

IN THE MATTER of the
Resource Management
Act 1991

AND

IN THE MATTER of the
proposed Canterbury Air
Regional Plan 2015

EVIDENCE OF CRAIG PILCHER
For and on behalf of Bathurst Resources Ltd
18 September 2015

INTRODUCTION

1. My name is Craig Pilcher and I am General Manager Domestic Operations for Bathurst Resources Ltd (**Bathurst**) currently based in Timaru.
2. I started my professional life as an A-grade fitter and welder undertaking coal and steam boiler installations. I followed that with a period as a plant engineer and construction diver at the Port of Timaru. In 1997 I purchased and ran a South Island coal supply business based out of Timaru. We supplied coal to a number of industrial and domestic customers.
3. My company was acquired by Eastern Corporation Ltd in 2006 and I was retained as Marketing Manager, then Operations Manager playing a key role in the establishment and growth of the Takitimu and Cascade coal mines.
4. The assets of the Eastern group were then acquired by Bathurst in 2011 and I took on the role of General Manager Eastern Coal. As a result of various restructurings of the Bathurst group I am now General Manager Domestic Operations based in the Washdyke Industrial area in Timaru.
5. I have an extensive engineering background both with coal and oil-fired steam boiler installations and maintenance, as well as with refrigeration, marine, plant maintenance and general engineering.
6. Through my long association with coal I have good industry knowledge of the coal resource in the South Island, the characteristics or specifications of that coal, the uses to which it is put and the results of the combustion of coal.

BATHURST

7. Bathurst owns and operates, through its subsidiary company Bathurst Coal Ltd, the Takitimu mine at Nightcaps and the as well as the Canterbury coal mine near Coalgate and also operates coal mines on the West Coast (Cascade and Escarpment). Bathurst also holds a number of exploration permits over various coal deposits.
8. The Takitimu mine and Canterbury coal mines together currently produce around 280,000 tonnes of sub-bituminous coal per annum which is sold into the Canterbury, Otago and Southland markets. It is planned to increase production from both the Takitimu and the Canterbury coal mines to meet the growing requirements of our existing industrial domestic customers and to supply new customers. There are sufficient resources at both mines to support our planned expansions and to be able to provide a secure supply of sub-bituminous coal into the industrial market for the foreseeable future.

9. Coal mined from the Takitimu mine is sub-bituminous and the sulphur level in the coal ranges from as low as 0.28% to up to 1.7% depending on which part of a coal seam is being mined and similarly for the Canterbury coal mine where the coal is also sub-bituminous and sulphur levels range from 0.3% to up to 3%. Different customers require different calorific (energy or heat) values in their coal depending on the use the coal is being put to. To meet those requirements Takitimu or Canterbury coal may be blended with coal from other Bathurst mines (such as the Cascade mine) which will, in their turn, have differing sulphur levels.

COAL USERS

10. In the Canterbury region Bathurst supplies coal for use in dairy processing, meat processing, production of frozen foods, carpet making, wool scouring, to heat hospitals, and to power the reticulated energy system known as the Washdyke Energy Centre located in the Washdyke industrial area in Timaru.
11. This latter initiative is provided by Energy for Industry a division of Pioneer Generation Ltd and offers a district wide energy scheme by running a central boiler system that delivers heat and hot water through a reticulated pipeline system to its customers who as a result do not need to run their own individual boilers.

COMPARATIVE ENERGY COSTS

12. Coal is an essential input into various industries because of its availability, portability, ability to produce high levels of heat or energy and its comparative cost advantage. While I do not want to get into confidential information around coal pricing I refer you to the New Zealand Energy Prices tables produced by Energy and Building Trends, Ministry of Business, Innovation and Employment (available on their website). The latest tables of Real Annual Average Fuel Prices – 2014 Prices have the following data for other fuel sources for 2014:

- | | |
|--------------------------|--|
| - Diesel commercial | NZ\$27.86/GJ |
| - Light fuel oil | NZ\$20.91/GJ |
| - Heavy fuel oil | NZ\$17.69/GJ |
| - Natural Gas Industrial | NZ\$7.44/GJ |
| - Electricity | NZ\$33.51/GJ (note the price varies over different industries from NZ\$25.61/GJ to NZ\$50.91/GJ) |

While these figures do not include taxes and levies, they do serve to illustrate the point I wish to make which is that coal is priced more competitively than any of these alternatives. Further gas is not available for large scale use in the South Island.

13. The Canterbury region is heavily reliant on the success of its agricultural industries and they in their turn need all the competitive advantages they can get including access to and the use of relatively cheap energy. If coal were not able to be used then I would

estimate that average energy costs for these industries could increase by 30% and many would not be able to sustain such increases.

NEW TECHNOLOGIES

14. Clean coal technologies and ongoing refinements in boiler technology and usage will continue to reduce the emissions of pollutants from the use of coal in industrial processing. However it should be borne in mind that boilers are a capital intensive investment having a life of between 30-50 years and that the transition to newer technologies will be gradual and dependent on a business' ability to make the required capital investments.
15. To focus on the characteristics of the coal going into a boiler is, in my view, looking at the issue the wrong way around. The proper focus should be on what comes out of the chimney or stack. This is particularly so for industry where there are options for capturing pollutants arising from the combustion process before they are discharged to air. Thus the appropriate limits should be imposed on what comes out of the top of the chimney or stack rather than what goes in at the bottom.

WASHDYKE INDUSTRIAL AREA

16. As I said above the Timaru part of Bathurst's business is located in Treneglos Street in the Washdyke Industrial area of Timaru. A coal yard has been on this site since 1982 (and indeed was opened by the Rt Hon Bill Birch) and I took over the yard in 2001. I am therefore very familiar with the area.
17. It is my understanding that the Timaru District Council created the Washdyke Industrial area to encourage heavy industry to locate to an area separated from residential and other sensitive activities and where there is access to high capacity water and sewerage services, road and rail transport required by such industries. The Council's strategy is in the main working with a steady growth in industrial activities locating or relocating to this area.
18. The Timaru District Council recently released its Timaru Growth Strategy 2015 Issues and Options Report (June 2015) together with supporting documentation (all available on its website). With respect to industry the Report says (p17):

At present industrial zoned land is located in various locations across the district including in the Timaru CBD, Port of Timaru, Washdyke, Redruth, Geraldine and Temuka.

The supporting documents contain an assessment of industrial zoned land supply and demand for the district. This assessment concludes that additional industrial zoned land will be required in Geraldine, Temuka and Timaru over the next 30 years. Pleasant Point has sufficient industrial zoned land to accommodate industrial growth.

Demand for industrial zoned land is primarily being driven by significant increases in the dairy, forestry and freight sectors and increased activity at the Port of Timaru and Washdyke.

The most significant issue for industrial growth in the district is the availability of affordable, well serviced land in appropriate locations (away from sensitive land uses) with good links to local, regional and national transport networks, in particular State Highway 1 and the Port of Timaru.

19. The analysis of the room for industrial growth in the Washdyke Industrial area is set out in the supporting documentation and confirms that there is currently the physical space for more industrial activities to locate there. A simple drive around the area would also confirm that analysis. (I attach pages 108, 112-114 from that document.) The Timaru Council has also made provision for additional land for heavy industrial activities with its zone of Industry H deferred in the Washdyke Industrial area.
20. It seems logical to me that having zoned an area as suitable for light and heavy industry, an area that is physical separate from the main residential areas of Timaru, and which has been provided with the necessary infrastructure to facilitate industrial activities, that industry should be encouraged to utilise this area.
21. However as I understand the proposed Air Plan this will not be the case as the Washdyke area is subject to a Clean Air zoning and is considered a polluted airshed meaning that new industrial activities that discharge to air will be either a non-complying or a prohibited activity. While there is the potential for a new discharging activity to locate in the Washdyke area if they offset existing discharges I am not sure how this would work practically given that the area is by no means fully utilised and the Timaru District Council is expecting significant expansion of industrial activities in this area.

EXISTING USE RIGHTS FOR COAL YARD AND IMPLICATIONS OF PROPOSED CHANGE

22. A coal yard has been operating on the Treneglos St site since 1982 as I indicated above. It operates subject to existing use rights and the relevant rules in the existing Canterbury Natural Resources Regional Plan (Rules AQL42) which provide for existing operations such as ours as a permitted activity.

23. We have operated for all these years without any complaints from our neighbours and without any adverse effects on the environment. The controls set out in the existing rules address the dispersal or deposition of particles and the control of the discharge of odour.
24. While it would appear that we would continue to be a permitted activity under proposed Rule 7.38 it is not so clear whether we now have to apply for two additional permits under proposed Rules 7.28 (discharge of odour) and Rule 7.29 (discharge of dust). If we do it seems illogical to me and it would be preferable to simply bring over the existing Rule AQL42 which addressed odour and dust as part of permitting the overall discharges to air from activities such as ours.

CONCLUSION

25. Bathurst believes that coal has an important part to play in the continuing economic development of the Canterbury region and wishes to see that an appropriate balance is struck in planning documents between environmental objectives and socio-economic ones.

used sporadically for industrial uses or is earmarked for imminent use. Nonetheless, Figures 1 to 4 below show the vacant Industrial zoned land in Timaru, Geraldine, Pleasant Point and Temuka.

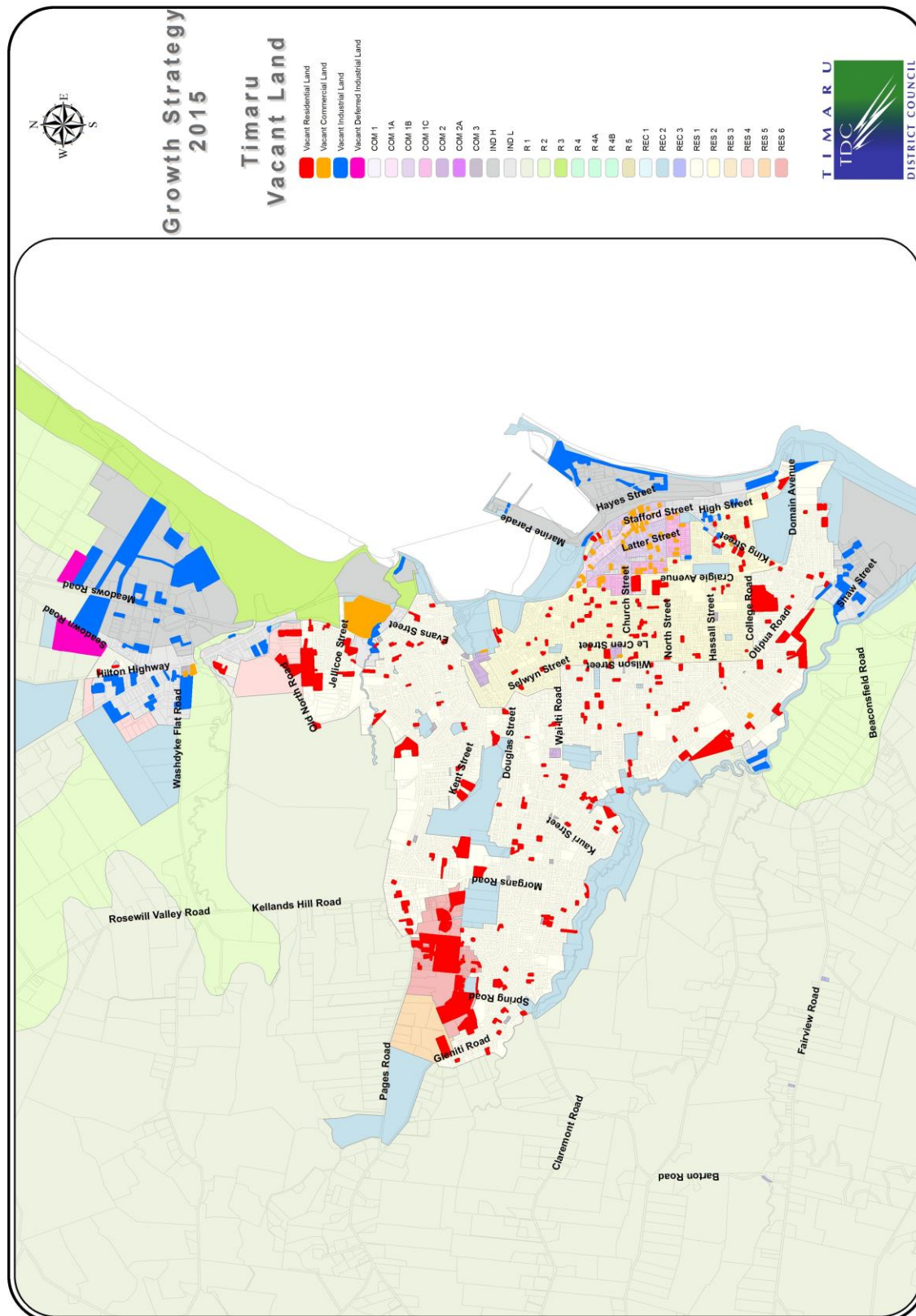


Figure 1 – Vacant Industrial Zoned Land Timaru

Breaking down vacant industrial zoned land further, Table 1 below provides an estimate of the vacant zoned industrial land that is considered to be available and usable for each industrial location in the district. This includes those “pockets” of industrial zoned land at Clandeboye, Barkers, Pareora and Winchester.

LOCATION OF INDUSTRIAL AREA	INDUSTRIAL ZONE TYPE LIGHT/HEAVY	AREA OF INDUSTRIAL ZONE (HA)	AREA OF VACANT INDUSTRIAL ZONED LAND (HA)	AREA OF AVAILABLE & VACANT INDUSTRIAL ZONED LAND (HA)	AREA OF USABLE, VACANT & AVAILABLE INDUSTRIAL ZONED LAND (HA)
TIMARU CBD	L	16.51	0	0	0
PORT	H	75.28	0	0	0
	L	7.38	5.19	5.19	5.19
WASHDYKE	H	191	48.1	32	32
	L	163	73	71	71
REDRUTH	L	17.65	0.85	0	0
	H	71.95	0.33	0	0
SMITHFIELD	H	25.11	5.62	5.62	5.62
FAIRVIEW ROAD	L	5.26	1.97	0.8	0.8
TIMARU TOTAL	H	363.34	135.06	114.61	114.61
	L	209.8			
CLANDEBOYE	H	103	64	26	26
GERALDINE	L	10.54	1.55	0.63	0
BARKERS	L	13	8.3	8.3	8.3
TEMUKA	L	48.96	4	4	4
PLEASANT POINT	L	3.93	1.45	1.45	1.45
WINCHESTER	L	5.34	5.77	5.77	5.77
PAREORA	H	39.92	13	0	0
TOTAL AREA OF VACANT, AVAILABLE & USABLE INDUSTRIAL L ZONED LAND					90.9
TOTAL AREA OF VACANT, AVAILABLE & USABLE INDUSTRIAL H ZONED LAND					69.4
OVERALL TOTAL					160.3

Table 1 – Assessment of Vacant, Usable and Available Industrial Zoned Land in Timaru District

Source: Timaru District Council

The above assessment establishes that there is a total of 160 hectares of existing vacant, available and usable industrial zoned land within the district. In addition to this, the Washdyke Industrial Expansion Area provides for a further 70 hectares of industrial zoned land (see Figure 5) as part of a staged deferred rezoning. As such, in total there is some 230 hectares of vacant and available, or available in the future, industrial zoned land in the district.

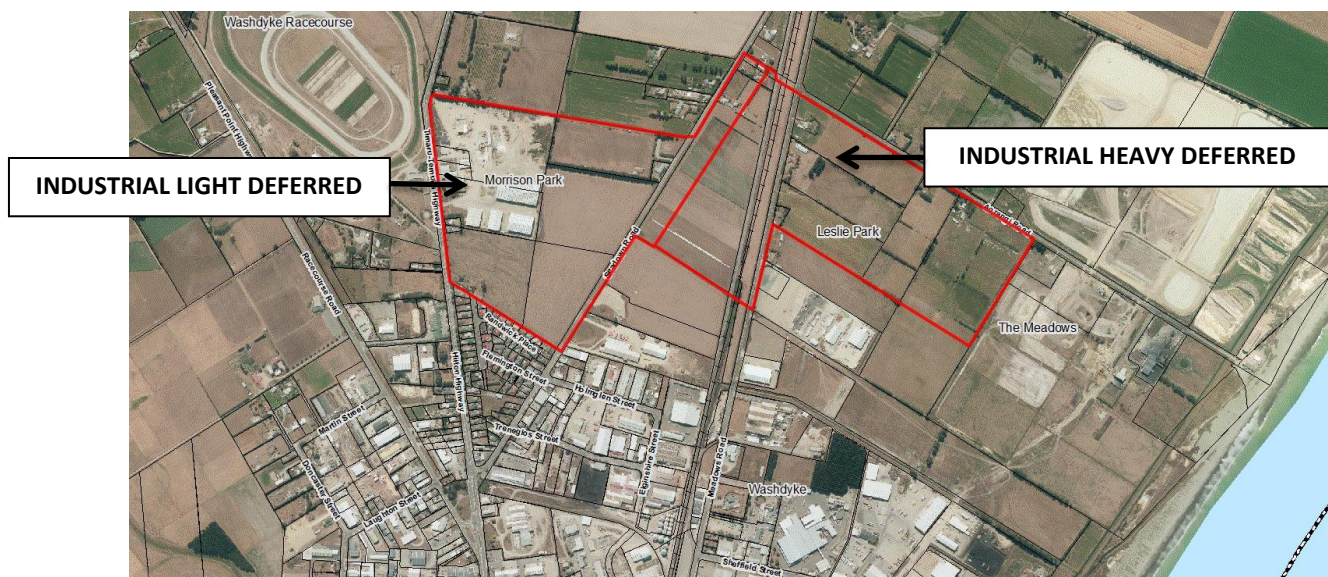


Figure 5 – Washdyke Industrial Expansion Area

Source: Timaru District Council

DRIVERS OF INDUSTRIAL GROWTH

This section comments on the key drivers of industrial growth for the district.

PRIMEPORT TIMARU

The Port of Timaru (known as ‘Primeport Timaru’) has recently undergone a significant change in that the Port of Tauranga subsidiary **Timaru Container Terminal (TCTS)** has acquired:

- a 50% shareholding in Primeport Timaru;
- ownership of the port’s mobile assets; and
- a 34.9% lease in the port’s container area.

Further, Kotahi, a joint venture between Fonterra Co-Operative and Silver Fern Farms, has agreed to commit a significant volume of export traffic to TCTS over a ten year period. As a result of this

agreement between Kotahi and Port of Tauranga, TCTS plans to invest in port infrastructure including another mobile harbour crane to handle the increased container traffic. Container traffic has surpassed Primeport's 2008 container peak of 80,000 twenty foot equivalent units. Additional container volumes will commence from the 2015 financial year, with an additional 52 vessels calling to Timaru.

This increased activity could potentially create a demand for additional industrial zoned land at the port. However, whether it does or not is unclear. Apart from the container terminal, Port of Tauranga has not yet acquired any additional industrial zoned land at Primeport. This seems to be an indication that the container terminal has sufficient space to accommodate their needs.

The increased number and frequency of the vessels calling to Primeport appear however to be generating secondary demand for industrial zoned land, at Washdyke in particular. Storage and transport companies and other companies that rely on frequent shipping are increasingly likely to relocate to Timaru, which could generate a demand for additional industrial zoned land.

LOCAL & NATIONAL ECONOMIC CONDITIONS

In regards to the national economy, Treasury's Budget and Economic and Fiscal Update 2015 states that New Zealand's economic expansion has continued to strengthen. GDP grew 3.3% in the year ended December 2014, the fastest pace of growth since 2007. Looking forward, real GDP is forecast to soften slightly (2.8% annually up to 2019). Low interest rates, robust investment activity, strong population growth and historically high terms of trade remain the key factors in supporting this economic growth.

In regards to the local economy, as outlined in section 1.0 above, the Timaru District is performing well and it can be reasonably expected that economic activity will continue to be comparatively strong in the Timaru District in the short to medium term. This will likely support the growth of industrial activities and consequently lead to increased demand for industrial zoned land.