BEFORE INDEPENDENT COMMISSIONERS

AT HAMILTON

UNDER	the Resource Management Act 1991 ("**RMA**")
AND	
IN THE MATTER	of Hamilton City Council Plan Change 12 ("**PC12**")

STATEMENT OF EVIDENCE OF SUZANNE PATRICIA O'ROURKE ON BEHALF OF FONTERRA LIMITED

CORPORATE

24 JULY 2024

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1. INTRODUCTION

1.1 My name is Suzanne Patricia O'Rourke.

1.2 I am the National Environmental Policy Manager for Fonterra Limited's ("**Fonterra**") New Zealand operations.

1.3 My qualifications and experience are set out in my Statement of Evidence dated 1 February 2023 that I provided for the Joint Opening Hearing for the Waikato Intensification Planning Instruments ("**Joint Opening Hearing**"), including PC12 to the Hamilton City Operative District Plan ("**District Plan**").

1.4 I am authorised to provide this statement on behalf of Fonterra.

Scope of evidence

1.5 My evidence will provide a summary of:

(a) Fonterra's manufacturing interests in Hamilton City;

(b) Fonterra's approach to managing the potential for reverse sensitivity effects imposing constraints on its dairy manufacturing sites and associated sites; and

(c) the strategic planning approach adopted by Fonterra in its submission and further submission on PC12.

2. EXECUTIVE SUMMARY

2.1 Fonterra supports urban growth and the on-going economic development in Hamilton City. Fonterra understands that enabling housing supply along with housing intensification is a necessary step. However, Fonterra considers that further refinement is required to ensure that urban development and intensification occurs in a manner that minimises land use conflicts as far as practicable, including avoiding or minimising the potential for reverse sensitivity effects.

2.2 Reverse sensitivity occurs where established, effects-generating activities (eg. industrial land uses) are subject to greater restrictions on their operations due to new sensitive activities locating nearby. Those sensitive activities make complaints about legally established environmental effects, become involved

in planning processes (such as this one), and tend to be vocal when notified of resource consent applications to modify those industrial activities. This challenges the ability of industrial operations to continue, let alone expand. This is a significant issue for Fonterra's dairy manufacturing sites around New Zealand. Clearly, the more sensitive uses close to Fonterra's dairy manufacturing sites, the greater the probability of reverse sensitivity issues arising.

2.3 Avoiding reverse sensitivity effects better allows for well-functioning urban environments. Sensitive (including residential) activities should not be located near major industrial facilities. While that may seem obvious, it is a constant issue facing Fonterra.

2.4 Examples of how Fonterra's activities are protected from sensitive activities include: establishing noise control boundaries and ensuring that sensitive activities located inside those boundaries are acoustically insulated; and by ensuring appropriate zoning and controls to limit the density of sensitive development near industrial activities.

2.5 PC12 incorporates some measures to provide that the Te Awa Lakes development does not result in reverse sensitivity effects on existing and future industrial activities. However, Fonterra considers that further refinement to provisions is required to ensure that the Te Awa Lakes development, and other development(s) occurring near established industrial activities occur in a manner that avoids or minimises land use conflicts as far as practicable, including avoiding or minimising the potential for reverse sensitivity effects.

3. FONTERRA IN HAMILTON CITY

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 company and a significant employer, with more than 12,000 New Zealand based staff and over 5,800 employees based overseas.

3.2 Fonterra is a farmer-owned co-operative, and in 2023 was one of the top ten dairy companies in the world with a turnover of more than $24 billion annually.[1] It is one of the world's largest investors in dairy research and innovation drawing on generations of dairy expertise to produce more than two and a half million tonnes annually of dairy ingredients, value added dairy ingredients,

[1] Mary Ledman and Richard Scheper, "Global Dairy Top 20" (August 2023) Rabobank <https://research.rabobank.com/far/en/documents/787790_Rabobank_Global-Dairy-Top-20-2023_Ledman_Aug2023.pdf> at 1.

specialty ingredients and consumer products. These products are exported to over 130 markets worldwide. Annually, Fonterra collects more than 16 billion litres of milk from its 9,000 shareholders, who are a mix of family-owned farms and corporate entities. Fonterra owns 28 manufacturing sites, five brand sites and three logistic/distribution sites in New Zealand.

3.3 The Waikato dairy manufacturing industry, together with its supplying farmers, employs over 10,500 individuals and contributes over $2.9 billion to the Waikato Gross Domestic Product ("**GDP**") (9.3% of the regions GDP).[2] In Hamilton City alone, farming and processing wages totalled $3.2 million and $112.5 million respectively for the financial year ending March 2023.[3]

3.4 Fonterra has significant assets and operational interests in the Waikato Region. In the 2023/24 season, 2,764 dairy farms supplied milk to Fonterra's eight dairy manufacturing sites in the Waikato Region, namely:

(a) Te Rapa dairy manufacturing site ("**Te Rapa Site**") (Hamilton City);

(b) Hautapu dairy manufacturing site (Waipā District);

(c) Te Awamutu dairy manufacturing site (Waipā District);

(d) Lichfield dairy manufacturing site (South Waikato District)

(e) Tīrau dairy manufacturing site (South Waikato District);

(f) Morrinsville dairy manufacturing site (Matamata-Piako);

(g) Waitoa dairy manufacturing site (Matamata-Piako); and

(h) Reporoa dairy manufacturing site (Rotorua Lakes District).

3.5 Reflecting the economic importance of Fonterra's dairy manufacturing sites to the Waikato Region, the Waikato Regional Policy Statement ("**Waikato RPS**") identifies these sites as "Regionally Significant Industry".[4]

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2 "Solid Foundation Dairy's Economic Contribution to NZ" (4 September 2023) Sense Partners <https://dcanz.com/wp-content/uploads/2023/09/Solid-foundations-Final-04-September-2023.pdf>.

3 Above n 2, Table 8: Dairy Wages by District, at p 44.

4 The Waikato Regional Policy Statement defines Regionally Significant Industry as an economic activity based on the use of natural and physical resources in the region and is identified in regional or district plans, which has been shown to have benefits that are significant at a regional or national scale. These may include social, economic or cultural benefits.

3.6 Fonterra also has a number of other assets in the Waikato, including:

(a) Crawford Street cool store and freight logistics centre ("**Crawford Street Logistics Centre**") (Hamilton City);

(b) Canpac packaging and manufacturing site ("**Canpac Site**") (Hamilton City); and

(c) Offices on London Street and Anglesea Street (Hamilton City).

3.7 PC12 affects Fonterra's interests in Hamilton City, namely the Te Rapa Site, the Crawford Street Logistics Centre, the Canpac Site and, to a lesser extent, its offices on London and Anglesea Street. As such, I provide further detail on the Te Rapa Site, Crawford Street Logistics Centre and the Canpac Site below.

Te Rapa Dairy Manufacturing Site

3.8 Established in 1967, Fonterra's Te Rapa Site is one of Fonterra's largest manufacturing sites employing over 500 individuals and producing enough product to fill 48.5 shipping containers every day.

3.9 The site processes up to 7.5 million litres of milk per day during the peak milk production season and has 18,000 metric tonnes of on-site dry storage and 10,000 metric tonnes of on-site cool storage. This represents 12.5% of Fonterra's annual milk powder production, including whole, skim, instant and agglomerated whole milk powders. Products from the Te Rapa Site are then shipped to many international markets across Asia, South America, Africa and the Middle East.

3.10 Specialising in cream, the site also has five cream processing plants with 95% of its cream products exported overseas. This includes cream, butter, high quality pure dairy milk fat, cream cheese, and frozen cream products such as mascarpone (which is exported to Japan and China for use by professional bakers and chefs).

3.11 The Te Rapa Site is a leader in environmental management and sustainability. It has a state-of-the-art biological wastewater treatment plant, that uses biological organisms found in nature to treat the water. The plant features an aerobic carousel and is the only one of its kind in the Southern Hemisphere. Further, the site has been at the forefront of Fonterra's commitment to reduce, reuse and recycle wherever possible and has programmes in place to reduce energy, product losses and any waste out of the site.

3.12 The Te Rapa Site is a critical asset for Fonterra with a replacement value of almost $1 billion. The site plays an integral role in Fonterra's wider processing portfolio as a 'Balance Site'. While it primarily supports the Waikato Region, it also supports Fonterra's dairy manufacturing sites across the North Island, particularly at the start of the season, given its ability to operate 24 hours a day, seven days a week, and the range of manufacturing assets included within its 41-hectare footprint.

3.13 The location for Te Rapa Site was chosen to strategically situate its operations away from sensitive land uses, namely Hamilton City. The Horotiu/Te Rapa North area has a long-established history of heavy industrial activities, spanning over 100 years. The Horotiu Freezing Works (located approximately one kilometre north of the Te Awa Lakes development), for example, opened in 1916. Since then, there has been an aggregation of other large scale heavy industrial activities including the Te Rapa Site, Contact Energy's Co-generation Power Plant and the Ports of Auckland's Inland Port.

3.14 The longstanding identification of the Te Rapa Site and its surrounds as an industrial area (including as a Strategic Industrial Node in the Waikato RPS) has provided Fonterra with confidence to continue to develop and operate the site in the way that it has.

3.15 Following its commission in 1967, the site underwent significant expansion in 1989 and again in the late 1990s. Since 2013, Fonterra has invested more than $52 million into the site, 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. The availability of land on the site and its zoning (wherein dairy processing is a permitted activity) make the Te Rapa Site a good option for future development of additional processing capacity.

3.16 However, in recent years, the Te Rapa Site has faced greater constraint from nearby residential development, the Te Awa Lakes development ("**Te Awa Lakes**"). I will discuss the impact of Te Awa Lakes in section 4 of my evidence but note here, for completeness, that the issues arising from this development are the very type of issues that PC12 must avoid.

Crawford Street Logistics Centre

3.17 Fonterra's Crawford Street Logistics Centre collects a third of Fonterra's dairy products in the Waikato and Bay of Plenty. The site receives, stores and distributes over 50 different types of milk powder, cheese and butter products,

and annually distributes more than 33,000 containers of milk powder, anhydrous milk fat, cheese and butter every year to deliver to Fonterra's domestic and international customers.

3.18 The Crawford Street Logistics Centre is heavily integrated with the KiwiRail Limited network, linking up Fonterra's dairy manufacturing sites around the Central North Island, including at Te Awamutu, Waitoa, Morrinsville, Hautapu and Lichfield. It also has dedicated trucking shuttle loops between the Canpac Site and the Te Rapa Site. As such, this site is critical in simplifying Fonterra's national supply chain and achieving Fonterra's and Toll New Zealand's logistics strategy to reduce traffic congestion and carbon emissions.

3.19 Established in 2005, the site began as a dry distribution centre with a high-tech cool distribution centre added in 2009. The cool distribution centre expansion enabled products that were once held in third-party stores around the region to be streamlined into one operation. The Crawford Street Logistics Centre now has on-site storage capability of close to 100,000 metric tonnes with 48,00 metric tonnes of dry storage and 50,000 metric tonnes of cool storage.

3.20 Currently the site employs more than 80 people and operates 24 hours a day, seven days a week sending export containers to the Ports of Tauranga. Every week, approximately 634 containers pass through the Crawford Street site, with the main export markets for dry goods including the Philippines, China, Mexico and Saudi Arabia. The main export markets for the cool goods include Japan, Mexico and Australia.

3.21 Significant investments have been made by Fonterra into the Crawford Street Logistics Centre over the past five years including the installation of automated cranes and conveyors in the cool store. The dry store investments support receipt of additional rail volume which otherwise would travel to Auckland resulting in additional rail movements and higher emissions.

Canpac Site

3.22 The Canpac Site is Fonterra's largest secondary packager of milk powders, blending and packing more than 80 different Fonterra products for export across the globe, including nutritional blends.

3.23 The Canpac Site was established in 1973 and currently employs more than 200 people. The site is an end-to-end supplier and is involved in the making of the cans, the blending of powders and the packaging of cans and sachets, meaning quality and consistency is controlled by Fonterra at every step of the process.

3.24 The site uses specialised dry blending technology to blend various milk powders, milk sugars, vitamins and other fortifiers to create a wide range of world-renowned products and is capable of producing more than four and a half metric tonnes of these powders every hour.

4. FONTERRA'S APPROACH TO LAND USE INCOMPATIBILITY AND REVERSE SENSITIVITY

4.1 Fonterra's concerns relate to land use incompatibility, because of the potential for reverse sensitivity effects to arise.

4.2 I addressed Fonterra's approach to reverse sensitivity within my Statement of Evidence for the Joint Opening Hearing, however, it is readdressed below for the Independent Hearing Panel's ease. I also build on this by providing examples of instances where reverse sensitivity effects have impacted Fonterra's operations, including at the Te Rapa Site, the Crawford Street Logistics Centre and the Canpac Site.

Potential reverse sensitivity effects on Fonterra

4.3 Reverse sensitivity refers to the vulnerability of lawfully 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.[5]

4.4 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 the 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 its 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.

4.5 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. When it comes to notifying Fonterra's consent applications and determining the number of affected parties, alongside the potential for complaints and other

[5] This issue is not unique to Fonterra with examples outside Fonterra including Western Springs Speedway, Eden Park, the Whenuapai Air Base, and Meadow Mushrooms.

reverse sensitivity effects, the increased encroachment by sensitive and smaller landholdings within proximity of Fonterra's manufacturing sites means the corresponding costs for Fonterra will continue to increase.

4.6 When residential neighbours enter a new rural 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. This expectation carries over, even when the new residential environment is next to existing industrial activities.

4.7 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 occupiers 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. The effects of such complaints have, in Fonterra's experience, included:

(a) higher compliance costs to mitigate effects on sensitive neighbours;

(b) the diversion of staff time to address complaints, and time that is normally attributed to day-to-day operations; and

(c) materially increased consenting costs.

4.8 Reverse sensitivity effects can also manifest themselves in the form of submissions in opposition to resource consent applications from surrounding residential landowners (sensitive activities) which can result in applications being constrained in ways that would not be necessary if the more recent sensitive surrounding land uses did not exist.

4.9 Finally, the existence of sensitive activities in proximity to dairy factories, and the associated risk of reverse sensitivity effects, can also be a reason why further investment in those sites does not occur (such as an expansion in processing capacity).

Examples of reverse sensitivity effects on Fonterra

4.10 The potential for reverse sensitivity effects to occur can and does affect Fonterra's manufacturing operations as well as the company's decisions to continue to invest and reinvest at its sites. For example, when considering the location of new development, the ability to operate a multi-million dollar asset *half of the time* due to operational constraints imposed on it due to the sensitivity of a surrounding residential environment (e.g. Te Awamutu, an example of a Waikato-based site in this position), is viewed unfavourably by Fonterra. This is especially the case when compared to sites like Lichfield in the South Waikato District, which lacks the presence of sensitive activities and has a supportive policy and planning framework underpinned by years of investment by the council, community and other parties – including Fonterra.

4.11 There are many instances of reverse sensitivity affecting Fonterra's operations throughout New Zealand, including the Te Rapa Site. For example:

(a) Te Awa Lakes is a medium density residential and mixed-use development which was approved 325 metres north of the Te Rapa Site despite Fonterra's opposition. The proponents of that proposal lodged a submission on a Fonterra discharge application seeking that all effects be internalised within the Te Rapa Site.

(b) Consent was granted to erect a principal dwelling and a secondary dwelling within the Waikato District Plan "Fonterra Noise Control Boundary" introducing a new neighbour into an identified noise control boundary – one who may be particularly sensitive or who may compromise future activities at the Te Rapa Site.

(c) Fonterra had protracted and costly involvement in the Dunedin City 2nd Generation District Plan primarily due to reverse sensitivity effects from noise experienced from its Mosgiel distribution centre by the two adjacent landowners. This created significant uncertainty for operations at the site for many years.

(d) People are constantly looking to change land use or develop near Fonterra's operations. Fonterra is currently involved in an Environment Court appeal relating to PC13 to ensure potential for reverse sensitivity effects do not impact its operations at the Crawford Street Distribution Centre and Canpac Site.

4.12 It is these types of issues that PC12 must avoid.

Fonterra's approach to managing reverse sensitivity effects

4.13 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 RMA. These processes require significant investment by the relevant council, on behalf of the community, and resource users within the relevant district or region.

4.14 Fonterra proactively engages in processes like this one to ensure that the framework guiding the future use of its land and associated assets is recognised and provided for, subject to ensuring that significant adverse effects are avoided or can otherwise be appropriately managed.

4.15 Fonterra has sought and been successful in securing a range of measures in district plans around New Zealand (including in the District Plan and the Waipā District Plan) to protect its dairy manufacturing sites from reverse sensitivity effects. These measures include:

(a) objectives and policies requiring protection from reverse sensitivity effects;

(b) controlling the development of sensitive activities in proximity to its dairy manufacturing sites. For example, through appropriate zoning of surrounding properties and appropriate standards to minimise the establishment of sensitive activities, such as through rules requiring larger subdivision lot sizes;

(c) ensuring activities that are sensitive to the types of effects generated at dairy manufacturing sites are set back a minimum distance (demarcated by a noise control boundary or other setback zone) from those sites;

(d) if sensitive activities locate within a noise control boundary, then those activities are required to incorporate acoustic insulation as part of building design and construction; and

(e) establishing a framework that manages activities on sites surrounding the Hautapu and Te Awamutu dairy manufacturing sites where they could adversely affect their operations.

4.16 All of the above measures decrease the risk of adverse amenity effects on a development and therefore reduce the potential for reverse sensitivity effects

arising. These matters are required to be retained to continue to protect the ongoing operation and future expansion of the dairy manufacturing sites.

5. PC12

5.1 Fonterra supports having greater housing choice and affordability. However, that housing must be located appropriately. For instance, it is inappropriate to have high or medium density housing close to a dairy manufacturing site.

5.2 Fonterra supported the provisions of PC12 that manage reverse sensitivity concerns. In particular, PC12 incorporates some measures to provide that development in Te Awa Lakes does not result in reverse sensitivity effects on existing and future industrial activities.

5.3 Fonterra has sought additional changes to PC12 so that it better protects Fonterra's operations within Hamilton City from reverse sensitivity. Those changes include amendments to provisions to ensure reverse sensitivity effects associated with development(s) occurring near to lawfully established industrial sites and activities, including dairy manufacturing and associated sites, are considered and that those effects are subsequently avoided or minimised. Further detail on these amendments is set out in the evidence of Mr Chrisp (including a response to HCC evidence).[6]

6. CONCLUSION

6.1 Fonterra seeks specific protection from reverse sensitivity effects through its requested relief.

Suzanne O'Rourke
24 July 2024

[6] Statement of evidence of Mark Chrisp dated 24 July 2024 at [6].