Application summary

14. Cloudy Bay Vineyards Limited (**the Applicant**) seeks consent to acquire the **Investment**, being approximately 9.52 hectares of sensitive land located at 164 Jacksons Road, Rapaura, Blenheim (**the Land**).

15. The diagram below shows the Land and its location in New Zealand.

Diagram 1 – shows the outline of the Land in light blue (left), and the relative position of the Land in New Zealand (right)

16. The Applicant is a private New Zealand-incorporated company, which forms part of the Louis Vuitton Moët Hennessy worldwide luxury goods conglomerate. The Applicant is ultimately 66% owned by France-listed LVMH Moët Hennessy Louis Vuitton SA (**LVMH**) and 34% owned by Diageo Plc, a UK-listed alcohol beverage producer.

17. The Applicant is a winemaker based in the Marlborough region, particularly well known for its sauvignon blanc wine which accounts for 77% of its total production. 98% of the Applicant's sauvignon blanc is exported.

18. The vendor of the Land is Barbara Mary Muir, Nathan Paul Muir, and Wisheart Macnab & Partners Trustee Company Limited as trustees for the Muir Family Trust (**the Vendor**). The Vendor and all the individuals with control of the Vendor are non-overseas persons (i.e. New Zealanders). The Vendor has decided to sell in order that the individuals with control of the Vendor can realise their investment.

19. The Land consists of approximately 7.6 hectares of planted land, and approximately 1.9 hectares of headlands, which is not plantable. The planted land is currently 6.3 hectares of sauvignon blanc grapes, and approximately 1.3 hectares of pinot gris grapes.

20. On acquiring the Land, the Applicant intends to replant the pinot gris grapes to sauvignon blanc. The Applicant submits that the replanting of the grapes and the subsequent export of sauvignon blanc wine produced from the vineyard will result in additional export receipts of an aggregate of approximately [redacted] by 2026, will 9(2)(b)(ii) create a small number of permanent and seasonal jobs, and will result in a small amount of additional investment for development purposes.

21. The benefits to New Zealand that are likely to result from the Investment include:

Moderate weighting		**Increased export receipts (*high relative importance*)** – the additional grapes harvested through the Applicant's acquisition of the Land are expected to produce approximately [redacted] in surplus export receipts between 2021 and 2026, with an additional [redacted] per annum from 2026. 9(2)(b)(ii) **Previous investments –** the Applicant has invested in New Zealand for over 35 years, including land and buildings to the value of approximately $49 million and $14.2 million worth of vineyard developments.
Weak weighting	9(2)(b)(ii)	**Jobs (*high relative importance*) –** the Investment is likely to create approximately 0.4 FTE temporary roles, 0.8 FTE annual contract roles and 0.15 FTE permanent roles, over and above that likely to occur without the Investment. **Additional investment for development purposes (*high relative importance*)** – the Applicant is likely to undertake capital expenditure of approximately [redacted] which includes replanting of vines, new vineyard equipment and new tanks to accommodate the additional grapes. **Enhance the viability of other investments –** acquiring the Land will likely increase revenue for the Applicant, whom has made previous investments for which consent under the Act was required.

22. Guidance for applying the Act is set out in **Attachment 2**.

National Interest

23. This application for consent was received prior to commencement of the Overseas Investment (Urgent Measures) Amendment Act 2020 and the transaction for which consent is required was also entered before commencement. Accordingly, the provisions of the Overseas Investment (Urgent Measures) Amendment Act 2020, including the 'national interest' assessment, do not apply.

Timing

24. The Applicant entered into an Agreement for Sale and Purchase (**ASP**) on 17 July 2019. A condition of the ASP requires the Applicant to obtain OIO consent on or before 17 April 2020. An extension of the deadline of 3 months has been utilised, resulting in a commercial deadline of 17 July 2020. The Applicant has advised they are seeking a further extension from the Vendor.

25. On 3 April 2020, the Overseas Investment Office (**the OIO**) sent the Applicant a letter advising of its intention to decline the application (**ITD Letter**). Initially, the Applicant had until 27 March 2020 to respond to the ITD Letter. This date was later extended to 15 June 2020 to account for the disruption caused by the Covid-19 pandemic. On 3 June 2020, the Applicant informed the OIO it had contacted the offices of Hon Grant Robertson and Hon Eugenie Sage to request that the Ministers 'call in' the pending application.

26. The OIO sent a briefing to Hon Eugenie Sage and Hon Stuart Nash on 2 July 2020 seeking their decision as to whether to 'call in' the application. On 8 July 2020, the OIO received notice from the Ministers of their decision to 'call in' the application.

27. The OIO has expedited this assessment report to give Ministers the chance to make a decision on the application as close to the Applicant's commercial deadline as possible. We don't yet know whether an extension to the deadline has been agreed to by the vendor.

28. Processing days for the application to date are:

Quality Assurance	OIO Processing	Waiting for Applicant / Vendor	Third party consultation
7	16	99	2

29. The processing days for this application are well within our Standard Performance Expectations (**SPEs**). The 'Waiting for Applicant/Vendor' day count is large because we granted the Applicant an extension to respond to our ITD Letter due to the Covid-19 pandemic, and a further extension provided while we waited on a decision from Ministers as to whether they would 'call-in' the application.