

Before the Independent Hearings Panel

under: the Resource Management Act 1991

in the matter of: Submissions and further submissions in relation to the
proposed Timaru District Plan

submitter: **Fonterra Limited**
Submitter #165

Statement of evidence of Suzanne Patricia O'Rourke
Strategic Directions

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REFERENCE: B G Williams (ben.williams@chapmantripp.com)

R E Robilliard (rachel.robilliard@chapmantripp.com)

chapmantripp.com
T +64 3 353 4130
F +64 3 365 4587

PO Box 2510
Christchurch 8140
New Zealand

Auckland
Wellington
Christchurch



STATEMENT OF EVIDENCE OF SUZANNE PATRICIA O'ROURKE

INTRODUCTION

- 1 My full name is Suzanne Patricia O'Rourke.
- 2 I hold a Bachelor of Arts (Honours) from the University of Canterbury and a Postgraduate Diploma in Resource and Environmental Planning from the University of Waikato.
- 3 I have been working in the resource management field for 24 years.
- 4 I joined Fonterra as the National Environmental Policy Manager in November 2021. My role is to manage Fonterra's environmental policy portfolio for its manufacturing and logistics activities across New Zealand and lead its involvement in Central government, Regional and District policy and planning development processes.
- 5 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.
- 6 I also worked as a Consultant at AECOM for four years both preparing resource consent applications for private section 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 as a Planner for Hamilton City Council.
- 7 I am a full member of the New Zealand Planning Institute.
- 8 I am a certified Resource Management Act decision maker through the Making Good Decisions programme provided by the Ministry for the Environment.

- 9 I am familiar with the proposed Timaru District Plan (*proposed Plan*). I was involved in the preparation of Fonterra’s submissions and further submissions on the proposed Plan. I am not providing this evidence as an expert. I am authorised to provide this evidence on behalf of Fonterra.

SCOPE OF EVIDENCE

- 10 My evidence will:
- 10.1 provide an overview of Fonterra, its South Island and Timaru operations;
 - 10.2 highlight the broader strategic and legal considerations; and
 - 10.3 discuss key changes sought to the proposed Plan to recognise the significance of Fonterra’s activities in the District.

OVERVIEW OF FONTERRA, ITS SOUTH ISLAND AND TIMARU OPERATIONS

Fonterra Overview

- 11 Fonterra was formed with the passing of the Dairy Industry Restructuring Act 2001 (*DIRA*) and a vote among farmer members of the New Zealand Dairy Board, New Zealand Dairy Group and Kiwi Co-operative Dairies to merge those entities.
- 12 Fonterra is New Zealand’s biggest company and a significant employer, with more than 12,000 New Zealand based staff and more than 5,800 employees based overseas. Fonterra owns 28 manufacturing sites, 5 brand sites and 3 logistic/distribution sites in New Zealand.
- 13 In 2023 Fonterra was one of the top ten dairy companies in the world with a turnover of more than \$24 NZD billion annually.¹ Fonterra is owned by over 9,000 New Zealand dairy farmers who supply more than 16 billion litres of milk each year. Our global supply chain stretches from farms all over New Zealand to customers in more than 130 markets worldwide.

Fonterra’s South Island Operations

- 14 Fonterra owns and operates 28 dairy manufacturing sites throughout New Zealand (refer to **Attachment 1**). Nine of these sites are located within the South Island.

¹ [787790_Rabobank_Global-Dairy-Top-20-2023_Ledman_Aug2023.pdf](#)

- 15 The South Island sites are a mix of small and large sites and include some of the largest dairy manufacturing sites in the world at Clandeboye, Edendale and Darfield.

Fonterra in the Timaru District

- 16 Fonterra owns and operates the Clandeboye manufacturing site (*Clandeboye*) located near Temuka in the Timaru District.
- 17 Clandeboye is Fonterra's key asset within the Timaru District. The Clandeboye site has been operating since 1904 and now processes approximately 40% of Fonterra's South Island milk into cheddar, mozzarella, whey protein concentrate, butter, whole milk powder, skim milk powder, anhydrous milk fat and milk protein concentrate.
- 18 The site processes up to 13 million litres of milk per day and is one of Fonterra's largest manufacturing sites, employing over 1,000 staff. An image showing Fonterra's landholdings at Clandeboye is contained in **Figure 1** below.



Figure 1: Fonterra's landholdings at Clandeboye

- 19 More than 10,000 containers are filled each year ready to be shipped domestically, as well as internationally to more than 50

countries, including the United States, China, Algeria, Bahrain, Africa, the Middle East, Indonesia and Australia.

- 20 The Clandeboye operation relies heavily on the roading and rail network within the Timaru District. Temuka is a key rail hub for the unloading and loading of products which are ferried to and from the plant via trucks. Clandeboye also has a fleet of 70 tankers which pick-up and transfer milk to the plant from a wide area within Timaru District and beyond. In total there are 120 farms in the Timaru District that supply milk to the Clandeboye factory with production forecast for the upcoming season to be 38 million kilograms of milk solids resulting in \$387 million into the local economy.
- 21 In addition to the cool and dry storage onsite, Fonterra also has third party cool store and storage facilities at the Port of Timaru and product facilities at Temuka.
- 22 The Fonterra site at Timaru Port employs up to 75 staff and in 2022 to 2023 processed over 76,800 containers (known as twenty foot equivalent units or 'TEUs') of product. The coolstore and drystore operations at Timaru Port collectively employ approximately 45 staff, have a combined storage space for 63,500 pallets and process 17,000 TEUs of product. The Timaru Port services the Clandeboye factory site and exports 14% of Fonterra's total dairy products to international markets.

Environmental performance, community initiatives and continuous improvement

- 23 Fonterra is committed to increasing efficiencies and reducing emissions and effects associated with milk collection and its subsequent processing.
- 24 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. 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.
- 25 The Clandeboye site plays an active role in supporting community activities and events. This includes a total donation of \$75,000 to the Timaru Fraser Park redevelopment, \$4,000 for the Lake Opuha Regeneration and Biodiversity Enhancement project, \$4,000 for the Kimble to Fairlie extension of the Tekapo to Timaru bike trail and

\$10,000 to the Opihi College wetland project. The site is involved with local organisations such as the Te Ara Rock Art Trust where Fonterra staff volunteer to assist with planting for the ecological restoration of Taniwha Gully in planting days throughout the year. The site also provides hi-vis vests to local primary schools all as part of its stewardship role within the community.

- 26 Fonterra has continued to make significant investment in environmental improvement projects at the Clandeboye site. Over the last few years more than \$20 million has been invested in the installation of a pH correction plant and the installation of a permanent de-nitrifying plant for its wastewater which has removed most of the nitrate and nitrite in that wastewater stream. The site is also actively investigating how to decarbonise its energy generation in the future which includes looking at a variety of options from biomass boilers to electric boilers, heat pumps and other heat recovery options. Other significant projects at the site included investment of \$300 million in a new cheese plant in 2019.
- 27 Fonterra is also committed to reducing its environmental footprint, and has over the years introduced a number of initiatives including:
- 27.1 measures to reduce water use across our sites by ensuring our sites are as efficient as possible;
 - 27.2 committing to a 30% reduction in manufacturing emissions by 2030 and aspiring to net zero emissions for our manufacturing sites by 2050; and
 - 27.3 transitioning our manufacturing sites which use natural gas to more sustainable sources such as biomass, biogas and electricity from renewable sources.

STRATEGIC AND LEGAL CONSIDERATIONS

- 28 Fonterra was established with the passing of the DIRA.
- 29 The DIRA, amongst other things, requires Fonterra to:
- 29.1 pick up and pay for milk from farmers who hold shares in Fonterra;
 - 29.2 accept all applications to become a shareholding farmer; and
 - 29.3 accept all participants to increase the volume of milk supplied by a shareholding farmer.
- 30 Accordingly, as milk supply grows through either increased production at an existing farm, or through the conversion of other

forms of agriculture to dairy, Fonterra is obliged to collect, pay for and process that milk, if an application is made to it to do so.

- 31 The only ability Fonterra has to reject 'new' or 'increased' supply is under sections 94 and 95 of the DIRA. These sections allow for rejection if the supply of milk is less than 10,000 kilograms of milk solids or if the cost of transporting the milk of the new entrant exceeds the highest cost of transporting another shareholder farmer's milk. This means that Fonterra (in principle) needs to ensure that it has enough capacity across its manufacturing network to process all the milk supplied to it on any one given day. Milk not collected due to a lack of processing capacity would need to, at worst, be discharged on-farm, which can potentially have both environmental and economic consequences.
- 32 Fonterra is also required to supply to its competitors up to five percent of milk collected for processing. A competitor can choose to take this milk one day, but not the next. Fonterra, therefore, needs to ensure that it has milk processing capacity for all milk that can potentially be supplied to it including the five percent that may or may not be taken prior to processing by its competitors on a daily basis. The effect of this legislative requirement is that Fonterra must ensure that it has surplus processing capacity at each of its sites.
- 33 The processing capacity required by Fonterra is based on the projected maximum volumes of milk produced on-farm at any one time. This generally occurs over what is called the 'peak milk' period between September and November each year. This period coincides with the return of cows to milking post-calving (noting that calving is earlier in the North Island (around June/July) compared to the South Island (around July/August) due primarily to climatic conditions that stimulate spring grass growth).
- 34 Amplifying the importance of Fonterra's ability to maintain an interdependent manufacturing network is that often on-farm milk production in the North Island (which commences before the South Island) exceeds processing capacity during the peak-milk period. Consequently, in some years Fonterra transports large volumes of milk from the North Island by rail to its southern sites for processing. South Island manufacturing sites, including Clandeboye, are therefore critical in ensuring that all milk provided to Fonterra is able to be processed. In recent years on-farm milk production in the South Island has also exceeded processing capacity, and milk has consequently been transported to the North Island.
- 35 A current strategic goal for Fonterra includes maintaining a strong focus on delivering value from New Zealand milk. Annually,

Fonterra reviews its strategic focus and also revises its asset plans to respond to changes in the business's focus.

- 36 Fonterra has a focus on replacing aged assets with new assets that can increase value from the milk, along with replacing boilers and wastewater treatment plants to support its sustainability ambitions. These works will generally be completed on current brownfield sites but at times may need to be outside the existing footprint.
- 37 Fonterra is seeking a policy and rule framework that enables the protection of existing industries, such as milk processing facilities in rural areas, whilst allowing for some flexibility particularly to accommodate sustainability and innovation initiatives.

THE PROPOSED PLAN AND FONTERRA

- 38 To safeguard the future operations of Fonterra's operations in the Timaru District, it is critical to Fonterra that:
- 38.1 the significance of the Clandeboye site in the District is appropriately recognised;
 - 38.2 the District Plan enables the site to meet the needs of the Timaru community, as well as its processing obligations; and
 - 38.3 the District Plan protects the site from reverse sensitivity effects.
- 39 As I have outlined, the Clandeboye site and its associated third-party facilities at the Port of Timaru and Temuka are significant to Fonterra. The sites provide employment and economic benefits for the Timaru District with flow on effects at a regional scale. Fonterra and its employees are active members of the Timaru District.
- 40 For Fonterra's Timaru operations to continue operating effectively and efficiently, the significance of the Timaru sites must be appropriately recognised in the proposed Plan. Fonterra is concerned the proposed Plan either provides inadequate direction or, fails to enable Fonterra as a significant industry player to properly make its best contribution to the economic and social wellbeing of the people and communities of Timaru.

Strategic Rural Industry

- 41 The proposed Plan includes a General Industry Zone (*GIZ*). Fonterra is concerned that the *GIZ* is a poor fit for Clandeboye; it does not account for the special characteristics of the Clandeboye site.
- 42 Given the nature and scale of the activities that occur at the Clandeboye site, and the essential nature of the site for the

surrounding primary production, it is essential that any maintenance, repairs and minor upgrades of the site are not encumbered by uncertainty in the Plan.

- 43 Fonterra is concerned that the proposed GIZ policy framework will require resource consents for almost any development or change on-site. This will mean any development and upgrade would require considerable lead-in-time and finance to prepare applications, with the accompanying uncertainty as to whether any application would be successful.
- 44 Continuous uncertainty and ad-hoc consenting requirements creates uncertainty for the community, Council and stakeholders as to the maximum development envelope for the site. A resource consent led process for the on-going development of the site, with its inherent costs and uncertainties, undermines the potential efficiency of the rural production continuum.
- 45 Given the scale and economic importance of the Clandeboye site within the district and region, Fonterra considers a Strategic Rural Industry Zone to be appropriate to reduce the time, cost and uncertainties associated with consenting maintenance, upgrading, consolidation and development of the long-established site. Fonterra has bespoke rule frameworks that work well for other significant sites it operates, such as the Dairy Processing Zone for its Darfield site in the Selwyn District Plan.
- 46 A Strategic Rural Industry Zone would enable the continued operation and future development of strategic rural industrial activities in the Timaru District. Additionally, the separate rule framework would reduce reliance on resource consent processes, particularly for minor developments, by recognising that the effects of these activities, while needing to be managed, are anticipated at the Clandeboye site. The Strategic Rural Industry Zone would provide strategic rural industry activities with both the flexibility to operate and the ability to expand existing activities, while also providing both Council and the surrounding community realistic expectations for the site in the long term.
- 47 Equally significant for this site is the need to manage (and restrict) the development of sensitive activities in close proximity to Clandeboye, as discussed in more detail below.

Reverse sensitivity

- 48 Reverse sensitivity is a key issue driving Fonterra's involvement in plan review processes across the country.
- 49 I understand reverse sensitivity refers to the vulnerability of established, effects-generating activities (i.e. 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.

- 50 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 effect of such complaints can be as significant as leading to a reduction in operating hours at a site and therefore a loss of productivity. Due to Fonterra's legal requirement to accept milk (as outlined in paragraphs 29-34) there can be significant operational issues for the site as a result of reverse sensitivity complaints.
- 51 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 important infrastructure 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.
- 52 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. This is a significant issue that Fonterra has faced at other sites.
- 53 For example, at Fonterra's Te Rapa site a nearby landowner has obtained a plan change and now seeks resource consents for a large residential development. Once residential development has been approved and occupied, this will add a large number of proximate residential landowners that may need to be notified for any future expansion (or even renewing of consents) in addition to residents also seeking more restrictive planning rules when district and regional plans come up for renewal. This adds significant additional cost, delay and complexity to that re consenting and the plan

renewal process. A further example relates to a proposal to install a new large drier at Fonterra's Te Awamutu site. Having worked through the issues associated with that project, it was abandoned on the basis of the proximity of neighbouring residential properties and the inability to maintain "residential" standards of amenity for those properties.

- 54 These impacts also have implications for where Fonterra chooses to invest and expand. The Clandeboye site requires any new plant or equipment developed on site to be designed to comply with the relevant noise limits in the District Plan. Newer facilities developed on site have been located alongside road frontages to minimise any increase in noise levels on the adjoining rural sites. Noise monitoring undertaken over the last ten years shows there has been only one instance of non-compliance with the District Plan noise limits. The non-compliance related to the location of an on-site irrigator on farmland combined with certain wind conditions. A follow-up survey in the same season found the site noise emission complied with the District Plan limit.
- 55 Fonterra also purchased the ex-Clandeboye primary school site some years ago and developed it as the Fonterra Learning Centre which reduced the sensitive receptors in the surrounds. Fonterra manages its irrigation activities to reduce the potential for irrigators to create noise and/or odour effects on surrounding properties. In summary, managing reverse sensitivity effects continues to be a key consideration at Clandeboye to ensure operations can continue to operate compliantly.
- 56 For the reasons outlined above, reverse sensitivity and the complaints that can arise from neighbouring sensitive activities and landowners, is a key issue for Fonterra. This is why Fonterra takes a strong interest in policy processes where a proposal provides for the introduction of sensitive activities into inappropriate locations.
- 57 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.
- 58 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. For the reasons outlined above, reverse sensitivity is a key issue for Fonterra, and therefore Fonterra is

seeking a policy framework that appropriately recognises its activities and allows for the continued operation and future expansion of Fonterra's activities.

CONCLUSION

- 59 As I have outlined, the Clandeboye site is significant on a local, regional and national scale. The site provides employment and economic benefits for the Timaru District, with flow on effects at a regional scale. Fonterra and its employees are active members of the local community.
- 60 In order for Fonterra's Clandeboye site to continue operating effectively and efficiently, the significance of the site must be appropriately recognised in the Strategic Directions, and, in particular, sensitive activities in proximity to the Clandeboye site must be avoided.
- 61 Fonterra therefore seeks recognition of the importance of its operations in the Strategic Direction section of the Plan, through provisions that will protect and facilitate the safe and efficient operation, use, maintenance, upgrade, and development of the Clandeboye site. Fonterra considers the most efficient and effective way to achieve this is through its proposed Strategic Rural Industry Zone.

Suzanne Patricia O'Rourke

Dated: 22 April 2024

ATTACHMENT 1

