BEFORE INDEPENDENT COMMISSIONERS
AT HAMILTON

UNDER	the Resource Management Act 1991
IN THE MATTER	Waikato Intensification Planning Instruments – Hamilton City Council Plan Change 12, Waipā District Council Plan Change 26 and Waikato District Council Variation 3

STATEMENT OF EVIDENCE OF SUZANNE O'ROURKE ON BEHALF OF FONTERRA LIMITED FOR OPENING HEARING

CORPORATE

1 FEBRUARY 2023

Russell McVeagh

D J Minhinnick / P G Senior
P +64 9 367 8714
F +64 9 367 8163
PO Box 8
DX CX10085
Auckland

1. INTRODUCTION

1.1 My name is Suzanne O'Rourke.

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

1.3 In my current role, I primarily manage and coordinate Fonterra's involvement in resource management and strategic growth policy and plan development processes that affect its 28 New Zealand-based manufacturing sites and three storage and 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.

1.4 I hold a Bachelors of Arts (Honours) from Canterbury University and a Postgraduate Diploma in Resource and Environmental Planning from Waikato University.

1.5 I have been working in the resource management field for 23 years.

1.6 I joined Fonterra as the National Environmental Policy Manager in November 2021. Prior to this I was employed for six years as the Team Leader, Coasts & Inland Waters at Waikato Regional Council with responsibility for reviewing and approving resource consent applications within the coastal marine area under the Waikato Regional Coastal Plan and in waterways under the Waikato Regional Plan. I also oversaw monitoring, compliance, and enforcement functions for all activities within these environments. For 10 years before this I was the Consents Team Leader at Waipa District Council reviewing and approving District Council resource consent applications.

1.7 I also worked as a consultant at AECOM (then Maunsell) for four years both preparing resource consent applications for private sector clients and territorial authorities and assisting various district councils including Thames Coromandel District Council, Hauraki District Council and ex-Manukau City Council with their duties including resource consents processing. I have worked as a Development Control planner for the London Borough of Hammersmith and Fulham and as a planner for Hamilton City Council.

1.8 I am a full member of the New Zealand Planning Institute.

1.9 I am a certified resource management act decision maker through the Making Good Decisions programme provided by the Ministry for the Environment.

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

Scope of evidence

1.11 The Waikato Intensification Planning Instruments ("**Waikato IPIs**") affect Fonterra's dairy manufacturing sites at Te Rapa (located in the Hamilton City), Te Awamutu and Hautapu (both located in the Waipā District). Fonterra's interest in the Waikato IPIs is therefore restricted to Plan Change 12 to the Hamilton City District Plan ("**PC12**") and Plan Change 26 to the Waipā District Plan ("**PC26**").

1.12 I understand that this opening hearing is designed to set the scene for later, more detailed hearings. This statement of evidence provides an overview of the approach Fonterra has taken to the Waikato Intensification Planning Instruments ("**Waikato IPIs**") and how that fits with the strategic planning issues the Panel will be considering.

1.13 Accordingly, my evidence will provide a brief summary of:

(a) Fonterra's manufacturing interests in the Hamilton and Waipā Districts;

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

(c) The strategic planning approach adopted by Fonterra in its submissions and further submissions on PC12 and PC26.

1.14 I will expand on these matters in the more detailed hearings.

2. EXECUTIVE SUMMARY

2.1 Fonterra supports urban growth and the on-going economic development of the Hamilton and Waipā Districts. 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 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 factories around New Zealand. Clearly, the more sensitive uses close to Fonterra's dairy factories, the greater the probability of reverse sensitivity arising.

2.3 Avoiding reverse sensitivity 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 Fonterra's activities are protected from sensitive activities by: 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 and PC26 both incorporate measures to ensure properties within noise control boundaries remain acoustically insulated. However, in the case of PC26, Fonterra seeks reverse sensitivity be included as a Qualifying Matter to ensure that there is not excessive intensification around the Te Awamutu dairy manufacturing site.

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 11,000 New Zealand based staff and more than 7,500 employees based overseas.

3.2 Fonterra has eight dairy factories located within the Waikato Region. Three of these, Te Rapa (Hamilton City), Te Awamutu (Waipā District) and Hautapu (Waipā District) will be affected by PC12 and PC26. I provide further detail on those Dairy Factories below.

Te Rapa Dairy Factory

3.3 Fonterra's Te Rapa Dairy Factory was established in 1967. The site was chosen largely because of its location, being located away from sensitive land uses – namely Hamilton City. Fonterra's operations at Te Rapa include the primary manufacturing facility, a farm, and three landholdings adjoining the site.

3.4 The Horotiu / Te Rapa North area has been the site of heavy industrial activities for over 100 years. The Horotiu Freezing Works (located approximately 1 km north of the Te Awa Lakes site) opened in 1916. The Te Rapa Dairy Factory was commissioned in 1967 and underwent major expansions in 1989 and again in the late 1990s.

3.5 The Te Rapa Dairy Factory processes around 8 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 processed at the Te Rapa Dairy Factory is sourced from 1,000 farms located primarily within the Waikato Region.

3.6 The Te Rapa Dairy Factory is a critical asset for Fonterra, with a replacement value of almost $1.5 billion. However, it is not just the site itself that is important to Fonterra. The Te Rapa Dairy Site is a regionally significant industrial operation, employing over 700 full time equivalent staff. It also plays an integral role in Fonterra's processing portfolio, as a 'Balance Site' that primarily supports the region but also the North Island dairy manufacturing sites, 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 footprint.

3.7 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. The availability of land on the site and its zoning (wherein dairy processing is a permitted activity) make the Te Rapa Dairy Factory a good option for future development of additional processing capacity.

3.8 However, in recent years, Te Rapa Dairy Factory has faced greater constraint from nearby residential development. The Te Awa Lakes development is a

medium density residential and mixed use development located only 325m north of Te Rapa Dairy Factory. The development includes up to 1,100 residential units enabled by a plan change to the Hamilton City District Plan despite Te Rapa North being specifically identified in planning documents as an important industrial area. This number of residential properties in close proximity to the Te Rapa Dairy Factory will almost certainly cause reverse sensitivity effects. For example, the proponents of the Te Awa Lakes proposal lodged a submission on a Fonterra discharge application seeking that all effects be internalised within the Fonterra site. It is this very type of issue that PC12 and PC26 must avoid.

Te Awamutu Dairy Factory

3.9 The Te Awamutu Dairy Factory has operated at the site for almost 140 years and employs more than 330 people. Fonterra's operations at Te Awamutu include the primary manufacturing site, a dry store facility and a transport and logistics hub.

3.10 The site processes up to 3 million litres of milk (peak) from Fonterra farmer shareholders every day during the milk production season. There are a total of 3 plants which produce a range of whole milk powders, butter and milk fat. It is the sixth largest producer of dairy ingredients in New Zealand, and the main buttermilk producer in the Waikato Region.

3.11 The site also provides storage of the finished product and has associated distribution facilities. Wastewater is treated onsite via an existing wastewater treatment plant to the north of the existing Te Awamutu Dairy Factory buildings.

3.12 The Te Awamutu Dairy Factory is located within the urban area of Te Awamutu and is surrounded by residential activities, including residential zoned land immediately to the east, south and west. The existing residential area immediately to the east is directly adjacent to the Te Awamutu Dairy Factory site. Similarly, the existing residential areas to the south and west are located in close proximity to the Te Awamutu Dairy Factory site (on the opposite side of Factory Road to the west, and Alexandra Street to the south).

3.13 The reason for the Te Awamutu Dairy Factory being located in an urban area is due to the growth of the Te Awamutu township. The Te Awamutu Dairy Factory was originally established on the town boundary with the railway line forming the township boundary. Housing established from this time, being the housing between Alexandra Street and Factory Road, and extending east to Wynyard Street, was used to house the dairy company workforce. Over time this housing has been divested. The residential areas developed to the west

of the Dairy Factory bordered by Alexandra and Frontier Streets has been established in the decades after the establishment of the Dairy Factory. This development means the Te Awamutu Dairy Factory is now located within an area that is highly urbanised.

3.14 Given the location of the Te Awamutu Dairy Factory, it is constrained in its ability to provide secure processing capacity due primarily to reverse sensitivity matters, such as noise limits and restrictions on vehicle numbers entering and exiting. Future development and reinvestment in Te Awamutu could potentially be hindered due to the significant costs associated with internalising the adverse effects associated with manufacturing.

Hautapu Dairy Factory and spray irrigation farms

3.15 The Hautapu Dairy Factory has operated at the site for more than 130 years and employs over 300 people.

3.16 The site processes up to 3.3 million litres of milk (peak) from Fonterra farmer shareholders every day during the milk production season. The site contains 8 plants, which produce a range of cheese products and other high-value products including casein, whey products, lactoferrin and milk protein concentrate.

3.17 The site also provides storage of the finished product and has associated distribution facilities. Wastewater associated with the dairy factory activities is spray irrigated onto rural farmland within the surrounding area.

3.18 The Hautapu Dairy Factory is located approximately 1 kilometre north of the nearest Residential area (located immediately to the south of the Waikato Expressway). The nearest site utilised for spray irrigation activities associated with the dairy factory site is located approximately 200m from the nearest residential area (located immediately to the south of the Waikato Expressway).

Continual improvement in environmental performance of the dairy factories

3.19 Fonterra is committed to increasing efficiencies and reducing emissions associated with milk collection and its subsequent processing. Fonterra has invested heavily in technologies and systems to operate at a level above compliance, and has worked hard to engage with the surrounding communities.

3.20 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.[1] The Te Rapa site has had such a certified EMS in place since 2003.

3.21 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.

4. FONTERRA'S APPROACH TO REVERSE SENSITIVITY

Potential reverse sensitivity effects on Fonterra

4.1 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.[2]

4.2 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.

4.3 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 and the number of affected parties, and the potential for complaints and other reverse sensitivity effects, the corresponding costs for Fonterra will continue to increase.

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1 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.

2 Examples outside Fonterra include Western Springs Speedway, Eden Park, the Whenuapai Air Base, and Meadow Mushrooms.

4.4 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.

4.5 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 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.

4.6 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 our 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 (eg Te Awamutu, an example of Waikato-based sites 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.

Fonterra's approach to managing reverse sensitivity effects

4.7 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.

4.8 Fonterra proactively engages in processes like this one 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.

4.9 As set out in the evidence of Mr Mathieson, Fonterra has sought and been successful in securing a range of measures in district plans around New Zealand (including in Hamilton City District Plan and the Waipā District Plan) to protect its dairy factories 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 factories. 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 factories are set back a minimum distance (demarcated by a noise control boundary or other setback zone) from those factories.

(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.

(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.

4.10 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 Factories.

5. PC12 AND PC26

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

5.2 Fonterra supported the provisions of PC12 and PC26 that manage reverse sensitivity concerns. In particular, both PC12 and PC26 incorporate measures to ensure new sensitive activities within noise control boundaries are required to be appropriately acoustically insulated.

5.3 Fonterra has sought some additional changes to PC12 and PC26 so that PC12 and PC26 better protect the Dairy Factories from reverse sensitivity. Those changes include objectives, policies and matters of discretion that require councils to consider reverse sensitivity when determining resource consent applications.

5.4 In addition, Fonterra has sought that reverse sensitivity is included in Waipā as an additional Qualifying Matter. The purpose of the Qualifying Matter is to limit the extent of intensification of residential activities enabled around the Te Awamutu and Hautapu Dairy Factories and the spray irrigation operation at Hautapu.

5.5 The Qualifying Matter will still allow intensification of the area around those dairy factories, but not to the extent contemplated by the Medium Density Residential Standards.

6. CONCLUSION

6.1 Fonterra seeks specific protection from reverse sensitivity effects through its requested relief, including through the establishment of a new reverse sensitivity qualifying matter.

Suzanne O'Rourke

1 February 2023