

IN THE MATTER of the Resource Management Act 1991

AND

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

**STATEMENT OF EVIDENCE OF BRIGID BUCKLEY ON BEHALF OF
FONTERRA LIMITED**

CORPORATE

1. INTRODUCTION

1.1 My name is Brigid Buckley.

1.2 I am the National Policy Manager for Fonterra Limited's ("**Fonterra**") Global Operations. I have held this role for almost six years.

1.3 In this role, I primarily manage and coordinate Fonterra's involvement in resource management and strategic growth policy and plan development processes that affect its 25 New Zealand-based manufacturing sites and two distribution centres. Central to this role is ensuring that policy and planning development processes provide for the protection of these assets and their operations from potential reverse sensitivity effects associated with the establishment of incompatible (ie sensitive) land uses. For example, I have oversight over all of Fonterra's submissions, further submissions and appeals on plan changes or reviews throughout New Zealand, in which the management of reverse sensitivity effect is almost always the key concern for Fonterra.

1.4 I also provide direction on other reverse sensitivity-related matters, including complaints made by third-parties about the effects of Fonterra's lawful operations at its manufacturing sites, as well as resource consent applications to establish dwellings or other sensitive land uses within proximity of Fonterra's

existing operations. I am responsible for reviewing and determining the appropriateness of all such applications from a reverse sensitivity perspective.

- 1.5 I also manage a number of consenting processes, including those that seek to (amongst other things) re-consent existing discharges of contaminants (wastewater and stormwater) to land, water and the coastal environment in the Northland, Waikato, Taranaki and Manawatu regions. My other functions include advising on resource management-related matters in property acquisition and divestment processes and capital development processes.
- 1.6 I hold a Bachelor of Environmental Management and a Post-graduate Diploma from Lincoln University, and I am currently studying towards an Executive Masters of Business Administration at Massey University. Through my career, I have also completed a number of short courses including both of the Fertiliser and Lime Research Centre's Sustainable Nutrient Management courses, project management, change management and finance.
- 1.7 I am familiar with Proposed Plan Change 2 ("**PPC2**" or "**Plan Change**") to the Operative Hamilton City District Plan ("**District Plan**"). I was involved in the preparation of Fonterra's submissions and further submissions on PPC2, as well as Fonterra's feedback on the proposed Te Awa Lakes Special Housing Area. I am authorised by Fonterra to provide this statement on its behalf as a representative from its manufacturing operations.
- 1.8 I am familiar with Fonterra's manufacturing operations at Te Rapa, and their role as part of the company's broader North Island manufacturing portfolio.

Scope of evidence

- 1.9 This statement of evidence will provide an overview of Fonterra's manufacturing interests in Hamilton and the Waikato Region and explain the impact of PPC2 on these interests. In particular, my evidence will:
- (a) explain the history and significance of Fonterra's Te Rapa Dairy Factory, both to Fonterra and to Hamilton, the broader Waikato Region and its connection to its manufacturing and logistics assets;
 - (b) provide an overview of Fonterra's manufacturing network, in particular how Fonterra ensures that this network provides and maintains sufficient milk processing capacity throughout the year;

- (c) summarise Fonterra's approach to managing, as far as possible, the potential for reverse sensitivity effects imposing constraints on its manufacturing sites;
- (d) highlight, based on my direct experience whilst employed at Fonterra, the reverse sensitivity effects that will arise if the Plan Change is granted and sensitive residential activities establish in proximity to the Te Rapa Dairy Factory; and
- (e) respond to the relevant aspects of the Hamilton City Council's ("**Council**") section 42A report and the evidence submitted by Perry Group.

2. EXECUTIVE SUMMARY

- 2.1 The scale and diversity of the Te Rapa site's manufacturing footprint are critical to Fonterra, and vital to its ability to operate 24 hours a day, 365 days a year, and that these operations are not unduly compromised by complaints or objections from sensitive neighbours.
- 2.2 Sensitive residential activities are fundamentally incompatible with the large-scale heavy industrial operations that occur at the Te Rapa Dairy Factory and other nearby industrial sites. By enabling the establishment of sensitive activities such as residential dwellings and visitor accommodation on the Te Awa Lakes site, PPC2 will result in significant adverse reverse sensitivity effects on nearby industrial land uses, and in particular the Te Rapa Dairy Factory.
- 2.3 The increased presence of sensitive activities in the vicinity of the Te Rapa Dairy Factory and resultant increased risk of reverse sensitivity effects could result in limited new or re-investment being undertaken at the site. PPC2 could also impact upon Fonterra's future decisions to invest in the development of its farm landholdings to the west of the Te Rapa Dairy Factory, which is currently zoned Deferred Industrial.
- 2.4 Fonterra's concerns with PPC2, in particular the potential for reverse sensitivity effects compromising its operations at the Te Rapa Dairy Factory, are yet to be appropriately addressed by Perry Group. Fonterra is firmly opposed to PPC2 and seeks that it be declined.

3. FONTERRA IN THE WAIKATO REGION

- 3.1 Fonterra is a global leader in dairy nutrition and is the preferred supplier of dairy ingredients to many of the world's leading food companies. Fonterra is New Zealand's largest farming co-operative and a significant employer, with more than 11,400 New Zealand based staff and more than 8,600 employees based overseas.
- 3.2 Fonterra is a farmer-owned co-operative, collecting more than 17 billion litres of milk from its 9,887 shareholders in FY2019. In the last 12 years, Fonterra has spent more than \$1 billion on research and development, drawing on generations of dairy expertise to produce more than two million tonnes annually of dairy ingredients, value added dairy ingredients, specialty ingredients and consumer products. These products are exported to more than 100 markets worldwide. Fonterra operates 25 milk processing sites throughout New Zealand.
- 3.3 Fonterra has eight dairy factories located within the Waikato Region:
- (a) Te Rapa (Hamilton City);
 - (b) Te Awamutu (Waipa District);
 - (c) Hautapu (Waipa District)
 - (d) Reporoa (Rotorua District);
 - (e) Tirau (South Waikato District);
 - (f) Lichfield (South Waikato District);
 - (g) Waitoa (Matamata-Piako District); and
 - (h) Morrinsville (Matamata-Piako District).
- 3.4 Fonterra also owns a large distribution centre (Crawford Street, Hamilton) and corporate offices (London Street, Hamilton), a Canpac packaging, manufacturing and printing plant (Hamilton) and a storage facility at Waharoa.
- 3.5 In addition to Fonterra, Tatua has a dairy factory at Tatuani and Open Country also has a dairy factory at Waharoa. The Waikato dairy manufacturing industry, together with its supplying farmers, contributes over \$2 billion to the

Waikato Region's GDP (over 10% of the Region's GDP, which is the largest contribution by any industry).¹

- 3.6 In addition to these economic benefits, Fonterra also contributes to Hamilton City, the wider Waikato Region and New Zealand through a range of community-based initiatives, including:
- (a) Providing free milk to more than two thirds of New Zealand's primary schools (1,450 schools currently participate) through its "Milk for Schools" programme. Over 140,000 children are provided with free milk every day. This programme is the largest community programme undertaken by any New Zealand company, with over 190 schools participating in the Waikato Region.
 - (b) Working with Sanitarium and the Ministry of Social Development on the "KickStart Breakfasts" programme, providing a free nutritious breakfast of Weet-Bix and milk to over 29,000 New Zealand children every week (across 133 schools in the Waikato Region).
 - (c) Since 2007, the "Fonterra Grass Roots Fund" has supported more than 2,500 local community projects throughout New Zealand, including providing funding for a range of projects within Hamilton and the Waikato Region, such as Waikato Westpac Rescue Helicopter.
 - (d) Working with the Department of Conservation in a 10-year partnership called "Living Water" to improve biodiversity, including the restoration of the unique ecosystems of the Waikato peat lakes.
 - (e) Fonterra Sustainable Catchments is also investing in restoring waterways in partnership with communities in Tairua, Waitoa, Waiomou, Whirinaki, Mangaone and Mangapiko
 - (f) We also provide financial contributions, products, and volunteer time to a substantial number of causes across the region throughout the year, such as support for community kitchens, sporting events and business awards.

¹ Data from: Employment – Statistics New Zealand; GDP - Dairy Trade's Economic Contribution to New Zealand; NZ Institute of Economic Research for Dairy Companies Association of New Zealand (February, 2017).

4. HISTORY AND SIGNIFICANCE OF TE RAPA DAIRY FACTORY

- 4.1 Fonterra's Te Rapa Dairy Factory first opened in 1968. The site was chosen largely because of its location, being located away from sensitive land uses – namely Hamilton City.
- 4.2 Fonterra's operations at Te Rapa include the primary manufacturing facility, a farm, and a four-hectare landholding to the north of the site (refer to **Figure 1** below).

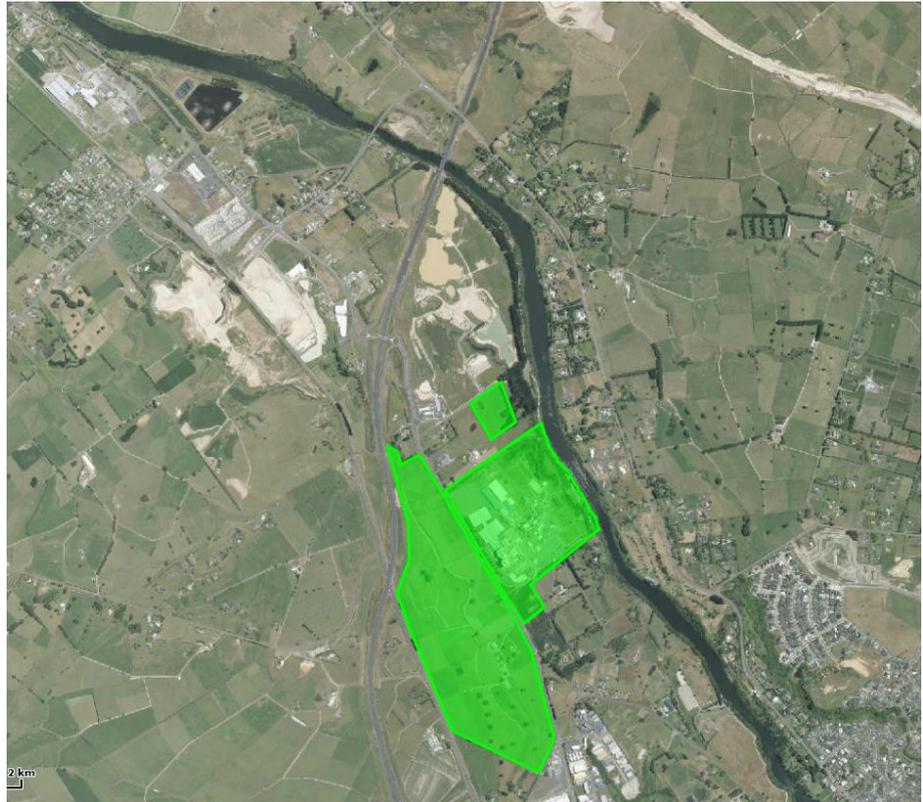


Figure 1: Fonterra's landholdings at Te Rapa

- 4.3 The heavy industrial nature of the activities at the Te Rapa Dairy Factory and its surrounds has been recognised and provided for since the 1970s. As explained in Mr Crisp's evidence, successive planning regimes have consistently recognised that Te Rapa North should be regarded as an "area of restraint" and that residential development should be directed elsewhere.
- 4.4 The longstanding identification of the Te Rapa Dairy Factory and its surrounds as a Strategic Industrial Node has provided Fonterra with confidence to develop and operate the Site in the way that it has. Fonterra has invested in the Te Rapa Dairy Factory since 2013, including a \$20 million expansion to its cream cheese operations in 2017. This development was confirmed in part on

the basis that the Te Rapa North area was (and would continue to be) surrounded primarily by heavy industrial zoned land.

- 4.5 The Te Rapa Dairy Factory processes over 7.5 million litres of milk each day during peak season and produces approximately 325,000 tonnes of milk powder and cream products each year. The milk used at the Te Rapa Dairy Factory is sourced from 1,000 farms located primarily within the Waikato Region.
- 4.6 The Te Rapa Dairy Factory is a critical asset for Fonterra, with a replacement value of almost \$1 billion. However, it is not just the site itself that is important to Fonterra. The Te Rapa Dairy Factory is a regionally significant industrial operation, employing over 500 full time equivalent staff (including Contact Energy's co-generation plant and Milktest's facilities). It also plays an integral role in Fonterra's processing portfolio, particularly at the start of the season (explained in more detail in the next section of my evidence), given its ability to operate 24 hours-a-day, seven days a week, and the range of manufacturing assets included within its footprint.

Environmental performance and continuous improvement

- 4.7 Fonterra is committed to increasing efficiencies and reducing emissions associated with milk collection and its subsequent processing.
- 4.8 A key method for achieving this is through the certification and implementation of an environmental management system (EMS), which is certified to the ISO 14001:2004 standard.² The Te Rapa site has had such a certified EMS in place since 2003.
- 4.9 The ISO standard provides the framework for improving environmental performance over time. It does this by, amongst other things, embedding an ethos around continuous improvement (plan-do-check-adjust cycles) into the company's systems and culture, considering a life-cycle perspective, and ensuring that the site understands the needs and expectations of its stakeholders and community.

5. FONTERRA'S MANUFACTURING NETWORK

- 5.1 Fonterra was established in 2001 when, with the passing of the Dairy Industry Restructuring Act 2001 ("**DIRA**") and the voting by 84 percent of New Zealand

² 21 of Fonterra's New Zealand-based manufacturing sites are certified to ISO 14001:2004, and will transition to the 2015 standard over the next 14 months.

dairy farmers, support was confirmed for the merger of the New Zealand Dairy Board, New Zealand Dairy Group and Kiwi Co-operative Dairies.

- 5.2 Importantly, the DIRA (amongst other things) requires Fonterra to:
- (a) pick up and pay for milk from farmers who hold shares in Fonterra;
 - (b) accept all applications to become a shareholding farmer; and
 - (c) accept all applications to increase the volume of milk supplied by a shareholding farmer.
- 5.3 On-farm milk production and, consequently, milk processing volumes follow a “milk curve”. Processing commences alongside on-farm milk production in June (North Island) / July (South Island), and increases through to November / December (known as the “peak milk period”) before tapering off around April / May.

Providing for, and maintaining milk processing capacity at all times

- 5.4 Due to the DIRA requirements, Fonterra must maintain enough manufacturing capacity across its network at all times of the year to ensure that all the milk collected by its supplier farmers can be processed at its manufacturing sites. Matching on-farm milk production and processing capacity across the manufacturing network is complex and is both dependent and interdependent on internal, external and environmental factors.
- 5.5 To plan for this, Fonterra utilises a milk forecasting model that predicts annual milk production and then seeks to optimise its manufacturing operations across its network. It does this whilst ensuring that it can fulfil its contractual requirements with customers, ensure appropriate resourcing is available and maintain compliance with resource consent conditions and other environmental parameters.
- 5.6 To manage this, Fonterra generally focuses its start-up operations towards its larger plants, such as Te Rapa and Hautapu. Te Rapa, like other major plants, has both sufficient and efficient processing capacity and plant diversity (ie product mix optimisation) to operate 24-hours-a-day, seven-days-a-week with minimal disruption. The consequences of disruption, whether it results from plant failure or restrictions on operating hours, can be significant and result in milk which would be typically processed at that site being transported further afield at a monetary, time and environmental cost. In extreme circumstances, milk will need to be disposed of on-farm.

5.7 Given the milk curve, such as Te Awamutu and Morrinsville smaller sites operate primarily during the start and peak of the milk season, whereby they are available to accept milk overflows over a short period ensuring that Fonterra maintains appropriate capacity across the season. Given the location of these two sites (for example) within established urban areas, they are constrained in their ability to provide secure processing capacity due primarily to reverse sensitivity matters, such as noise limits (both Morrinsville and Te Awamutu) and restrictions on vehicle numbers entering and exiting (Te Awamutu). Future development and reinvestment in these sites could potentially be hindered due to the significant costs associated with internalising the adverse effects associated with manufacturing. Consequently, Fonterra seeks locations with minimal residential activities present to develop or expand its manufacturing sites, such as (historically) Te Rapa and Lichfield in the Waikato Region.

6. FONTERRA'S APPROACH TO REVERSE SENSITIVITY

6.1 Reverse sensitivity refers to the vulnerability of established, effects-generating activities (ie industrial land uses) to objections from neighbours as a result of new sensitive activities locating nearby. Such objections can stifle the growth of the established activities and their redevelopment, or in extreme cases, drive them elsewhere.

6.2 Importantly, reverse sensitivity and its associated complaints arise in the context of *compliant* activities, being those activities that are authorised by way of resource consent and/or comply with permitted activity standards in regional and district plans. Like other major industrial operators, reverse sensitivity issues can, and do, affect Fonterra's activities regardless of our compliance with these planning instruments. This is because it is often the perception of effects, rather than actual effects, that leads to complaints from sensitive land users.

6.3 Fonterra acknowledges that the continuous improvement of its activities, and particularly its land, air and water discharges is integral to demonstrating its commitment to achieving environmental objectives and continuing to operate. However, and with increased encroachment by sensitive and smaller landholdings within proximity of its manufacturing sites, when it comes to notifying consent applications, the number of affected parties, and corresponding costs for Fonterra will continue to increase.

6.4 When residential neighbours enter a new residential environment, their amenity expectations are typically congruent with those found in a *residential*

environment – being primarily the absence of non-residential activities and their associated effects (ie noise, lighting, visual amenity and traffic generation) during night-time hours, and on Sundays and public holidays when they wish to enjoy their residential property. Even if landowners moving into a neighbourhood are relatively comfortable with Fonterra's existing operations, subsequent consenting and policy development processes open up opportunities for their involvement (and objection). It is at this stage that expectations of future site use from future residents are often more stringent than current operations (plus improvement, which is not what is typically anticipated in the relevant planning document(s)).

- 6.5 Reverse sensitivity effects generally result from complaints by just a few residents – allowing even a small degree of sensitive development near an existing activity can cause significant issues, and the risk of receiving complaints increases as the number of nearby properties increases. Each complaint can result in hours of staff time investigating its source, communicating with the complainant and relevant council(s), and identifying practicable solutions that ensure the complaints do not endure or result in further cost to Fonterra.

Policy and plan development processes

- 6.6 For Fonterra (like other major industries and rural activities), a key mechanism to ensure potential reverse sensitivity conflicts are avoided or managed is the policy and plan development process provided under the Resource Management Act 1991 ("**RMA**"). These processes require significant investment by the relevant council, on behalf of the community, and resource users within the relevant district or region.
- 6.7 Fonterra proactively engages in these processes to ensure that the framework guiding the future use of our land and associated assets is recognised and provided for, subject to ensuring that significant adverse effects are avoided or can otherwise be appropriately managed. The cost of engagement in these processes can be significant, with the need to be involved in all levels of the RMA planning hierarchy (as well as additional non-statutory documents) to ensure co-ordination and integration across multiple regulatory and non-regulatory processes, including regional policy statements, regional and district plans, and (within Waikato) Future Proof, the Hamilton Urban Growth Strategy, and others.
- 6.8 To support its position and any changes to the objectives, policies or rules in relation to its manufacturing assets, Fonterra also seeks independent technical

advice, at its cost, in relation to matters such as traffic, noise, or air quality. This expert input is also critical in ensuring that the effects of Fonterra's activities, as well as potential adverse effects on Fonterra's activities (such as reverse sensitivity), are appropriately avoided, remedied or mitigated.

7. IMPACTS ON TE RAPA DAIRY FACTORY

- 7.1 Sensitive residential activities are fundamentally incompatible with the large-scale heavy industrial operations that occur at Fonterra's Te Rapa Dairy Factory and other nearby industrial sites. By enabling the establishment of sensitive activities such as residential dwellings and visitor accommodation on the Te Awa Lakes site, PPC2 will result in significant adverse reverse sensitivity effects on nearby industrial land uses, and in particular the Te Rapa Dairy Factory.
- 7.2 For Fonterra, the establishment of housing within close proximity to the Te Rapa Dairy Factory has been, and continues to be, a key issue. To date this has largely been in the Waikato District, and on the other side of the Waikato River. Consequently, Fonterra has experienced an increase in complaints about its lawful operations.
- 7.3 The more immediate consequences of enabling increased numbers of sensitive activities to establish in close proximity to the Te Rapa Dairy Factory will be significant disruption to the Factory's manufacturing and processing operations, in particular the potential for:
- (a) reduction in operating hours due to, for example, noise and lighting emissions, and heavy traffic movements during night-time hours and on weekends and public holiday;
 - (b) reduced processing capacity due to restrictions on, for example, operation of Fonterra's wastewater treatment plant (which may give rise to odour effects) or on the storage and use of cleaning and cooling chemicals;
 - (c) reduction in processing diversity due to constraints imposed on the Factory's operability in certain locations within the manufacturing footprint;
 - (d) increase in staff time spent focussing on addressing neighbour concerns and / or resolving complaints about Fonterra's lawful activities, to the detriment of undertaking their daily tasks(a single

complaint – even about a compliant activity - can require up to 40 hours of additional work to resolve);

- (e) increased investment in communication mechanisms to ensure residents are kept up to date regarding key events on-site, including alarm testing and plant start-up; and
- (f) increased liaison with community members about activities that are otherwise anticipated to occur in an industrial environment including steam releases and alarm testing.

7.4 In the context of the Te Rapa Dairy Factory specifically, Perry Group lodged a submission on Fonterra's recent application for resource consents to renew the discharges from the site, in support of the application but “subject to the internalisation of effects”. Perry Group's submission was motivated by their intention to develop their land for residential purposes. That is a clear example of reverse sensitivity effects affecting Fonterra's ability to continue its operations at the Te Rapa Dairy Factory, arising simply due to residential activities being contemplated nearby.

7.5 All of these factors combine to add significant risk of disruption to Fonterra's operations at the Te Rapa Dairy Factory, which will be exacerbated during the peak milk period when spare capacity is limited across the North Island network. Consequently, in order to avoid or minimise this risk, Fonterra would have to redistribute milk volumes to other sites, primarily being Lichfield in the South Waikato and Whareroa in the Taranaki region, where such risks do not exist for processing. Over time, this could lead to decisions for new and/or re-investment being directed towards other sites where the policy and planning framework provides greater certainty and reduced risk in terms of sensitive activities establishing.

7.6 The decision on how to utilise sites like Te Rapa depends on the plant, processing capacity and operating constraints – such as location, hours of operation, access, and potential for complaints (which may lead to restrictions on these other aspects). As an example, Fonterra's recent decision to invest in the establishment of a new dryer at its Lichfield site (to respond to the need for additional capacity in the central North Island) was influenced primarily by the lack of sensitive land uses (or zoning enabling such uses) on surrounding land. A number of alternative sites were considered but ultimately ruled out because of the potential for reverse sensitivity effects arising due to sensitive land uses being located nearby.

7.7 The scale and diversity of the Te Rapa site's manufacturing footprint is critical to Fonterra, and vital to its ability to operate 24 hours a day, 365 days a year, and that these operations are not unduly compromised by complaints or objections from sensitive neighbours. The increased presence of sensitive activities in the vicinity of the Te Rapa Dairy Factory and resultant increased risk of reverse sensitivity effects could result in limited new or re-investment being undertaken at the site. As with all our manufacturing sites, when Fonterra comes to consider whether or not to invest in the development of the Te Rapa Dairy Factory, significant weight will be applied to the ability to utilise the site and its assets to their full capability over their lifetime. The site's current footprint will also be considered in light of surrounding land uses. In the case of the Te Rapa Dairy Factory, this would include the ability to deliver milk to the site in an efficient and safe manner and to generate effects such as noise or light that are a necessary by-product of these activities. All of these factors would be significantly (and negatively) influenced by the location of over 1,000 dwellings nearby.

7.8 PPC2 could also impact upon Fonterra's future decisions to invest in the development of its farm landholdings to the west of the Te Rapa Dairy Factory, which is currently zoned Deferred Industrial. The Council is considering a plan change to the District Plan to bring forward the live-zoning of this land (to Industrial) to ensure there is enough industrial land at Te Rapa North to meet growing demand. To allow a separate plan change to establish over 1,000 sensitive dwellings within the Te Rapa North area, which would not only reduce the availability of industrial land but would lead to constraints on the land that is available for industrial use (through reverse sensitivity) seems to be directly contrary to the Council's intention to provide further industrial land at Te Rapa North.

8. RESPONSE TO COUNCIL OFFICER'S PRE-HEARING REPORT AND APPLICANT EVIDENCE

8.1 Mr Ieremia's evidence states that Fonterra's engagement in discussions with Perry Group ceased after the Minister's decision to decline the Te Awa Lakes Special Housing Area application in April 2019. Fonterra refutes this assertion.

8.2 Fonterra has continued to engage with Perry Group since the inception of the Te Awa Lakes proposal, including through the Special Housing Area and now PPC2 process. Our position and concerns with PPC2 have been well-cavassed and known to Perry Group for over two years and, from Fonterra's perspective, have still not been appropriately addressed.

9. CONCLUSION

- 9.1 The scale and diversity of the Te Rapa site's manufacturing footprint are critical to Fonterra, and vital to its ability to operate 24 hours a day, 365 days a year, and that these operations are not unduly compromised by complaints or objections from sensitive neighbours.
- 9.2 Sensitive residential activities are fundamentally incompatible with the large-scale heavy industrial operations that occur at the Te Rapa Dairy Factory and other nearby industrial sites. By enabling the establishment of sensitive activities such as residential dwellings and visitor accommodation on the Te Awa Lakes site, PPC2 will result in significant adverse reverse sensitivity effects on nearby industrial land uses, and in particular the Te Rapa Dairy Factory.
- 9.3 The increased presence of sensitive activities in the vicinity of the Te Rapa Dairy Factory and resultant increased risk of reverse sensitivity effects could result in limited new or re-investment being undertaken at the site. PPC2 could also impact upon Fonterra's future decisions to invest in the development of its farm landholdings to the west of the Te Rapa Dairy Factory, which is currently zoned Deferred Industrial.
- 9.4 Fonterra's concerns with PPC2, in particular the potential for reverse sensitivity effects compromising its operations at the Te Rapa Dairy Factory, are yet to be appropriately addressed by Perry Group. Fonterra is firmly opposed to PPC2 and seeks that it be declined.

Brigid Buckley

12 November 2019