

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of Proposed Private Plan Change 2 to
the Hamilton City Operative District
Plan: Te Awa Lakes Private Plan
Change

**STATEMENT OF REPLY EVIDENCE OF CHRISTOPHER MARTIN UDALE FOR THE APPLICANT
(INDUSTRIAL DEVELOPMENT VIABILITY)**

28 NOVEMBER 2019

1. QUALIFICATIONS AND EXPERIENCE

1.1 My full name is Christopher Martin Udale.

1.2 I have the qualifications and experience set out in section 2 of my primary statement of evidence.

1.3 I reconfirm that I have read the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2014 and to the extent that I am giving expert evidence, have complied with it in preparing this evidence. I confirm that the issues addressed in this evidence are within my area of expertise and I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed in my evidence.

2. SCOPE OF EVIDENCE

2.1 I have been asked to provide a response to the expert evidence of:

a) Michael Martin of Babbage Consultants Ltd; and

b) Mark Chrisp of Mitchell Daysh Ltd

on behalf of Fonterra Ltd in relation to their comments on my industrial feasibility analysis.

2.2 I was first approached by Mr Martin following the expert witness caucusing on economic and strategic issues (which I was not a part of), where Fonterra's representative for the first time indicated that they would be undertaking a review of my feasibility analysis. Following attempts to secure a meeting, it became clear to me that Mr Martin was not challenging the analysis itself, but the inputs and metrics which went into the analysis. On all of those matters, I relied upon the advice of CMW Geosciences (CMW), and costs provided by Millard Construction Cost Consultants (MCCC) and Perry Group Limited (PGL).

2.3 The primary evidence of Mr Millard and the joint statement of Messrs Lentfer and Milne for the Applicant have responded to the queries raised by Mr Martin in their meeting with him. However, and to the extent that Mr Martin's evidence and/or the evidence from Mr Chrisp addresses matters which have not already been responded to by those witnesses and which sit within my area of expertise, I comment below by reference to the relevant paragraph number. Given the division of responsibility between the Applicant's experts,

just because I do not respond to a paragraph in Mr Martin's evidence does not mean I accept its contents. That content may well be covered in other responses on behalf of the Applicant.

- 2.4 To the extent that Mr Martin's evidence addresses matters which I have not already responded to and which sit within my area of expertise, I comment below by reference to the relevant paragraph number. To the extent that Mr Martin raises queries outside my area of expertise, particularly in respect of earthworks and civil construction costs, I refer to the reply evidence of Mr Millard, for the applicant, and rely on that in respect of my own reply.

3. RESPONSE TO SUBMITTER EVIDENCE

Fonterra

Mr Martin – paragraphs 3.1-3.13

- 3.1 Mr Martin contends at his paragraphs 3.1 to 3.13 that the resource consent requirements for the remediation of the quarry to rural pasture requires the existing waterbodies to be remediated and filled. I rely on the reply evidence of Mr Olliver given earlier in this hearing that in his opinion there is no consent requirement to fill in the lakes as part of the site rehabilitation and closure. Therefore, I understand from Mr Millard's reply evidence that no changes to his cost estimates are required, which obviously has no impact on my feasibility assessment.
- 3.2 I note Mr Millard's point that even if the water bodies were required to be filled, the additional cost of doing so would only add the amount of \$2.66 M to the Rural Remediation cost allowance in my feasibility assessment. In my opinion this additional amount for Rural Remediation, if it were required (which is denied by the Applicant), would have no material impact on the viability of the project and thus I conclude the relevant allowances within that feasibility are reasonable and remain unchanged.

Mr Martin – paragraphs 3.14 – 3.28

- 3.3 Mr Martin makes various proposals as to how the land might be remediated and the resultant flow-on costs of such proposals. I rely on the evidence of Mr Millard in reply and

based on that response I understand that no change to my feasibility allowances are required.

- 3.4 Mr Millard concludes, based on the expert reply evidence of Messrs Lentfer and Milne, that even if the additional cost allowances as set out in his reply were required for filling of the ponds (as to which, see above) and additional cut to fill then the additional amount added to the Rural Remediation costs would be only \$4.455 M, and a total of \$11.105 M (on top of the \$6.6 M Mr Millard had already estimate). In my opinion such an adjustment would have no material impact on the feasibility outcome, and noting that such additional costs are not in any event agreed, there is no reason to change my feasibility allowances.

Mr Martin – paragraph 4.1 – 4.3

- 3.5 Mr Martin proposes an alternative option of a cleanfill operation at his paragraphs 4.1 to 4.3, and says this might reduce the earthworks costs for industrial development and provide additional revenues. This matter has been covered in detail by Messers Lenfter, Milne and Millard in their separate statements of evidence in reply. Based on their responses, I understand that no adjustment to my cost or revenue estimates are required.

Mr Martin – paragraph 7.1

- 3.6 As a final point, and more as an aside, at his paragraph 7.1, and having deducted the costs in his table at section 5 and added the additional revenue, which as discussed above is not accepted by me or the other experts for Perry Group, Mr Martin concludes that the industrial development of the site "*could be feasible*".
- 3.7 In that hypothesis, that would reduce the costs I have identified in my table at paragraph 5.20 of my primary evidence by \$33,710,000 to a total of \$88,516,298. That would also increase the revenue by \$9,125,000 to my total of \$86,507,000 to make \$95,632,000. My total margin was negative \$35,718,948. If those adjustments discussed above were made, Mr Martin's margin (which I do not accept in any way) would only be positive \$7,115,702, or a percentage of 8% of total outlay. I can assure the Panel, based on all of my experience in property development, that a margin of this order would be completely unacceptable for the outlay of over \$88m. Any experienced developer would require, and Mr Anderson and I agree on this point, a minimum margin

of 25%. Mr Martin's own figures themselves, therefore, do not make industrial development feasible.

Mr Chrisp – paragraphs 8.6 – 8.7

- 3.8 Mr Chrisp suggests that the land subject to PPC2 is not programmed for development until at least 2041 as a result of the unavailability of necessary infrastructure until that time. Mr Chrisp suggests that this timing is directly relevant to my finding that the development is not feasible within the next 10-15 years. This finding was made at the specific request of HCC in an Addendum to my analysis, following my initial conclusion that the land would not be viable in the "foreseeable future".
- 3.9 In my opinion, even if the development of the land were to be delayed until that time, such delay would not change the underlying nature of the land in its current form and thus the need to remediate the land to a sufficient standard to support a high quality and modern industrial development (with the attendant cost of doing so) as described in my initial report and evidence. As such, and in the absence of any other information which would suggest any significant changes in either costs or revenues over that time (and I note none has been provided by Fonterra), I conclude that the allowances made in my assessment would be broadly similar in terms of relativity as now and thus the development of the land for such industrial purposes would be no more viable in 2041 than it is currently – so Mr Chrisp's point, from a viability analysis perspective, is redundant.
- 3.10 In addition and as an aside, with the further staged release of further industrial land out to 2041, the amount of available land that is more attractive for industrial development than Te Awa Lakes (as discussed in paragraphs 5.14 to 5.17 of my primary evidence) is only likely to increase. While I have not undertaken a detailed analysis of the other land which is due to come on-stream, one would imagine that it would be easier to develop and potentially more attractive than Te Awa Lakes, either today or at 2041.

4. CONCLUSION

- 4.1 Having reviewed the evidence of Mr Martin and Mr Chrisp I remain of the view that the development of the Te Awa Lakes land for industrial purposes under its current zoning is not viable and is unlikely to become viable within any reasonable period.

Christopher Martin Udale
28 November 2019