paper bags principally for the horticulture, dairy, meat and beverage industries. The business includes the Fullcircle waste paper collection service and the Lodestar logistics operations. Market pulp and container board are exported to over 15 countries. Most of our packaging products are sold to domestic customers in Australia and New Zealand, many of whom are exporters of NZ primary products.
- 3.2 OjiFS has a commitment to environmental responsibility and this is an integral part of the company's business philosophy. The business makes products from a renewable natural resource. Although a large user of energy, more than three quarters of Kinleith's direct energy use is derived from renewable sources. OjiFS operates New Zealand's largest waste paper collection service and is the only domestic recycler of paper. The Kinleith Mill processes over 100,000 tonnes per year (another 100,000 is processed at Penrose mills). The company holds sustainable forestry chain of custody certification for multiple sites via the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC), and the Tasman Mill holds ISO14001 environmental management system certification.

#### **4. THE KINLEITH PULP & PAPER MILL**

- 4.1 The Kinleith Pulp and Paper Mill operates within the Kinleith Complex located approximately 5 km south of Tokoroa. The complex incorporates OjiFS's integrated pulp and paper mill, and a plywood manufacturing facility owned by Carter Holt Harvey. Wood used for these operations is sourced from local plantation forests or in the form of residues from other wood processors.
- 4.2 The Kinleith Complex has been producing pulp and paper products for over 60 years. OjiFS purchased the pulp and paper operations from Rank Group in 2014 when it purchased Carter Holt Harvey Pulp & Paper Limited. Prior to this, the Mill has had several owners. Carter Holt Harvey Pulp & Paper was formed in 1995 incorporating the operations of the then NZ Forest Products (NZFP) Pulp and Paper Limited company. NZFP was formed in 1936 with the restructuring of NZ Perpetual Forests Limited, which made the original land purchases and established forests in the Waikato region in the 1920s and 1930s. The first Kinleith Mill consisted of a 45,000 tonnes per year batch pulp mill and pulp drying line. Pulp production commenced in 1953 and has increased steadily to its current level of 2.2 million tonnes of wood fibre and 100,000 tonnes of recycled paper to produce 550,000 tonnes of pulp and paper per annum.
- 4.3 The Kinleith Mill operations are a critical part of the Waikato and broader North Island forest products sector. The mill produces pulp and paper from lower-grade logs, sawmill chips and other wood processing residues which would otherwise be waste products. In this way, pulp and paper manufacture makes an important contribution to the forestry supply chain by increasing the value of this wood fibre. The Mill supports the primary sector by producing locally made packaging paper and is also one of two large domestic users of recovered paper, underpinning New Zealand's recycling efforts.

##### **Social and economic benefits of the Kinleith Mill**

- 4.4 OjiFS directly employs 472 people and approximately 50 dedicated on site contractors at the Kinleith Pulp and Paper mill. The mill produces approximately 250,000 tonnes of market Kraft pulp and 300,000 tonnes of 'container board' (a grade of packaging paper) per year. Kinleith products

make up approximately 30% of the chemical market pulp exported from New Zealand and roughly 60% of the paper board exported.

- 4.5 According to the Ministry of Primary Industries (MPI), chemical pulp and paper board exports from New Zealand in the year ending December 2017 were valued at \$997,144 million. Using the MPI figures as a basis, OjiFS Kinleith Mill produced approximately \$360 million in export value in 2016. Kinleith also sold a significant portion of its products within New Zealand, so, on the same basis, the total export sales and export replacement value is over \$0.5 billion annually.

#### **Importance of natural and physical resources to the Kinleith mill**

- 4.6 The Kinleith Mill's location is in crucial proximity to the natural and physical resources on which it relies. This includes the plantation forests (which supply its raw material), the water supply (which is a central to the industrial processes on site), and transport infrastructure to export its product, particularly the deep-water port facilities in Tauranga. The future operation of the Kinleith Mill is inextricably intertwined with the management of the Waikato Region's natural and physical resources.
- 4.7 The operation of the Kinleith Mill necessitates discharges of treated wastewater to the Waikato River. The Mill holds long term consents mandating continuous improvement. As such, OjiFS regularly reviews, investigates and reports on international developments of new and alternative discharge control technologies to further improve the quality of its discharges.
- 4.8 The Mill's principal water discharge consent commenced in 2001. Since this time the on-going improvements, (published to 2015), have reduced BOD, suspended solids and nitrogen discharges by 33, 62 and 24 percent respectively<sup>2</sup>. Many measures have been implemented, including water-use reduction projects, in-mill process improvements and improved operation and management of the treatment system. Relevant conditions of the resource consent are further outlined in the planning evidence of Dr Mitchell.

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<sup>2</sup> Oji Fibre Solutions 2015: 'Kinleith Pulp and Paper Mill Wastewater Discharge Monitoring Report, Conditions 22B and 23, Resource Consent 961348'

4.9 Notwithstanding those improvements the Kinleith Mill's discharges to water are an inherent part of its continued operations.

## **5. OJI FIBRE SOLUTION'S POSITION ON PC1**

5.1 The strategic direction in the Proposed Plan for managing the water quality resources in the Waikato and Waipa River Catchments is of primary importance to OjiFS because it affects the future expectations of the Kinleith Mill.

5.2 Pulp and paper operations are capital intensive requiring long term investment decisions. Security of access to natural and physical resources is critical to the continued operation of the Mill. With respect to water availability, discharges to air and the ability to discharge treated wastewater, long term resource consents have been progressively granted for the Mill's activities, following rigorous environmental assessment processes.

5.3 The secure supply of wood fibre is also a key part of the Mill's viability. Historically forestry has been a predominant land use in large parts of the region. However, over 61,000 hectares of Central North Island land was deforested between 1995 and 2015, much of this in the Waikato region.<sup>3</sup> This loss of forestry does not appear to be offset by new plantings.

5.4 A large part of this land change may be attributed to market conditions, notably the ability of landowners to increase the capital value of their property by converting to dairy. OjiFS believes the market for land is skewed because some land-use activities are less regulated than others, at least from an environmental perspective. Moreover, a portion of the land-use change that occurred in the mid-2000s is attributed to perverse outcomes of environmental regulation, for example landowners rushing to convert land-use to avoid the looming restrictions for forestry from the introduction of the New Zealand Emissions Trading Scheme (ETS). Unfortunately, this kind of outcome is at risk of being repeated with the restrictions on land use change contained in PC1.

5.5 In relation to the regulatory context OjiFS has two key concerns with PC1:

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<sup>3</sup> Margules Groom Consulting, 2015 'Risks to Kinleith Pulp and Paper Mill Fibre Supply of Conversion of Forests to Dairy in the Waikato River Catchment'



- (a) PC1 creates disincentives for forestry and other low discharge forms of land use. This not only threatens the Mill's supply chain but also precludes potential water quality gains inherent in low-input land uses, such as forestry;
  - (b) Point source discharges will be required to bear the cost of improvements required to meet the policies and objectives of PC1.
- 5.6 We believe PC1 disincentivises forestry and other low discharge land-uses because the initial allocation and land-use change restrictions devalue these types of land-use. PC1 also continues to require modest obligations for high-discharge agriculture to internalise its environmental costs compared to the obligations imposed on forestry and many other sectors (including point source discharges).
- 5.7 We believe point source discharges will bear the cost because PC1 adopts a selective expectation towards 'maintaining and improving' the region's water. Point source discharges must adopt the 'best practicable option' (BPO) while most farming activities need only continue to meet their Nitrogen Reference Points without requiring further reductions. OjiFS is concerned the improvements mandated through the objectives of PC1 will not be achieved by the farming community creating an inherent inequity. The corollary is that point source discharges are likely to be required to shoulder progressively increasing consent conditions mandating significant improvements to waste water treatment systems and mill processes while other business sectors face no explicit requirement to achieve continuous improvements.
- 5.8 OjiFS made comprehensive submissions and further submissions on PC1, and like several submitters proposed an alternative approach. Rather than creating an initial allocation, OjiFS's preferred alternative proposed the adoption of best practice for agricultural activities, consistent with the framework of the operative regional plan, as an interim approach. While it considers that its alternative approach remains appropriate, to narrow and refine the alternatives before the Hearings Panel it also potentially supports the introduction of natural capital approaches as outlined in the submissions of other parties, where those approaches incentivise activities

to adopt best practice.<sup>4</sup> The specific relief sought by OjiFS relating to the first hearings topics is addressed in the planning evidence of Dr Mitchell.

## 6. THE COLLABORATIVE STAKEHOLDER PROCESS

6.1 At the time that the CSG was convened the Council invited stakeholders to put forward nominees for the Group. From the outset OjiFS was concerned the Council did not provide a process for direct collaboration between potentially-affected parties, instead it designed a semi-political process, where different sector interests were 'represented by nominated individuals.

6.2 As a key industry stakeholder in the region, I was nominated by Carter Holt Harvey Pulp & Paper Limited (as it then was), Carter Holt Harvey Wood Products Limited and the Wood Products and Manufacturers Association (a copy of my nomination is **attached** as Appendix PM1). For reasons that have not been explained by the Council, I was not selected for the Group despite the significant interests of OjiFS, its position as possibly the largest industrial facility in the region, and with interests materially impacted by land-use regulation.

6.3 The nomination made the case for inclusion of a Kinleith Mill representative on the CSG for the following reasons:

- (a) Kinleith Mill is a major strategic asset in the region;
- (b) It is also a nationally important economic asset;
- (c) It provides a logical location for ongoing investment in wood processing;
- (d) It is unique as the only wood processing facility in the region using Waikato River resources and is also the largest manufacturing site directly using the river resources.

6.4 It was also observed that the initial consultation process provided limited opportunities for associated stakeholders, such as mill employees,

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<sup>4</sup> For example, refer to the alternative approach proposed by Beef + Lamb New Zealand Limited (#73369).

contractors, and reliant downstream businesses to be identified as a 'sector' for the CSG.

- 6.5 The application was rejected by the Council and this was followed up by way of meetings with the Council. I **attach** as Appendix PM2 a response from Carter Holt Harvey Pulp & Paper dated 4 June 2014 in which it is noted that it does not accept that the process has been fair or reasonable, that it did not agree or accept that the process resulted in genuine collaboration and inviting the Council to reconsider its position.
- 6.6 The Council duly considered that the Mill could be represented by the nominated Forestry representative and/ or the industry representative. Of over 20 nominees there was 1 industry representative and 1 forestry representative. The industry representative reported from a sub-group, designed to provide "consensus" feedback from industry. OjiFS was part of this sub group but had no say on the representative, while most of the sub-group included organisations already represented on the CSG (agriculture industry, energy, local authorities.).
- 6.7 Notwithstanding its position that the process had, in my view, unreasonably excluded OjiFS and that there was a slant in favor of agricultural interests, I engaged with the CSG on behalf of the company by hosting a meeting at the Mill, commissioning and presenting the results of research work in conjunction with WRC and providing economic information to the consultant commissioned to undertake economic modelling. OjiFS also regularly participated in industry sub group meetings.
- 6.8 Through this engagement OjiFS consistently attempted to make it clear that it did not support the policy outcomes adopted by the CSG as they emerged, at least in relation to the issues I have identified in paragraphs 5.1 to 5.8 above.
- 6.9 In effect, the intended collaborative process has resulted in the exclusion of a key stakeholder from the decision-making process. For the hearings committee to place any weight on the outcomes of this process would in my view be erroneous and unfair on OjiFS and other parties who were excluded or inadequately represented despite having a strong case for inclusion, and who have subsequently been unable to endorse or adjust the conclusions.

Oji Fibre Solutions (NZ) Limited (#73725)

- 6.10 My view of the process is that the CSG directly benefited those with “a seat at the table” with limits on influence determined by the initial ‘stacking’ of the group. The resulting output is neither representative of a genuine community consensus nor an unbiased, expert policy analysis. It is simply the preferences of a limited group of vested interests.

# NOMINATION FORM

Hei Kōwhiri  
PLAN FOR CHANGE

Wai Ora

Maniapoto Māori Trust Board  
Raukawa Charitable Trust  
Te Atawa River Iwi Trust  
Tūwharetoa Māori Trust Board  
Waikeato Rauapuā River Trust  
Waikeato Regional Council

**Collaborative Stakeholder Group - unallocated sector representatives**  
**Closing date for nominations: 5 pm Wednesday 23 October 2013**

## PLEASE NOTE:

- You can complete and return this PDF form by:
  - typing directly into it and returning it by email
  - printing it out and completing it by hand.
- If you type directly into it, the completed form is not able to be saved, but you can print out a copy for your records.

## A. Unallocated sector nomination

- The core skills and attributes for Collaborative Stakeholder Group (CSG) membership determined at the Stakeholder Workshop include:
- strong communicator
  - ability to consider issues from multiple viewpoints
  - strategic, innovative thinker
  - capability to understand technical information.
  - solutions oriented

Please provide details of the representative you would like to nominate for one of the unallocated seats.

Refer to the last page of this form for full listing of sector definitions, as developed at Stakeholder Workshop on 28 August 2013.

Sector Kinleith Wood Processing Estate

Name Philip Millichamp Work number 07 885 5629

Position National Environmental Manager, CHH PPP Mobile number 027 503 3569

Email philip.millichamp@chh.co.nz

Organisation Carter Holt Harvey Pulp Paper and Packaging

Postal address Private Bag 6 Tokoroa

If the above person is unable to attend a CSG meeting, I/we nominate the following person as their delegate:

Name Ed Mercer Work number 07 885 5824

Position Kinleith Environmental Manager Mobile number 027 294 2818

Email edwin.mercer@chh.co.nz

Organisation as above

Postal address as above

## B. Mandate to represent

Please:

- List organisations and key contact person/s who have been consulted and agreed that the above persons have the mandate to represent this sector.
- Attach any supporting evidence (such as approval by email, meeting minutes, letter of approval/support) and indicate this by ticking the box.

Name Ian Whyte Work number 07 885 5674

Position Kinleith Mill Manager, CHH PPP Mobile number 021 753 223

Email ian.whyte@chh.co.nz

Organisation Carter Holt Harvey Pulp Paper and Packaging

Postal address Private Bag 6 Tokoroa

Supporting evidence attached (please tick)

Name Jon Tanner Work number 04 473 9220

Position Chief Executive, WPA Mobile number 021 890 624

Email jon@wpa.org.nz

Organisation Wood Processors Association

Postal address PO Box 10-937, Wellington 6143

Supporting evidence attached (please tick)





### Sector definitions

The sectors were defined at the Stakeholder Workshop on 28 August 2013.

Sector Examples include:

Maori interests	Awhina Group, iwi, Māori landowners, iwi business, other interests
Dairy	Dairy NZ, dairy processing, dairy industry, dairy primary production, farmers, Fonterra, other dairy
Sheep and beef	farmers, dry stock, dairy support/grazing, processing industry, pastoral farming
Fertiliser	manufacturers, distributors, other fertiliser
Rural professional	agribusiness service industry, rural support, primary industry servicing sector e.g. banks, NZ Association of Resource Management, feed industry, other rural professionals
Forestry	forestry management, forest products manufacturers, forest owners/managers, forestry leasing
Horticulture	arable/feed, cropping, Foundation for Arable Research, HortNZ, arable/horticulture
Local government	catchment liaison committees, territorial authorities, economic development groups
Irrigators	Irrigation NZ, other irrigation
Energy	Mighty River Power, power generators, energy sector, big water users (energy etc)
Central government and health	Department of Conservation (operational), Waikato District Health Board
Environment NGOs	conservation groups, Forest and Bird, environmental groups, Environmental Defence Society, Fish and Game, enhancement groups, conservation community groups, environmental non-government organisations (NGOs)
Tourism and recreation	fishing, rowing, boating, anglers, recreational sport, river trails/cycling, recreational users/observers, water body users, commercial users for tourism
Urban, residents and ratepayers, education	urban residents and ratepayers, education providers, public relations/marketing, transport, investors
Water supply takes	water municipal, water users industry, Watercare, Auckland water/communities, big water users (manufacturers etc), indoor livestock e.g. poultry, indoor horticulture
Industry	mining and quarries, industry dischargers, manufacturing, industry sector urban, rural industry
Rural advocacy	Farmer Lake Ohakuri Watch (FLOW), Federated Farmers, Rotorua-Taupo Federated Farmers, other farmer
Commercial fishing	aquaculture and fishing, eel fisheries, other fishing







### Sector definitions

The sectors were defined at the Stakeholder Workshop on 28 August 2013.

Sector	Examples include:
Māori interests	Awhina Group, iwi, Māori landowners, iwi business, other interests
Dairy	Dairy NZ, dairy processing, dairy industry, dairy primary production, farmers, Fonterra, other dairy
Sheep and beef	farmers, dry stock, dairy support/grazing, processing industry, pastoral farming
Fertiliser	manufacturers, distributors, other fertiliser
Rural professional	agribusiness service industry, rural support, primary industry servicing sector e.g. banks, NZ Association of Resource Management, feed industry, other rural professionals
Forestry	forestry management, forest products manufacturers, forest owners/managers, forestry leasing
Horticulture	arable/feed, cropping, Foundation for Arable Research, HortNZ, arable/horticulture
Local government	catchment liaison committees, territorial authorities, economic development groups
Irrigators	Irrigation NZ, other irrigation
Energy	Mighty River Power, power generators, energy sector, big water users (energy etc)
Central government and health	Department of Conservation (operational), Waikato District Health Board
Environment NGOs	conservation groups, Forest and Bird, environmental groups, Environmental Defence Society, Fish and Game, enhancement groups, conservation community groups, environmental non-government organisations (NGOs)
Tourism and recreation	fishing, rowing, boating, anglers, recreational sport, river trails/cycling, recreational users/observers, water body users, commercial users for tourism
Urban, residents and ratepayers, education	urban residents and ratepayers, education providers, public relations/marketing, transport, investors
Water supply takes	water municipal, water users industry, Watercare, Auckland water/communities, big water users (manufacturers etc), indoor livestock e.g. poultry, indoor horticulture
Industry	mining and quarries, industry dischargers, manufacturing, industry sector urban, rural industry
Rural advocacy	Farmer Lake Ohakuri Watch (FLOW), Federated Farmers, Rotorua-Taupo Federated Farmers, other farmer
Commercial fishing	aquaculture and fishing, eel fisheries, other fishing

4 June 2014

Vaughan Payne  
Chief Executive  
Waikato Regional Council  
Private Bag 3038  
Waikato Mail Centre  
Hamilton 3240

Dear Vaughan

**Healthy Rivers Plan Change – Collaboration with CHH PPP**

I refer to our letter of 28 January 2014 and our meeting with yourself and Councillor Paula Southgate on 26 May 2014 regarding the collaborative process to review water provisions in the Regional Plan.

Thank you for opportunity to discuss these matters. At our 26 May meeting, you mentioned a number of ways the Kinleith Mill could engage with members of the Collaborative Stakeholder Group (“CSG”) and members of the Technical Leaders Group.

As outlined in our letter of 28 January 2014, the Mill, as the largest industrial complex on the Waikato, holds a number of resource consents and is a significant employer in the region. As discussed with you we remain of the view that the process adopted for appointment to the CSG has been neither fair nor reasonable and that it has resulted in the inappropriate exclusion of the Kinleith mill as a significant stakeholder. We do not consider that the ways in which the Mill has been invited to engage amount to “collaboration” and consider that it would be both useful and appropriate for the Council to remedy this oversight by including a company representative as part of the CSG or by providing another way to genuinely collaborate with us.

For the record, Carter Holt Harvey Pulp and Paper wishes to clarify that, to the extent that the company chooses to engage with the CSG, this should not be interpreted in any way as an acknowledgement or acceptance that genuine collaboration has occurred or that the processes used to appoint representatives to the CSG have been fair or proper.

We would of course, be happy to meet with you again to discuss an appropriate way forward.

Yours sincerely



Ian Whyte  
**Manager, Kinleith Mill**  
**Carter Holt Harvey Pulp, Paper & Packaging**