



# How to improve your social licence to operate

## A New Zealand Industry Perspective

MPI Information Paper No: 2014/05

**Prepared for Aquaculture Unit,  
Ministry for Primary Industries**

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ISBN No: 978-0-478-42386-0 (online)

ISSN No: 2253-394X (online)

**March 2014**

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# 1. Introduction

Obtaining a social licence to operate has long been recognised as a challenge for the New Zealand aquaculture industry. In 2012 the Ministry for Primary Industries (MPI) Aquaculture Unit commissioned work to establish an improved evidence base on the socio-economic effects and benefits of aquaculture. Early feedback received by MPI indicated research should focus on drivers that inform social licence, and provide industry with *practical methods and actions to improve community engagement with the industry*.

Improving our understanding of the drivers that influence social licence is recognised in two strategic aquaculture sector documents:

- The Aquaculture Research Forum’s Mid-Term Research Strategy 2013.
- Aquaculture New Zealand’s “Seeking Solutions” Research Strategy 2013.

Around 700 (70 percent) of existing marine farm consents expire in either 2024 or 2025. Permit holders will be required to submit new resource management consent applications, and it is anticipated by industry that improving the industry’s “social licence to operate” will be crucial to successful re-consenting outcomes. A similar argument applies to applications for new water space in future.

Ministry for Primary Industries commissioned Robert Quigley (Quigley and Watts Ltd) and James Baines (Taylor Baines & Associates Ltd) to identify:

- What is social licence to operate and how is it characterised?
- The range of drivers to improve social licence associated with other industries (besides aquaculture).
- How industries have addressed these drivers, and developed better relationships with stakeholders/gained community approval.
- Practical examples of actions and methods industries have taken to overcome resistance to industry development.



## 2. Scope and method of investigations

The research will investigate other sectors which have faced challenges developing a social licence to operate:

- Forestry;
- public infrastructure projects (e.g. roads, power stations);
- mining.

The work was carried out in two phases:

### a) Literature scan

The literature scan was carried out at the University of Otago library. After consultation with the University's search strategy librarian, bibliographic databases were systematically searched<sup>1</sup> and relevant articles retrieved. The authors already had access to a number of documents that were relevant, and the Aquaculture Unit had documents which they provided. Finally, through contacting experts within the professional networks of the International Association for Impact Assessment (IAIA), additional documents were also sourced.

### b) Interviews with four New Zealand organisations and email/skype contact with international experts

- James Baines received helpful advice and documents from:
- Ian Thomson (Canada);
- Robert Boutilier (USA);
- Daniel Franks (Australia);
- Kieren Moffat (Australia); and
- Sarah Bice (Australia).

Robert Quigley interviewed:

- Colin Maunder (Timberlands) (by phone);
- Guy Waipara (Meridian Energy) (in person);
- Carl Reller (NZ Transport Agency) (in person);
- Mark Henry (Mighty River Power) (by phone).

All interviewee's have peer reviewed their findings (in Appendices 1-4).

- The findings have been presented as a series of questions and answers – potentially allowing for each section to be used independently by the Ministry for Primary Industries to feed into its broader social licence work programme for aquaculture.



<sup>1</sup> Databases searched were PsychInfo, Web of Science and Scopus. The search dates used were 1996 to December 2013. The main search term was 'social licence to operate' – and this returned 284 potential documents to review. After review of title and abstract, 34 articles were retrieved in full for consideration in this review.

### 3. What is social licence to operate?

“When a project has ongoing approval of the local community and other stakeholders.”

(The Social License to Operate, undated)

Social licence to operate (SLO) is an outcome. It is not defined as a process, method, tool or way to achieve an outcome. This is liberating, as it signals that many (different) approaches can be used to achieve SLO.

Other definitions which add to the richness of the term include:

- “the demands on and expectations for a business enterprise that emerge from neighbourhoods, environmental groups, community members, and other elements of the surrounding civil society” (Gunningham et al, 2004);
  - “A set of concepts, values, tools or practices that represent a way of viewing reality for industry and stakeholders... to create a forum for negotiating whereby the parties involved are heard, understood and respected” (Nelsen, 2009);
  - “free prior and informed consent of local communities and stakeholders” (World Bank, 2003);
  - “The acquisition and on-going maintenance of the consent of local stakeholders” (Pike, 2012).
- is experienced as a hierarchy of outcomes:
    - rejection by the community
    - acceptance (agree to allow, tolerate, seen as legitimate)
    - approval (agree with, pleased with, seen as credible)
    - trust<sup>4</sup>
  - is site-specific (one operation is not treated as representative of all operations);
  - is scale-specific (i.e. influenced by scale of project and potential impacts);
  - may lead to “tougher” actions than mitigations imposed by regulation (Gunningham et al, 2004).

As an outcome, theorists Boutilier and Thomson (2011) proposed that SLO could be framed using the “resource dependence theory of the firm”, thereby attaching it closely to company profitability and company survival (Barney, Wright and Kitchen, 2001; in Boutilier and Thomson, 2011). Such a theoretical framework also places SLO alongside the practice of risk management.

Characteristics of SLO have been described by Boutilier (undated). As an outcome SLO:

- is rooted in beliefs, perceptions and opinions held by the local population and other stakeholders;
- is granted by the community<sup>2</sup> or “network of stakeholders”<sup>3</sup>;
- is intangible, unless effort is made to measure these beliefs, perceptions and opinions (see Section 10);
- is dynamic and non-permanent – beliefs, perceptions and opinions can change as time passes, events occur, new information is acquired;

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<sup>2</sup> Is compatible with legal norms in countries which operate under the principles of common law. Interpreted differently in countries (e.g. Latin America) which operate under principles of civil law, in which only official authorities can grant a ‘licence’. Therefore SLO is viewed differently by communities/civil society than by regulators in such circumstances.

<sup>3</sup> A stakeholder may be a group of people or an organisation that are either affected by the operation or that can affect the operation. A ‘network of stakeholders’ implies a SLO sentiment shared across a network

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<sup>4</sup> Sometimes associated with self-identification or a sense of co-ownership by the host community and stakeholders.



## 4. How do you achieve a social licence to operate?

The process of achieving SLO is best conceptualised as a relationship. What is important is:

- the perceived quality of the relationship (Thomson and Joyce, 2008). This contrasts with the transactional/“cutting a deal” nature of the Resource Management Act;
- the relationship is acquired sequentially, building cumulatively towards the outcome of a social licence to operate.

Because the use of the social licence concept has spread across many sectors, the potential for multiple meanings and uses has increased. Serious attempts by businesses to improve their social licenses can be hampered by problems from a colloquial understanding compared with a defined understanding. For example, Owen and Kemp (2013) argue “contemporary use of social licence is more about reducing overt opposition to industry than it is about engagement for long term development”.

Much of the international literature describes the relationship as a one-way experience from the perspective of the industry. However our findings have pointed to a two-way nature of relationships – between the company and the community/stakeholders. Features of such relationships include:

- is ongoing, and ideally begins early in the planning processes;
- openly shares information;
- actively networks and engages (not passive);
- has developed a shared understanding;
- has developed a shared language;

- has developed mutual goals (written and agreed);
- has shared experiences;
- problem solves together;
- delivers on commitments made;
- practices reciprocity (responding to a kind action with a kind action; reciprocity is centred more on trading favours than making a negotiation/ contract);
- has mutual recognition (of say – beliefs, goals, values);
- moves from a “do no harm” concept (from a risk-based perception) to “demonstrate positive development benefit” (Warhurst, 2001) (from a long term development agenda).

Not all features are experienced in all relationships as each relationship works to its own priorities and strengths. There is no requirement to “do all of these” to achieve a social licence to operate.

The “entity granting a social licence” is not a cohesive unit. Communities and stakeholders disagree, especially about who speaks for whom. If the company picks and chooses who is engaged and who is not, this can lead to charges of favouritism. Methods to identify potential stakeholders exist, and a company can then decide how it will engage with each different level of influencer (Boutilier, undated). Not all stakeholders need to be engaged in the same way. For example, in the NZ case studies, a company may have a memorandum of understanding with the local iwi, and independently provide access to community funding via a locally run trust board.



## 5. Social licence to operate: Relationships vs RMA transactions

Table 1 describes the differences between a transactional- or relationship-based engagement approach.

**Table 1. Features of different types of engagement between a community and a company**

Criteria	Transactional	Relationship
<b>Basis of engagement</b>	<ul style="list-style-type: none"> <li>• Exchange based</li> <li>• Only do what is useful to the company</li> <li>• Arms-length</li> </ul>	<ul style="list-style-type: none"> <li>• Shared vision</li> <li>• Shared effort</li> <li>• Shared resources</li> <li>• Respectful</li> </ul>
<b>End Goal</b>	<ul style="list-style-type: none"> <li>• To get consent</li> <li>• Company satisfaction with exchange</li> <li>• Maintain equilibrium.</li> <li>• Company control of threats/ concerns.</li> <li>• Community pressure for recurring and increasing dollar value payments /'hand-outs'.</li> </ul>	<ul style="list-style-type: none"> <li>• Beyond compliance</li> <li>• Satisfaction with product/outcome</li> <li>• Co-create a new future together</li> <li>• Meet both sides' needs.</li> <li>• Working together on shared agendas is the goal, not the dollar value of payments.</li> <li>• A forum for negotiation.</li> </ul>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>• Meet immediate needs and win as much as possible</li> <li>• To manage risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Meet both immediate needs and longer term ends</li> <li>• To construct</li> </ul>
<b>Roles played by participants</b>	<ul style="list-style-type: none"> <li>• Company manages its own interests and attempts to control</li> <li>• The community asks</li> <li>• Them vs us</li> <li>• Confrontational</li> </ul>	<ul style="list-style-type: none"> <li>• Partners in common interest</li> <li>• Co-constructs</li> <li>• Clear criteria for accessing funds</li> </ul>
<b>Practiced</b>	<ul style="list-style-type: none"> <li>• In the board room</li> <li>• In the court room</li> </ul>	<ul style="list-style-type: none"> <li>• At a local level</li> <li>• In the community</li> </ul>
<b>Boundaries/rules</b>	<ul style="list-style-type: none"> <li>• Pre-existing/Present system</li> </ul>	<ul style="list-style-type: none"> <li>• Defined by participants</li> </ul>
<b>Participants identity</b>	<ul style="list-style-type: none"> <li>• Separate and maintained</li> </ul>	<ul style="list-style-type: none"> <li>• Linked and changed</li> </ul>
<b>Scope of commitment</b>	<ul style="list-style-type: none"> <li>• Limited to specific exchange</li> <li>• Temporary</li> </ul>	<ul style="list-style-type: none"> <li>• Includes both process and product/ outcome</li> </ul>
<b>Ongoing nature</b>	<ul style="list-style-type: none"> <li>• Requires renegotiation</li> <li>• Each transaction is increasingly complex.</li> </ul>	<ul style="list-style-type: none"> <li>• Renegotiation (while complex) is to establish the next step in the process to achieve shared long term goals</li> </ul>

Modified by Thomson (2013). Further modified by Quigley and Baines (2014)

## 6. Importance of starting early

Early phases are critical to developing a long lasting trusting relationship. The literature and interviews make it clear mistakes made early have long term ramifications. Therefore we have detailed the early first steps when embarking on practices to achieve a SLO. They include:

- Start early, and be aware first impressions are long lasting (Nelsen, 2007).
- Have a planning process that enables early, integrated and comprehensive analysis of factors that will affect a project (Nelsen, 2013).
- Understand and identify who the stakeholders are (Boutilier, undated). Stakeholders are more than those who are “directly affected” by a project. They include any party which may have an interest or influence in a project, whether statutory or otherwise. Consequently, stakeholders are more than those generally identified by government agencies or councils. Don’t fall into the trap of the company picking and choosing who to work with and who not (Nelsen, 2007).
- Ensure open communication among all stakeholder .
- Different stakeholders may require different approaches to a relationship. For example a memorandum of understanding may be appropriate with a local iwi, but not with a local mountain bike club.
- Go beyond knowing the project to attempting to understand culture, customs, language and history of the community and stakeholders.
- understand legacy issues (Nelsen, 2007).
- Educate stakeholders about the company and project, and build their capacity for understanding (Nelsen, 2007).
- Be aware contemporary “consultation” may not feedback the necessary information from a community to a company, and locally-appropriate methods of engagement<sup>5</sup> may be required. “Informal consultation” can allow a company and community to quickly get to grips with issues (Nelsen, 2007).
- Have a formal consultation program as well (Nelsen, 2007).
- Consider ways to develop and maintain long term, two-way relationships: including how to embed a participatory approach, be adaptable and have co-management structures to allocate shared resources to achieve shared goals.
- Maintain a strong track record for a positive corporate reputation about social and environmental responsibility – to help alleviate distrust from the beginning.

The above practices are often not destinations to be “ticked off”, but an ongoing journey.

The operation/maintenance of a social licence to operate is dependent on the above work. There is no single way to achieve/ maintain a social licence to operate, though several well-worn paths have been trod (see next sections).

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<sup>5</sup> See section 8 for a description of community consultation using the Spectrum of Public Participation by IAP2

## 7. Next steps to achieve/maintain a social licence to operate

Nelsen (2007) surveyed 152 participants in the mining industry (across financiers, explorers, NGOs, producers, suppliers and government officials) about process features considered important to achieving a SLO. They are listed in order of importance, and the first four are early scoping steps – reiterating the importance (from real life practice) about early engagement. The process features are:

- Understand culture, customs, language and history, etc.
  - Educate local stakeholders about the project.
  - Ensure open communication among all stakeholders.
  - Maintain a strong track record for a positive corporate reputation.
  - Workforce training.
  - Use innovation and technology to avoid undue impacts;
  - Undertake community support and capacity building.
  - Develop business partnerships with communities for economic development.
  - Enable corporate transparency.
  - Going beyond legal and regulatory compliance.
  - Collaborate with communities to help meet their infrastructure needs.
  - Meet sustainable development criteria.
  - Provide responsible local stakeholder compensation.
  - Partner with NGOs for assistance where necessary.
  - Promote a positive brand value as a corporate image.
  - Refer to existing reference material.
- Be transparent with information (two way).
  - Understand what a community wants – up to date information on progress of the project; honest answers to questions; discussion of and input into development alternatives; true concern for the environment; sensitivity to local culture; opportunities for citizens to earn a better living; a better life for children; and most of all: to be treated with respect.
  - Recognise negative sentiment and act to address.
  - Build sustainability and conservation into all projects.
  - Build and co-deliver a positive safety record.
  - Go beyond compliance to achieve a “margin of safety” and build “reputational capital”
  - Develop partnerships with reputable NGOs.
  - Distribute a balance of benefits to stakeholders. Use a stakeholder committee, who can distribute benefits to balanced areas such as infrastructure projects, compensation, enhancing skills, and local business development.
  - Spend and employ locally whenever possible.

Nelsen reiterates “each process feature may not be a single requirement for achieving a SLO” (Nelsen, 2007) and further elaborates on these survey responses with additional features later in the report:

- Delegate authority for some decisions to stakeholders on certain aspects of the project
  - Have a conflict resolution process.
  - Promote and support a community-centered process to develop a sustainable community.
- Do they respect us?
  - Are they listening?
  - Do they let us participate?
  - Are they transparent with us?
  - Can we believe what they say?
  - Are they responsive to our issues?
  - Can we trust them?

It is important to note that the above is the “language of the companies” about how to achieve a SLO. The features of importance to communities has been put forward by Thomson and Joyce (2008) as a refreshing reminder that relationships are two-way, and that different perspectives exist:

## 8. Specific methods/approaches that can contribute to a relationship

There are a number of well-known business approaches that are practiced, and these contribute cumulatively towards a social licence to operate. These include:

**Social impact management plans (SIMPs)** – SIMPs are a component of “good” international social impact assessment practice and project approvals processes. The development of a SIMP is a logical consequence of a social effects report and completes the planning-related aspects of a social impact assessment process. A SIMP is intended to bridge the gap between the findings in the social effects report and the implementation of those findings through the practical management of social effects “on the ground” by the project proponents. It is a process where proponents, working with stakeholders, prepare a plan specifying the practical arrangements to undertake necessary mitigation and monitoring.

**Certification schemes** (e.g. Forest Stewardship Council (FSC) accreditation<sup>6</sup> or Aquaculture Stewardship Council accreditation<sup>7</sup>). The perceived legitimacy of a certification scheme in the eyes of the public (from none/low to high) greatly determines its contribution to achieving a SLO. At worst certification schemes can be seen as a technical or bureaucratic attempt to fix an issue, when well-regarded they can also substantially contribute to relationship development. They also offer the company a potential competitive edge in the marketplace.

**Equator principles** – Certain financial institutions have adopted the Equator Principles<sup>8</sup> to ensure financial transactions (to support projects) are also socially responsible and reflect sound environmental management practices.

**Community engagement** – best epitomised by the IAP2 Spectrum of Public Participation<sup>9</sup> which sets out the goals of public participation, the promise made to the public and example techniques for various levels of engagement.

Sustainable development – a higher order concept which provides an overarching framework for industries. SLO is an outcome of social sustainable development (Lacey et al, 2012).

**Corporate social responsibility** as per ISO 26000 (CSR). Often seen as a higher order concept, where conforming to corporate social responsibility requirements may contribute to gaining a SLO (Lacey et al, 2012). A commitment to corporate social responsibility implies a commitment to some form of Triple Bottom Line reporting. CSR is criticised as a company-level “tick-box” and sometimes procedural/bureaucratic, and about being able to provide a few good examples nationally (i.e. window dressing). In many cases it is single-charity based giving. CSR may/may not contribute to local level support for a project.

**Monitoring and reporting** (e.g. sustainability criteria). The ability to provide credible, robust social and environmental information in a user friendly format.

<sup>6</sup> <https://ic.fsc.org/>

<sup>7</sup> <http://www.asc-aqua.org/>

<sup>8</sup> <http://www.equator-principles.com/>

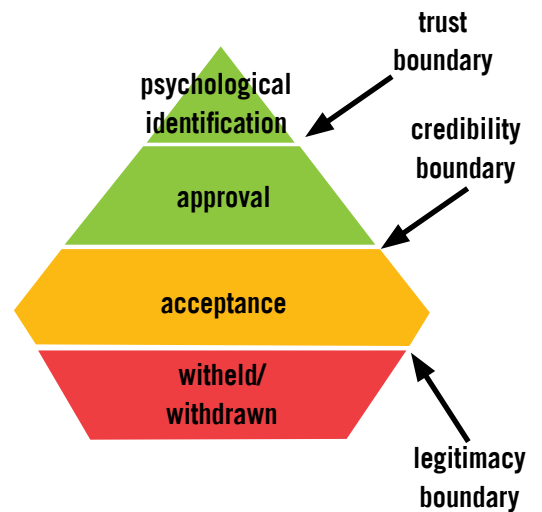
<sup>9</sup> [http://www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum\\_vertical.pdf](http://www.iap2.org/resource/resmgr/imported/IAP2%20Spectrum_vertical.pdf)

## 9. How can relationships improve?

As described in the definition of social licence to operate (section 1), SLO is experienced as a hierarchy of outcomes:

- rejection by the community/ withheld/ withdrawn;
- acceptance (agree to allow, tolerate, seen as legitimate);
- approval (agree with, pleased with, seen as credible);
- trust/psychological identification.<sup>10</sup>

After several years of intensive work in the mining sector, Thomson and Boutilier (2011) were able to measure what level of SLO a company was perceived to have achieved by surveying stakeholders (via the use of a 15-question tool) (See Section 10 for more on SLO measurement). They identified “boundaries” through which the company and community travelled. These were the legitimacy boundary, a credibility boundary and a trust boundary.



What makes up these boundaries is known (Thomson, 2009).

Movement between layers	Boundary	If these factors are achieved, the SLO is more likely to move up the hierarchy
Withheld ↓ Acceptance	Legitimacy	Legal: has permits and permissions. Socio-political: has engaged with stakeholders in a fulsome manner. The project company is perceived to contribute to the wellbeing of the region, respects the local way of life, meets expectations about its role in society, and acts according to stakeholders views of fairness. Economic: the project/company offers a benefit to the perceiver.
Acceptance ↓ Approval	Credibility	The perception that the company listens, responds, makes realistic promises and keeps them, provides reliable information, engages in mutual dialogue and is reciprocal in its actions. Not just technical credibility but social credibility as well.
Approval ↓ Trust	Trust	The perception that relations between the stakeholder's institutions and the project/company are based on an enduring regard for each other's interests. Creates a common/shared experience to work together. Builds collaborative and transformational opportunities. Goodwill is a basis for the relationship

<sup>10</sup> Sometimes associated with self-identification or a sense of co-ownership by the host community and stakeholders.

# 10. How can we measure social licence to operate

Boutilier and Thomson (2011) devised a tool to measure social license (in the mining sector). The tool is based on a series of statements delivered as a survey to a wide range of stakeholders (not just key stakeholders. See earlier comment in Section 6). Participants score their answer on a 5-point scale (from disagree to agree). The statements are:

1. We can gain from a relationship with the mine.
2. We need to have the cooperation of the mine to reach our most important goals.
3. The mine does what it says it will do in its relations with our organisation.
4. We are very satisfied with our relations with the mine.
5. The presence of the mine is a benefit to us.
6. The mine listens to us.
7. In the long term the mine makes a contribution to the wellbeing of the whole region.
8. The mine treats everyone fairly.
9. The mine respects our way of doing things.
10. Our organisation<sup>11</sup> and the mine have a similar vision for the future of this region.
11. The mine gives more support to those who it negatively affects.
12. The mine shares decision making with us.
13. The mine takes account of our interests.
14. The mine is concerned about our interests.
15. The mine openly shares information that is relevant to us.

To calculate a social licence score, the mean of each stakeholder's responses to the group of questions is calculated by factor analysis. If there are many stakeholders it is advisable to group them into categories that make sense, for example, local government, environmental action groups, and so on – giving an ability to calculate a score for each category (to see where the company is doing well, or less well).

Examining the standard deviation is useful as wide variation suggests an “average” score might be hiding some important differences between stakeholders that would be useful to know about for developing strategies. It may also be necessary to find different criteria for creating groups so that the differences between the groups are bigger than the differences within the groups.

Indicative scoring ranges have been reported, divided into high, moderate and low acceptance based on experience (Black, 2013).

Full trust	4.50 to 4.99
Approval	4.00 to 4.49
High acceptance	3.50 to 3.99
Moderate acceptance	2.50 to 3.49
Low acceptance	2.50 to 3.00
Withdrawn	1.00 to 2.49

<sup>11</sup> Potential to add the name of a community here

# 11. Sector interview findings about “social licence to operate”

Each of the four interviews (Mighty River Power (MRP), NZ Transport Agency(NZTA), Timberlands(TIMB), and Meridian Energy(MER)) have been written up as 2-3 page summaries and are presented in Appendices 1-4. They are worth reading. However for the sake of brevity an analysis of key findings is presented here.

## Findings

None of the case studies use the definition of (or words): social licence to operate. They all practice substantial features and SLO-type work is typically carried out under another banner (Social responsibility (NZTA); Forest Stewardship Council Certification (TIMB); how we do business (MER); or a different name – community licence (MRP).

The participants described a broad “licence to operate” – about the totality of company community relationships. These include the environment, the land on which the company is operating, the activities others use our resources for, etc. This poses language problems as some (e.g. management, the community) might not see such aspects as “social”, yet within the definitions of social licence to operate in the literature – they are key topics to be managed within any relationship.

All participants also noted the transactional nature of the RMA and were striving for relationships beyond that. There was a strong emphasis on attempting to understand the expectations of certain key stakeholders (often via memorandums of understanding), and continual relationship and trust building with those stakeholders. Substantial partnerships were described:

- MRP with the Waikato Catchment Ecological Enhancement Trust, local iwi.
- Meridian with Ngai Tahu; NZTA with Department of Conservation, Blue Penguin Trust, Waikato-Tainui iwi.

Timberlands with local iwi, a local mountain bike club.

The partnerships displayed:

- open sharing of information (NZTA, TIMB, MRP, MER);
- shared understanding of goals (TIMB);
- shared decision making and allocation of resources (NZTA, TIMB, MRP, MER);

- meeting requests from each other (NZTA, TIMB, MRP, MER); and
- delivering on commitments (NZTA, TIMB, MRP, MER).

Relationship efforts were less likely to extend to understanding and working with the local community. The closest application was MER and MRP who had local level officers and had set up local Trusts to contribute resources back to communities (via shared decision making structures). On the face of it, this lesser focus on community relationships (and greater focus on one-two main partners) appears to be a significant divergence from SLO practice described in the mining sector literature.

All participants noted the importance of not focussing on immediate decisions and actions, but rather focusing on a relationship/process perspective – to contribute to long term outcomes. It was about the conversation – the journey (NZTA, TIMB, MER, MRP). All participants also used relationships with iwi to describe their SLO-type work. This may point to valuable learning for New Zealand – the way companies approach iwi (when done well) may be a solid template for the type of SLO work that could be initiated with other stakeholders and the community. While relationships with iwi may have been initiated because of legislative requirements, the best examples have moved well beyond that.

Local and regional practice is most common (and considered better by participants) for SLO-type practice. Participants had several excellent local and regional level examples. This was in comparison to national-based work where participants said the focus was more on PR-type work. There are exceptions, for example NZTA was able to develop a relationship with a national agency (Department of Conservation) that flowed down to a local level.

Working towards SLO-type practice as “business as usual” was important in a competitive environment (MER, TIMB and MRP). In the future TIMB believed the community’s power to influence operations would only increase as resources became more contested.

All stakeholders (except TIMB) appeared to struggle to get local and national level recognition for their SLO-type work.



There could be many reasons for this and would require additional questioning of participants. However reasons put forward included:

- lack of senior management support (NZTA) and a subsequent “culture of fear for doing this type of work”;
- lack of written materials and documenting/sharing successes (MER, MRP, NZTA)
- modesty – i.e. substance over public relations (MER, MRP); and
- the perceived difficulty in attributing successful outcomes to SLO-type work (NZTA, MRP, MRP) – yet all were able to come up with concrete success stories;

“No [adverse] publicity” was a win for Timberlands and their forest owners.

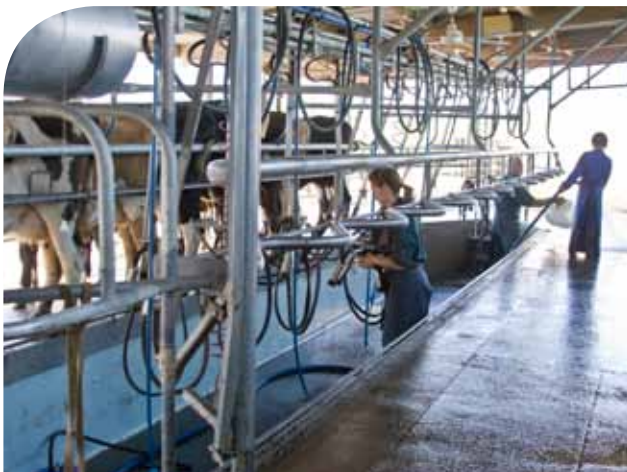
Two organisations had developed and used “stakeholder tracking software”, and in both situations the system had “died under its own weight”.

Only Timberlands was driven to undertake SLO-type work via a certification scheme (via Forest Stewardship Council), and it was working well for them. It helped align senior management and via the access to additional markets for their products, assisted in providing a concrete business case. MRP and MER also both described the need for such work to be able to show a business purpose. MRP

also described a motivation as “staff feeling good about working with the company” and as a “point of difference to competitors”. All four agencies described SLO-type work as “business as usual”, though for NZTA this was at the local/regional level only; and for Timberlands business as usual was strongly supported by the Forest Stewardship Council certification.

The life cycle of the infrastructure appears to matter. For new consents, undertaking SLO-type work in the face of new consents appears more challenging than undertaking SLO-type work around existing infrastructure. Similarly, during a “build” phase or “operational” phase – the SLO-type work required may alter dramatically, and examples are in the Appendices.

Individual infrastructure projects still created substantial controversy for NZTA even though Regional Land Transport Plans had been mutually agreed and written. Problems still existed because only selected stakeholders were involved in decision making, important nuances were lost and issues were “steamrolled”. This reminds us the outcome of “mutually agreed goals and shared understanding” is only as good as the process to develop them.



## 12. Principal challenges to gaining a social licence to operate

1. The company sees gaining a social licence to operate in terms of a series of tasks or transactions (in effect making a deal), while the community grants the licence on the basis of the quality of the relationship – a cultural mismatch that risks failure.
2. The company confuses:
  - acceptance for approval;
  - co-operation for trust;
  - technical credibility with social credibility.
3. The company:

fails to understand the local community and the local “rules of the game” and so is unable to establish social legitimacy;

  - delays stakeholder engagement;
  - fails to allocate sufficient time for relationship building;
  - undermines its own credibility by failing to give reliable information or, more commonly, failing to deliver on promises made to the community;
  - fails to respect and listen to the community;
  - under-estimates the time and effort required to gain a SLO;
  - over-estimates (or, worse, assumes) the quality of the relationship with the community.
4. The “community” is fragmented; the various interests in the geographic area do not have a shared vision and attitude towards the project. This requires the company to become involved in building social capital<sup>12</sup> – “community building” or “capacity building”. Without the right patterns of social capital within the community and between the project and the various elements of the community network, it is difficult, if not impossible, to gain and retain a SLO.

An early requirement is therefore the need for the company to undertake social analysis to map and understand the social structure, issues and vision of the various individuals, groups and organisations in the network that collectively form the “community”. When done properly, this should be the early focus of a social assessment process (aka social impact assessment).

Such social analysis is an area of analysis that requires its own set of skills, knowledge and experience. It is distinctly different from community consultation or stakeholder analysis as practiced by planning companies, but unfortunately is often confused and substituted for these activities.

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<sup>12</sup> Networks of relationships which themselves involve shared experience, reciprocity and trust – there is a considerable literature on social capital.

# 13. An evolving network of contacts for social licence to operate work

## Australia:

- [Kieren Moffat](#) – CSIRO – interests in SLO and primary industries – mining, wind energy, geothermal energy; participated in recent cross-industry workshop on SLO; About to publish a paper which describes the Aust/Qld “model” for SLO; sending a package of related materials. See <http://www.csiro.au/en/Organisation-Structure/Flagships/Minerals-Down-Under-Flagship/mineral-futures/Project-Social-licence.aspx> .
- [Patrick Hone](#) – Fisheries Research & Development Corporation – interests related to proactive stakeholder management and impact management for societal acceptance. (Referred by Kieren Moffat).
- [Sara Bice](#) – University of Melbourne/IAIA – coordinating a special edition of IAPA in early 2014 devoted to SLO.
- [Leeora Black](#) – Melbourne – colleague of Ian Thomson (see below); applied the tool for quantifying SLO as a strategy tool.

## North America:

- [Ian Thomson](#) – Canada – interests in SLO in many industries – with colleagues Robert Boutilier and Leeora Black there is a substantial body of experience in monitoring and measuring the Social Licence in the mining industry (both exploration and operating mines), wind farms, aquaculture, highway expansion projects, housing developments, a casino, etc. in North America, Latin America, Australia, Africa and Europe. Unfortunately most of these studies remain “company confidential” which limits the amount of public domain documentation that can be shared. Ian is happy to

share his experience and insights directly. Currently in conversation with Fisheries and Oceans Canada (Federal government) around planning a workshop on the Social Licence to Operate for the Canadian Aquaculture Industry, while the industry itself is examining the concept in the context of both fin-fish and shellfish culture. The Institute of Coastal Research at Vancouver Island University has substantial experience in the social impacts of aquaculture. He lives in the Vancouver Island archipelago with experience of shellfish and finfish aquaculture nearby.

- [Grant Murry](#) – Institute of Coastal Research, Vancouver Island University.
- [Robert Boutilier](#) – USA – colleague of Ian Thomson (see above).

## New Zealand:

- [Robert Quigley](#) – Quigley and Watts Ltd.
- [James Baines](#) – Taylor Baines and Associates Ltd.
- The interviewee’s for this work are happy to become part of a network. They do not hold themselves out as experts, but are honestly interested in sharing and learning more about how to engage effectively with communities.
- [Colin Maunder](#) – Timberlands.
- [Carl Reller](#) – NZ Transport Agency.
- [Guy Waipara](#) – Meridian Energy.
- [Mark Henry](#) – Mighty River Power.

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# Appendix 1. Mighty River Power interview about “social licence to operate”

These are the views of Mark Henry and not necessarily the views of Mighty River Power.

## The meaning of the words social licence to operate, and definition

Instead of “social licence to operate” I would more commonly describe it as “community licence” – that is, having a community that understands what we’re doing, is aware of the effects we create, is aware of how we manage and mitigate those effects, and accepts we are doing things in a proper way.

I think the SLO definition “When a project has ongoing approval of the local community and other stakeholders” is a helpful sound bite of a definition. I agree you can’t take it for granted. Certainly we’re regulated under the RMA but that’s quite transactional – and we’re striving for an outcome beyond the transactional nature of the RMA.

## Openly sharing information

We have to have a commitment to understanding our effects – and that’s reflected in our monitoring and surveillance. We know a lot about the Waikato River, the catchment, and about geothermal reservoirs. We undertake world-class science, and then are happy to share that knowledge with others. For example we share information about eel movements with iwi, Council and environmental groups; river data (hydrology, flows) with Regional and District Councils (especially where we are helping them to meet their statutory responsibilities), and iwi.

Some of the work we do, like geothermal exploration is risky – it’s below the ground – we can get great advice but we really don’t know what’s happening until we drill holes in the ground. Of course there are some commercially sensitive pieces of information that we look to protect where appropriate. For example, we have to invest a lot of money and are obliged to protect that investment in some cases.

## A shared understanding, shared language and mutual goals

These things are more aspirational. I wouldn’t ever say I had a full grasp of the varied stakeholders goals and aspirations; but we are on a journey together where we

seek to understand more about each other. We have different levels of understanding with different stakeholders. I don’t think we have any written down shared goals, but in some instances we have MoUs and they underpin our relationships. The “paper” helps us commit, but then we have to “do”.

We have partnerships and MoU with iwi. We work together to help them understand our operations, and they help us to understand their wants and aspirations. We can then work together to support them where we can and in the most appropriate way, and it might not be just environmental – for example we assist iwi with governance, capability, business operations and environmental management. We would never presume to know what they want/need – we wouldn’t second-guess them – we need to ask them and then work alongside iwi to help contribute to their own development. It’s more like a journey rather than a destination. It has to be appropriate for them, without us pushing our views on them. And we don’t always get it right every time, but when you’re on a journey you’ve got the opportunity to continue to learn and hopefully get it right next time.

## Substance over style

From an internal perspective we have taken an “under the radar” approach to community licence. We’re doing things quietly – having an impact rather than splashing our name across a football jersey or stadium. We want to put our effort into making our people available via volunteer support, community days, leadership roles. This is in comparison to “highlight branding”, which the generation part of the business doesn’t do much of.

## Problem solving together

Some of our stakeholders ask us to manage river flows to allow them to maximise events they are undertaking. We work within the confines of our “Flow and Level Release Policy” to see what is and isn’t possible, but we take all requests seriously and try to accommodate them as best we can. For example – duck shooters request higher water levels for the start of the duck hunting season in the upper reaches of the Waikato River; Whakamaru Christian Youth Camp need certain flow levels to be able

to undertake certain activities; At the commercial end of the spectrum Huntly Power station requires certain flows, and so does the Wairakei Power station. All of the above have understandings/ relationships/ MoUs/ contracts with different levels of formality attached.

Our company activities are based on using infrastructure that is already 60-80 years old and will hopefully be around for at least another 60-80 years. And when we build infrastructure its similarly long timeframes – it's intergenerational stuff. Whereas the RMA typically has a 35 year focus at most.

## Relationships

We have examples of long term relationships, and these could be seen as mitigations that go well beyond what the RMA provides. For example, we have set up the Waikato Catchment Ecological Enhancement Trust as an outcome from the re-consenting of the Waikato Hydro System, made up of ourselves, Forest and Bird, DOC, Wildfowl Association; and Fish and Game. The idea was to look beyond the River and the effects of the hydro scheme with a view to enabling some positive outcomes from a broader catchment perspective. There were some questions as to why we would do this, thinking it was beyond what we needed to do to get consent – arguably they were right from a consent point of view. But that was us with a forward-looking view – we wanted to get buy in and support beyond what we were doing.

We have specific people in the organisation whose focus it is to work on community licence, but I'd have to say that it's built into everyone's values.

## Motivations for this type of work

We see it as a point of difference between ourselves and other generation companies. It's important to be constructively working together where we can, rather than going head-on in a formal process. It helps us to persuade people that we're a good company to engage with, and it helps our workforce if they feel like they're working for a good company – they're proud to be working for a company like ours.

## Getting others on board in Might River Power

It's not difficult, but of course it must have a business relevance too (for us and our partner agencies). An organisation must have a long term view of the value proposition vs a transactional view in the RMA. Certainly our business culture supports this work.

We don't have any written material on this type of work – it's not dictated in any way, it's an internal culture that we have. I think it's a strength not to have it written down – culture is stronger than policy and our organisation is attuned to this work.

## Do's and don'ts for Ministry for Primary Industries or other organisations

The culture of an organisation must support it; the organisation must have a long term view of the value proposition; and the organisation has to have people/staff who can walk the talk – i.e. go to marae meetings late at night and weekends, do after hours volunteer work etc.

## Important outcomes from this type of work

The Waikato Catchment Ecological Enhancement Trust is a good example of an outcome that's important to us, and to the community. Rather than scrap in the courts with legal fees, we've thought beyond the hydro scheme and focussed on the whole catchment. We can seed fund community groups and iwi to undertake projects, and they can leverage that in making applications to larger funding bodies such as the Waikato River Authority. They leverage off the support of the Trust (and its high profile stakeholders) to get a better crack at the bigger funds. Of course this then leads to really amazing projects being undertaken in the catchment. It's way beyond compliance.



## Appendix 2. Timberlands interview about “social licence to operate”

These are the views of Colin Maunder and not necessarily the views of Timberlands.

### The meaning of the words social licence to operate

To me, SLO means you can carry on business as usual without undue impediment, with minimal disruption from social or community issues. Issues and risks are minimised ahead of time.

Regarding the SLO definition “When a project has ongoing approval of the local community and other stakeholders”, I think Timberlands is at the acceptance (agree to allow, tolerate) stage – because there’s always a minority who just won’t/can’t get on with us. Having said that, we’ve got some good examples where most of the community “agree with us” and are “pleased with us”.

### Relationships

Timberlands does take a relationship based approach, because of FSC – it requires us too. Two good examples are the MTB access, and hunting and fishing access. For our stakeholder groups, we’ve also got good relationships with iwi. And we need those stakeholder groupings – otherwise we’d be dealing with the 120,000 beneficiaries of the iwi trust. The organisations we deal with are bone fide, they’ve got insurances, have a reputation, have dedicated contact people.

Having relationships and agreements smooth the way for resource consents. One example was we’d been working with some archaeologists for a couple of years, and when we came to lodge the resource consent, we got it no problems, we had all the information that was needed. The company down the road hadn’t done anything, and they didn’t get their consent and were delayed by several years.

Hunting and fishing: Our landlord is the iwi and they wanted hunting and fishing access, and we had a business to run with sometimes dangerous operations such as harvesting. So we sat down together to develop a joint cultural and recreation policy. For example, we ended up agreeing there’s no hunting in summer, which was a little annoying for them, but it allowed them to hunt and for us to cut trees, but with timing controls for both of us.

We share information with the iwi on a regular basis – particularly around the number of permits issued, the number of people trespassed and access infringements. That’s more than we’d normally share, but it allows them to manage some of the infringements at their end, which is helpful to us.

We have active meetings 3-4 times a year with the iwi re: hunting and fishing; and review the policy annually.

Mountain biking: We meet twice a year with the MTB club, mainly about events in the Forest. The club has a good liaison person which makes it easy for Timberlands to pass on information and advice, and to discuss issues with. A recent example was joint purchasing of “track closed” banners, branded with their and our logos, which helped ensure no bikers strayed into the zone about to be harvested (alongside popular bike tracks). Having the joint logo’s “carried additional weight” to keep bikers out. That was a win for Timberlands from a safety perspective.

Timberlands had also previously had “no harvest areas” because of the concern about negative publicity from bikers, however, through discussion (Timberlands put up a “straw man solution” that was a starting point for discussion) the two agreed on how to proceed with harvesting. Timberlands got to harvest “with no negative publicity” and got access to previously uncut logs; and the MTB club were able to protect some vital tracks for their use (at a cost of about \$1 million in lost trees to Timberlands) and the club were also able to appease bikers and the community (which would have been hard for Timberlands to do by themselves). There is also an agreement now to “do a little bit every now and then”, rather than clear felling whole blocks – and this has support from the MTB club.

### Mutual understanding of goals

Yes, we do have mutual understanding of goals – our partners understand we’re a business, and we understand where they’re coming from. It’s important if it’s going to work.



## Delivering on commitments

Timberlands does deliver on commitments made: “if you don’t do what you say you’re going to do... you lose trust”.

## Motivations for this type of work

Our organisation has Forest Stewardship Council (FSC) certification. FSC is an independent, non-governmental, not for profit organisation established to promote the responsible management of the world’s forests. FSC certification gives Timberlands access to certain markets that we otherwise couldn’t sell into. In effect our FSC certification is part of a social licence to operate. FSC certification sets out principles and criteria that the company must meet. Timberlands interpret those via the National Standard for Certification of Plantation Forests Management in NZ.

FSC is seen as an independent voice – and people think “if they’ve got that tick from Greenpeace and WWF, then they must be alright”. Also, we are a management company – the people who own the forests don’t want negative publicity about their assets.

## Getting others on board at Timberlands

Yes it’s difficult for some staff, particularly the older ones. They think it’s a load of bollocks, a tax on us. What we do in the middle of the forest is none of the communities business. The younger ones get it better, and we have the full range of staff views, from those opposed to those supportive. I just ask the older ones if they want to be the one responsible for losing FSC certification for the company. Also, it’s a lesser pain than dealing with the problems later.

## Do’s and don’ts for Ministry for Primary Industries or other organisations

Don’t be afraid to talk to stakeholders, even those you’re apprehensive about. They feel a lot better once they’ve got things off their chest and have been listened too.

The FSC accreditation forces us to do this stuff, but once we’ve done it we can see the value.

Tackle organisations one at a time – if you hold a big event with 3-4 organisations who are all anti – the negativity feeds off itself and is difficult to manage.

Some compromise will be required, but be aware of your bottom lines.

Groundwork is the key. If you’ve engaged early and have a relationship it’s so much easier.

Final comment: FSC is a good barometer of what’s coming – it’s out of Europe with all those NGO organisations. And social issues are coming right to the fore now in FSC. In the past it was a side issue, not so anymore. That’s not to say environmental issues are gone, but social is more and more to the fore.

## Appendix 3. NZ Transport Agency interview about “social licence to operate”

These are the views of Carl Reller and not necessarily the views of NZTA.

### The meaning of the words social licence to operate

It's kind of painful in many ways, but where it works best for us is when we're designating roads through Māori owned land. We used to have a Stakeholder Relationship Management System, spear-headed by an individual. We had a problem with our projects where our staff would come and go, as the projects were long time scale, and there would be little or no handover to them about transactions we'd made, promises made, agreements made etc. And then the stakeholders would get really annoyed. So this individual set up a system to track relationships, and it was going very well. Of course there were issues, such as getting everyone up to speed with using it, but where it was used it was helpful. With that win under his belt he thought it'd be a good idea to extend it to all of the projects, not just those involving Māori land – and got a “No way” from senior management. The individual then left NZTA, and with it the driver of this system, and it's withered on the vine. Having said that, some people are still using it, and the “old timers” still refer to it because they know there are agreements in there that need to be honoured.

### Is the SLO definition familiar to you or your organisation?

Yes, there are many examples where NZTA get it right (and many where we get it wrong), but let's stay focussed on the good ones. When we put a road through a large tract of land, say a farm that may have been in a family for 5 generations, we've often got options about exactly where the road can go. Most people understand the social good of the road being required, and we can work together to make sure the farm is still usable by putting the road in the best place to make that happen. It takes a fair amount of work to work out the detail, but we do it.

### First example of a relationship approach

As part of the Ngaruawahia section of the Waikato Expressway project – NZTA was going back into the same area for the third time in 30 years, asking for different and

more land. Taking a partnership approach with Tangata Whenua we realised NZTA needed something to offer, and one of the ways was rehabilitation of local lakes. This was important to iwi, but not to Department of Conservation (considered low value by DoC). Solid Energy had previously made a mess of the lakes too, but NZTA knew this was an area where we could help – and so we did. It had nothing to do with getting the consent, but was about us helping our partner agency (the iwi) out in a meaningful way. Also for that project, iwi didn't want a centre-span in the bridge as it would “put a stake into the heart of the river”. That cost an extra \$5-10 million and had no bearing on the consent – the commissioners wouldn't have been interested in that. But it was done in good faith as part of our regional relationship with Waikato-Tainui.

Typically these relationships are regional-based – that's where the relationships must be managed in a meaningful way. From an NZTA perspective it's the Regional Managers who run this, and the long-serving planners. The individual project managers come and go, and to be honest they're not great at engagement anyway. Nationally – most the relationships are more aimed towards PR and marketing – but not always!

### Second example of a relationship approach

A national example is NZTA's memorandum of understanding with the Department of Conservation. We always got into fights. NZTA would go into a national park (say on the West Coast) and “trim back the bush”, or spray; and the Department of Conservation would get lots of complaints, and so would we. So NZTA decided we needed a better way to work with each other, to stop the animosity. It's taken five years, but now there is a real partnership going. You can read back through the minutes of the meetings and see the change in language and tone. We have quarterly meetings at a national level, go through each region to talk about what's happening well and the issues – and realise there are two perspectives on each issue. We have a discussion back and forth, and that continues beyond the meetings so that we can have a dialogue about what's actually going on. In this situation, we can sort out something nationally, and then we ask the regional staff to get together to talk about it. Sometimes Department of

Conservation and NZTA staff are sharing the same carpark but don't talk to each other. It's been great to get a dialogue going and to sort issues together.

### Third example of a relationship approach

NZTA's partnership with the Blue Penguin Trust at Punakaiki is another good example. The Blue Penguins were getting slaughtered on the road at a particular spot. The local Trust didn't actually know what they could do about it, but we sat down and worked with them and we had experience from other areas that we could bring to bear. It turned out there were several options for us to work together to fix it – but we needed that conversation to work those out. In the end we ended up fencing off parts of the road (on blind spots, low visibility areas) to force the penguins to more visible parts of the road. The Trust did much of the “legwork” finding out who owned the land that needed fencing (saving NZTA that task, and much of the land was absentee landowner so was a big task) and then NZTA funded and built the necessary fences. The Trust records the numbers of dead birds and there's been a big drop.

### Developing mutual goals

One place we've fallen in the past is from our Regional Land Transport Plans. We have multiple stakeholders on these, and hence once the Regional Plan was signed off (a written example of mutual goals) we thought we were done and could just build the infrastructure. But of course not everyone was represented on these committees, and nuances had been steamrolled in the plan. My advice is don't ever believe it's a done deal.

### Motivations for this type of work

Much of this work is outside our remit – it's orphaned work if you imagine. But it's definitely part of NZTA's broader social responsibility. You could also see it as part of an extension to the consenting process, where we are supposed to continue engagement throughout the life of the project – proper engagement – like IAP2 Spectrum of Public Participation.

Unfortunately there's still a culture of fear about doing the right thing. I think that management is not valuing social good highly enough, and therefore staff are worried that if they do something innovative locally to help out, they'll get

fingered if there is a cost overrun. People end up doing back room deals – doing amazing stuff, but no one talks about it, no one wants to stick their head up – for fear it's criticised as a waste of money. For example, for the Korokoro interchange in Lower Hutt, to keep a small group of the community well connected NZTA built another link to the interchange. Per household it was a lot of money – but the value of social connection is not counted in the Economic Evaluation Manual – community cohesion is not built into the base cost. So it's got to be worked out some other way – and then no one wants to talk about it. But it's a great outcome for that community – no two ways about it.

### Getting others on board in NZTA

Yes, it's difficult for some. But at the local level the project managers or planners or Regional Manager knows they have a problem – but they're not sure what they can do, or what they're allowed to do. The staff don't want to be seen to be placating a complainer with money. The reality is some people have a legitimate complaint, other people “suck it up”, and some people are self-serving. Staff are worried about promising something they can't commit too, especially if political winds change. The local staff need help to show them what's OK, what's been done elsewhere, give them the ability to make local decisions (which many of them are doing, but quite a bit of it is under the radar).

Project managers are often engineers, and despite them being nice people, they're not good communicators, and they lack empathy for the people affected. And then if you use someone else, say the planner – who's in charge?

Not too long ago there was a desire to get a project consented with no conditions at all. “We don't want to do anything other than build the road”. Those days are gone now. We're putting forward consent conditions that are more onerous than what the commissioners would impose. We're doing it because it's the right thing to do. The planners really are reading the public comments. Take the Memorial underpass in Wellington as an example. For the first time ever in New Zealand's history, special legislation was passed to exempt NZTA from any process or requirement to get the road built in time for the centennial celebrations of ANZAC day in 2015. Yet the consultants employed have done a

fabulous job engaging with the 13 local education providers to make sure that we didn't disrupt them, and to cater for their local movements in the final design. They didn't have to do anything – nothing – but in the end they exceeded expectations. "Who needs the RMA when people realise it's the right thing to do". The contractors were great at it. You just need someone on the team who can do it well.

### Do's and don'ts for Ministry for Primary Industries or other organisations?

Top management buy-in helps. But it's not impossible without it. It takes longer and is a bit harder. When management agrees, everyone sits up a bit straighter, the ducks line up quicker.

The organisation needs to be ready. For example, when the heat came on NZTA about cycling, we were actually doing some great stuff, but we didn't know it, it wasn't systematic, and we didn't record it. We didn't share our wins amongst ourselves or promote them externally.

Understand your business. Understand the potential impacts you can have. And the ones you think are least core to your business may actually be the ones having the biggest effects on communities. Go back and analyse effects from projects – find out who you're affecting and how. Look for those hard to see effects.

### NZTA tools to support this type of work

NZTA has a Relationship Proforma Manual holds NZTAs generic relationship and agreement text. It is used by all NZTA staff entering NZTA into a relationship with another stakeholder and how to go about such work. The proforma sets out:

- a way to prioritise agreements, and hence decide whether to go ahead, and what type of agreement is most suited;
- the expected time frame to get different types of arrangements in place at NZTA;
- how to structure an MOU and why/when it's important;
- how a relationship is formalised within the NZTA decision making processes.

The types of agreements NZTA describe in depth are:

- Memorandum of understanding;
- Multi party funding agreement;
- Heads of agreement.



## Appendix 4. Meridian Energy's interview about "social licence to operate"

These are the views of Guy Waipara and not necessarily the views of Meridian Energy

Regarding the SLO definition "When a project has ongoing approval of the local community and other stakeholders":

To me this sort of language runs the risk of making it a separable thing – like sustainability. For us we own and operate long term infrastructure, we are in communities for the long term so we recognise that and our approach to think about SLO is made in that context.

Is it achievable to get to trust – It's definitely possible to develop trust in relationships with stakeholders. This takes time, real face time and a commitment to the long term. You also have to acknowledge that you can't win everyone over. Some stakeholders will have opposing views. Consider the development of new wind farms or the use of water for hydro generation. Some stakeholders just won't accept that what you do is an acceptable trade off. We find that these groups are in the minority and over time you can shift stakeholders perceptions of your company and its people.

### SLO and resource consents

For the use of water, depending on where you are in the country, re-consenting is a discretionary activity under the Resource Management Act. While most stakeholders will agree that it is highly likely that we'll get re-consented, there will be much debate over what conditions are reasonable in terms of mitigation packages. We currently have significant mitigation packages attached to our consents – which work well – so this is business as usual for us.

For existing consents you could take the attitude that "We've got what we have and take a minimalist approach until re-consenting occurs, and deal with everything at that point in time. Or you can reinvest in our communities now and develop real relationships with stakeholders so we know what to expect in the future and we have a better run at the consent. We've chosen the second option. We want to be a good neighbour, our people live in those communities, we employ people, we do change environments (e.g. affect rivers and landscapes). We think it is good commercial sense to put something back into local communities and we have funds set up to do this around all of our assets in NZ.

### Life-cycle stage of the project matters

It's also dependent on the life-cycle stage of the project. For example, with a windfarm, when we're building it we're really present in the local community. There are lots of staff and contractors on the ground. We try really hard to hire local staff, use local businesses for a range of things from catering, general things even down to using the local service stations to fill our vehicles. But when the project is complete it is managed remotely from our national office. It's a pretty stark difference in presence and it is easy to go backwards at this point, especially where you were supporting local businesses. This is where our community funds kick in to keep up a meaningful level of community engagement up.

### Relationships

There's layers. At the national level we do corporate sponsorship, such as KidsCan – helping out kiwi families who really need a helping hand. We do have criteria to measure any sponsorship against, and that includes things like: can our staff be engaged, how significant is the need, does this partner have a solid track record, etc. We're trying for funding :leverage of about 1:1. I know some other companies spend can spend say \$50,000 on a local level initiative, and then say 5-10x on advertising how wonderful they are – that's cynical to me.

The national relationships are driven by the Chief Executive and the Board. We have relationships with key decision makers: For example, Environment Canterbury and Ngai Tahu. We have invested in a relationship with Ngai Tahu over many years. Yes we have a memorandum of understanding, but it's more about what you do rather than the words on the paper. We need to keep the spirit alive by working together. Our Chief Executive and Chairs get together at least once per year, and that's a big commitment in itself – they're looking for things to do together. For example, we helped out with a home insulation scheme they were running – the link back to us was energy efficiency – and that's gone really well. We also use Ngai Tahu to coach Te Reo (place names, people's names) at our call centre, have supported Aoraki Bound and are looking for ways in which we can train each other's staff.



At the local level each asset has local funds to engage and support local stakeholders. We don't want to be fronting up in ten years at resource consent time and trying to say hello. For example, we have given \$1m back to local community projects across NZ over the last 18 months. Each of our wind farms and hydro catchments has their own funds.

There are governance processes around how these operate including criteria about what's a fundable activity; and the decision about what to fund is made by a local panel with 50:50 community: company representation – which means the community has strong local input into what gets funded.

Each local station has an operational staff member who builds local relationships into their role. The people self-select – you can't make them do this stuff – they either have a knack for it or they don't. The networks the local people have are flexible – they've lived there for ages, they're local people (Te Anau; Twizel – you can't ship people into those communities). At a central level, we tend to focus on the corporate, government and iwi relationships that are most significant.

## Openly sharing information

We are open with our stakeholders, for example Ngai Tahu and Environment Canterbury. We're sharing information on water policy, on consenting issues locally and environmental initiatives. In the past we have shared corporate policies and procedures with Ngai Tahu. It's a really open relationship even if we have areas where there are points of difference.

At one stage we embarked on a project to map all of our stakeholders and our engagements with them. This seemed like a good idea at the outset but it ended up failing – sinking under its own weight of data and administration. People, me included, just didn't see enough value in it to keep it alive so it lost its value really quite quickly.

## Active vs passive networking

At the local level we rely on our operational people to manage key relationships. Some of them can spend up to half their time working on relationships.

## Joint values

I think our stakeholders have a feel for what we stand for, but it's hard to be sure. Our joint values are not written down but I think we/they have a reasonable feel for what's important and how each other operate.

## Important outcomes from this type of work

From our perspective we spend a lot of money, but we could improve on the amount of recognition of what we do. We have been average at leveraging what we do – as our focus has been doing the right thing as opposed to telling our stories. This is a real opportunity for us though and we will be working hard to leverage what we actually do. It is tricky getting others to tell our story for us.

## Motivations for this type of work

The motivations are that we'll get a better commercial outcome (see below). There has to be a value-add for the company. And like I said before, we want to be good neighbours because we believe that it's the right thing to do and will pay off for us in the future.

## Getting others on board at Meridian Energy

It's not difficult as this work is bedded into our DNA. We do have Chief Executive support. Despite that, it's often hard to show value for money, or to leverage off the support we've got.

But every so often a crystal clear example comes up, and that makes it all worthwhile. For example, in Lake Pukaki, it's the biggest manmade hydro storage lake in New Zealand. We had an operating range of 518-532 metres above sea level. We worked closely with Environment Canterbury and Ngai Tahu, the two biggest influencers, and our two biggest stakeholders. We got consent to run 6 metres lower and 0.5 metres at the top (meaning the lake would spill later) – with pre-sign off from Ngai Tahu. We had no objections, at all. This added to the operation of that asset and helps Meridian manage its dry year risk and also improves the overall management of dry years for New Zealand as a whole. Imagine if we wanted to get such a change and we showed up to Ngai Tahu for the first time and said please sign this off. Long term relationships can pay off big time.

## Do's and don'ts for MPI or other organisations?

Get good at converting what you do well into learnable lessons to share with others in the organisation.

Understand there are different levels (national vs local).

Don't get nailed by too much data and process (the stakeholder tracking software, tracking every contact with every stakeholder – it was just way too big to track everyone – it would have taken us weeks even to prioritise it down)

Performance is more about doing than having memorandum of understanding's written which go into the bottom drawer.





