

Taranaki - A good place to do business

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Abstract

Methanex is an international methanol company, manufacturing 10% of the world's methanol in the heart of rural New Zealand. With 15 years experience of building and extending plants and storage tanks, and installing miles of pipeline across valuable dairy farm land, Methanex knows the value of communication with all of its communities. Every project has been completed on target and to budget. Methanex talks about its experience with building and operating large petrochemical complexes in Taranaki and presents three case studies that illustrate the need for companies to change the way they do business in the 21st Century.

They demonstrate that, to do business effectively, communication with communities is no longer a "nice to have"; it is essential and it also pays dividends.

Study 1 covers the addition of a 63 metre-tall Methanol Distillation Unit.

Study 2 How complaints can be turned into positive outcomes.

Study 3 How establishing Community Advisory Panels adds value.

Introduction

Methanex New Zealand Limited owns and operates two methanol plants in North Taranaki with a production capacity of 2.5 million tonnes of distilled methanol per year, 10% of the world market.

98% of the methanol manufactured in New Zealand is exported to Japan, Korea, Taiwan, Australia, China, South and East Asia and the Middle East. With export earnings averaging \$600 million per annum, Methanex is one of this country's leading exporters.

It is a wholly owned subsidiary of the world's largest methanol company, Methanex Corporation, based in Vancouver, Canada.

The plants were built in the mid-eighties as part of the Think Big projects and both were originally part-owned by the New Zealand government.

The History

The Methanex plant at Motunui was the world's first gas-to-gasoline plant. Coming on stream in 1985 and using gas from the Maui and Kapuni fields, the plant manufactured crude methanol that was then converted into unleaded gasoline. It was owned 75% by the Government and 25% by Mobil Corporation, with Mobil technology being used in the process. It was designed to produce 570,000 tonnes of gasoline per year.

The finished product was piped 25 kilometres to Port Taranaki where it was loaded on board coastal tankers and transported to the refinery at Marsden Point for blending with conventional petrol, before being distributed throughout New Zealand as high octane fuel. Occasionally the gasoline was exported.

From its inception this plant attracted attention. Operated by the New Zealand Synthetic Fuels Corporation (Synfuel), the plant was a world first, stood on eighty hectares of prime farm land and was hailed either as a technological masterpiece, or a white elephant.



Methanol plant at Motunui.

The Methanex plant at Waitara Valley was also built to use gas from the Maui Field but, tucked away in the valley and being a quarter the size of the Motunui plant, its presence was less contentious. Built to produce distilled methanol for the export market, this plant originally had one distillation unit and a production capacity of 1200 tonnes per annum.

The finished product methanol was piped to Port Taranaki for loading on overseas tankers and onsale for export. It was operated by Petralgas Chemicals (NZ) Limited, which was owned by Petrocorp (when Petrocorp was Government owned) and Alberta Gas, Canada.

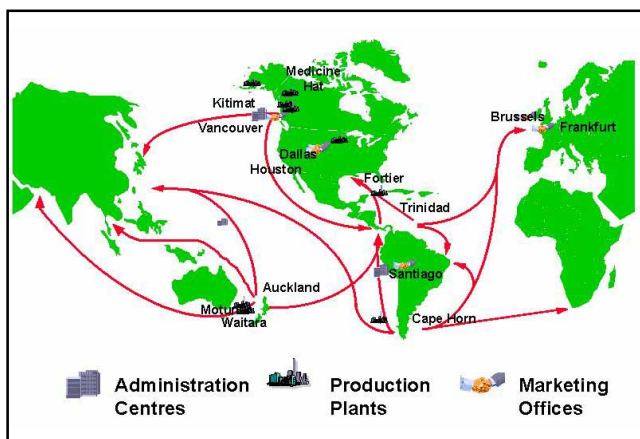
From their inception through to design and completion, communication plans were essential. This is normal business practise. But what happens when the project is completed? Does the communication stop?

This paper will outline the importance of public relations for modern businesses in New Zealand. Contrary to popular belief, PR has nothing to do with “putting a good spin on things”.

PR is “The deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its publics”.¹



Waitara Valley methanol plant.



Methanex supply world map.

This requires time, money and a commitment from the company. It means more than putting together a communications plan if and when the company is ready to expand. It means identifying all of the “publics” (communities) and then being willing to communicate with them on an ongoing basis.

It means a different way of doing business.

As Abraham Lincoln said “Public opinion is everything. With public opinion, nothing can fail. Without it, nothing can succeed. Consequently, he who moulds public opinion goes deeper than he who enacts statutes or pronounces decisions”.²

This paper will concentrate on the period 1993-2000. Only seven years, but during that time Methanex was formed, took over ownership of the plants, built two, 2000 tonne per day methanol distillation units, added pipelines and tankage and downsized six times.

Methanex New Zealand is a subsidiary of Methanex Corporation, owner and operator of methanol plants in North and South America as well as in New Zealand. From March 1993 the two Taranaki plants were no longer stand alone units with different owners and staff; they shared a common owner and the Taranaki operations would operate as a single business unit.

While the merger was being approved, a communications plan was drawn up to communicate, with staff, tangata whenua, neighbours to the plants and local and central government, what was happening and why.

That communication has never stopped.

Every year the communications plan for the previous year is reviewed to see what worked and what did not. Surveys are conducted internally and externally to see if two way communication is building relationships and being effective and where it can be improved. The company’s “publics” change. We live in a transient society and it is imperative that all the communities are identified **before** the communications plan is approved.

Remember the object of the communications plan is to establish and maintain mutual understanding.

This requires far more than a letter or a newsletter. It means visiting people regularly. Sitting down with iwi. Sharing concerns. Actually listening to what is bothering other people rather than telling them what the company thinks. It means commitment.

The community that the company operates in is the home of these people. No-one would like strangers to walk into their home and start picking up ornaments or treasured photographs without asking. It is no different within the community. If a new company wants to move in or an existing company wants to expand, the local communities have a right to know what it is about and how, if at all, they will be affected.

The following are two examples of how maintaining good relationships with communities pays dividends.

Adding distillation units

When Methanex Corporation took over the operation of the Taranaki plants its primary focus was on the two crude methanol units at the Motunui plant. At the time (1993), they were the largest crude methanol units in the world, with a design capacity of 2200 tonnes per unit per day.

A small amount of this crude methanol could be piped to the Waitara Valley plant for conversion into distilled methanol but the bulk could only be converted to synthetic petrol.

Although this was a high quality petrol, Methanex was a methanol supplier and it was interested in being able to convert all of the crude methanol into distilled methanol for the export market of Asia Pacific.

Prior to the merger, a permit had been granted to build one distillation unit at the Motunui plant and in 1994 the design work began. To design and build the unit took a year.

The forecast for the world price of methanol was that, due to a world shortage, it would rise significantly for a short period and Methanex decided to invest in a second distillation unit at the Motunui plant.

Time was of the essence. If Methanex had needed a notified consent to build the second unit it would not have been built in time and the company would not have proceeded with the project.

Methanex has always believed in going to its communities before going to the councils to obtain consents. Even if a project is only marginal, the implications will be talked through so that there is understanding from all parties. These talks are held at locations to suit the communities. With the local iwi it may be on the marae, with neighbours it may be as a group or one on one, whichever they prefer.

After these talks the company approached the Regional and District Councils. The Regional Council was satisfied that, as the addition of the second unit would not use more water or increase air discharges, a non-notified consent could be granted.

For New Plymouth District Council it was not so simple. The distillation column of each unit is 63 metres tall – the tallest tower on the site. The Council expressed concern over the aesthetics of the unit and the affect on local residents. The Council felt that, as long as the land owners, and local residents living within a one kilometre radius of the plant had no objections to the unit being built, it could allow a non-notified consent.

At first sight this did not appear an onerous task. Methanex had been in regular contact with all of the neighbours to the Motunui plant for many years. The list included members of

the local hapu who, again, Methanex had a long-established relationship with.

It would be this established relationship that would be the deciding factor.

The Council had actually set quite a challenge. Although Methanex knew all of the neighbours, the neighbours did not necessarily own the land! Many were farming on land owned by people living in other areas of New Zealand. One small strip of land had over seventy multiple Maori owners. The area also included two urupa or burial grounds.



Twin crude methanol units at Methanex's Motunui plant.



A methanol distillation unit at Methanex's Motunui plant.

Each resident was approached separately in their own farm kitchen and the proposal was outlined. They had the chance to ask questions and written material was left for them to peruse.

The residents were able to supply the name and contact for the owner and often supply the best way of approaching that person.

At a meeting on the local marae, the hapu concerned listened intently to the plan, questioned in detail and took the written material to share with other hapu members.

They were also invaluable and generous in sharing their knowledge. They knew who was the spokesperson for the land under multiple ownership. The majority of the owners were scattered all over the country but they knew that the local person with authority was the local traffic officer!

The hapu also knew who to approach over the urupa and provided information that no formal body such as the Maori Land Court could supply.

The company explained why the timing was important, while at the same time understanding that, within Maoridom, sometimes issues need to proceed at a slower pace. Methanex did not try to hide the fact that, if local people objected to the project going ahead and the company had to apply for a notified consent, then the distillation unit would not be built as the timing would be wrong.

Over a two month period, many meetings were held, with individuals and groups.

There were more visits to farmhouses, groups visited the plant site and gradually the signed sheets started to accumulate.

Methanex provided as much detail as possible and answered questions honestly. This included the benefits. The unit would cost NZ\$95 million. It would be built by local companies. It would provide extra work during construction.

And the down side. It was not going to be a huge project like the building of the original plant. It would not provide any long-term additional employment.

Armed with all of the available information, the communities were able to make an informed decision.

Finally, just within the given time frame, the last visit could be made to the District Council – all the signatures had been acquired. To achieve this in a short space of time would have been impossible if Methanex had not had a strong relationship with all of the parties and the distillation unit would not have been built.

This would have been a loss to Taranaki and a loss to New Zealand as over 3 million tonnes of distilled methanol has been produced for export since the unit started operating in 1995.

How complaints improve business

The second case study involves turning a negative into a positive. Is receiving a complaint a bad mark against the company? It all depends on what happens to the complaint.

A formal complaints procedure is essential. The Methanex complaints log is linked to an incident report so that every complaint is fully investigated with mechanisms included to feed back to the person making the complaint.

In May 1997, two families, both neighbours to the Motunui plant, complained of a dreadful smell coming from the plant. It did not happen all the time but when it did they could smell it clearly even though their farms were almost 2 kilometres away from the plant.

The complaint was duly noted, an incident report raised and an investigation carried out into the operating conditions at the time of the complaint. There was nothing to suggest anything was untoward and no-one else had reported an odour.

The families were spoken to and they agreed that it was not happening all the time but they would phone again when it did. In less than a week they were on the phone, the smell was back. This time they were offered the opportunity to come on site and try to identify where it was coming from.

With windows rolled down in the car, neighbours and staff toured the site. As soon as the car passed the huge cooling tower at the rear of the plant the neighbours said that that was where the odour was coming from.

The cooling towers are the largest in the southern hemisphere and have been in operation since 1985. The neighbours admitted that they had not noticed the smell during that time so an investigation was carried out into whether the operation of the cooling towers had changed.

It was discovered that it had. Around the clock dosing with chemicals to keep the tower clean had been changed to slug dosing twice a day.

The dosing was changed back to around the clock and monitored. Meanwhile the neighbours kept logs of if and when they could smell the odour.

Chemists too became involved. They tested to see what could be causing the smell and discovered that some months earlier one chemical had had to be substituted and it was causing a chemical reaction with another.

What to do? The tower could not operate without being dosed and there were no alternative chemicals to use.

The reason that the neighbours only smelt it intermittently is because the plant is built right on the North Taranaki coast and the cooling tower is on the sea side of the plant. When the wind is blowing off shore, the neighbours would not be affected.

But when the wind blows on shore across the plant, the plume and the smell from the tower blows in the direction of the neighbours who had originally complained.

Throughout this investigation the neighbours were kept informed and they knew there was no easy solution. They also knew that the company was taking their complaint seriously and trying to find a solution.

Methanex worked with chemical supplier.³ They discovered that a new chemical had been developed that should solve the problem. Unfortunately, this had not been approved for use in New Zealand and was still being tested.

Again the neighbours were informed of the facts.

Finally, at the beginning of 1998, the chemical arrived and was introduced to the tower. It was monitored by Methanex and the neighbours until there was consensus that it had worked.

A lot of time and effort had been expended on this project but Methanex was the winner. Its neighbours were satisfied that the smell had gone but even more had been achieved. The new chemical has resulted in:

- reduced water consumption of 210 million litres per year;
- reduced copper in plant effluent by 50%;
- reduced chlorine and corrosion inhibitor consumption;
- an extended life for mild steel and alloy equipment; and
- reduced operating costs.

The chemical company was so impressed with the investigation and result that it presented Methanex with a Return on Environment Award, making Methanex the first chemical company in the world to receive this award.

But the final word went to one of the neighbours who had complained "I am thrilled with the results of the work carried



With 18 cells, the largest cooling tower in the southern hemisphere at Methanex's Motunui plant.

out on the cooling tower. As far as we are concerned, Methanex deserves this award for hearing us and finding a solution to a very disturbing and unpleasant odour problem around our home environment in a very caring and professional manner. The time waiting for results was well worth it."⁴

The neighbour who complained had done so because they knew they would be taken seriously. They knew the staff at the plant, had visited many times, and been involved in previous decisions. Because of an existing, well maintained relationship, they approached Methanex rather than grumbling to neighbours, complaining to councils or approaching the media.

It was that relationship that turned a negative (a complaint) into a positive (better performing tower).

Community Advisory Panel

In 1995, Methanex went a step further with its communication plan and established a Community Advisory Panel. These are not new to New Zealand but are usually only established for projects. For Methanex, the panel would be ongoing.

There are thirteen people on the panel and they represent the whole of the North Taranaki community, from Mokau to New Plymouth.

They are from various walks of life ranging from farming to engineering to school student. Local iwi are included and the age range is 18 to 65. Each member represents a larger community. They may be a neighbour representing the neighbours for the Waitara Valley or Motunui plants, hapu representatives who will report back from each meeting, representatives from Country Women's Institute, Rotary or Lions who all report back to, and bring questions from, their organisations.

In this way there is a feed in and feed out system of information. All of the information passed on to the Panel can be communicated to a wider audience.

When it was first established, the Panel members had a lot to learn. They had to upskill their knowledge of the methanol business and how the plants and port operating facility work so that they could ask questions.

Just as the company made a commitment to build the relationship, so did the panel.

Five years on, with some changes in membership en route, they are knowledgeable about all aspects of the business. The Panel meets quarterly, has its own Charter, Chairperson and Secretary and runs its own meetings.

Company representatives attend on request and the Panel makes up the agenda and asks for the information it wants to be presented.

All members are trained in handling complaints and any member of the public can lodge a complaint with them

knowing that it will be handled and investigated. To do this means to place trust in the members. This can only happen *after a relationship has been established and maintained.*

Conclusion

Taranaki is a rural area with more pipelines under its fields than any other area in the country. The people are used to the petrochemical sector and are quite proud of the reputation of being the Energy Province of New Zealand. International companies have operated there successfully for many years.

But like most areas it has a great bush telegraph! If strangers start walking or measuring the paddocks, or even worse, diggers come in, and they do not know why, they are curious. They start to ask one another and soon rumours abound about huge factories that are going to be built on prime dairy land or in the centre of small villages.

If a company leaves its communication too late, it will not only face hostility, it will confront people who have already made their mind up that the project should not go ahead.

Notifying the councils is not enough. Putting advertisements in the local newspaper is not enough. Many do not read the paper and the company is putting the onus on the individual



Methanex's community advisory panel.

Author

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to seek out information rather than going to the person and informing them.

A communication plan is essential. Every plan will be different according to needs that must be met – these are not just the needs of the company – they are the needs of the community.

It is condescending of any company to take the old fashioned stance of “there is no point in explaining, they will not understand”. Taranaki people are fully capable of understanding the details of a project, the benefits and the drawbacks.

If the lay person cannot understand, it is usually because it has not been communicated clearly, that is, in lay person's terms, not those of an engineer or geologist

Money and resources are allocated to designing and building a project. To invest large sums in a project but not invest in a well resourced, comprehensive, communications plan is foolhardy, with the end result often being an expensive, infuriating and time consuming exercise.

Taranaki is a good place to do business but before companies move into the area they should ask themselves one question – Am I prepared to establish and maintain mutual understanding with the communities in this area?

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