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To: [Plan Hearings](#)
Cc: [Wendy Smith](#); [Fiona Stevens](#); [Gordon Handy](#); [Jason Grant](#)
Subject: PC7: South Canterbury Chamber of Commerce (PC7- 340) - Evidence in Chief
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Attachments: [SC Chamber of Commerce Evidence PC7 \(17.7.20\).pdf](#)

Dear Tavisha

We act for the South Canterbury Chamber of Commerce (Submitter No. PC7-340).

We **attach** for filing a joint statement of evidence in chief in relation to the above matter of Wendy Smith, Gordon Handy and Jason Grant on behalf of the submitter.

Kind regards,

Georgina Hamilton
Partner



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**BEFORE INDEPENDANT HEARING COMMISSIONERS
APPOINTED BY THE CANTERBURY REGIONAL COUNCIL**

UNDER: the Resource Management Act 1991

IN THE MATTER OF: Proposed Plan Change 7 to the
Canterbury Land and Water Regional
Plan – Section 14: Orari-Temuka-Opihi-
Pareora

**STATEMENT OF EVIDENCE OF WENDY SMITH, GORDON HANDY AND JASON
GRANT ON BEHALF OF THE SOUTH CANTERBURY CHAMBER OF COMMERCE
(SUBMITTER NO. PC7-340)**

Dated: 17 July 2020

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STATEMENT OF EVIDENCE OF WENDY SMITH, GORDON HANDY AND JASON GRANT

1. INTRODUCTION

Wendy Smith

- 1.1 My name is Wendy Smith.
- 1.2 I am the Chief Executive of the South Canterbury Chamber of Commerce (SCCC). I have held this position for eleven years and prior to this I was Chief Executive of Aoraki Polytechnic for nine years. I have played an active role on many boards and I am currently Vice Chair of Bidwill Trust Hospital and Chair of the Clinical Risk Committee for Bidwill Hospital.
- 1.3 My role at the Chamber is focused on “Building Better Business” across South Canterbury and encompasses both operational and strategic work that enables economic and business growth. From delivering targeted training, to facilitating connections locally, regionally, and nationally, to lobbying and identifying both opportunities and potential roadblocks to effectiveness.

Gordon Handy

- 1.4 My name is Gordon Handy.
- 1.5 I am the President of the SCCC and have been in that position since 2019.
- 1.6 I am on the South Island Regional Trust Board for St John and until 3 years ago when I sold my business, I owned and managed 6 John Deere tractor outlets around the South Island. I am a Justice of the Peace and serve on many community Boards which allows me to work with different community groups. My role as President of the South Canterbury Chamber of Commerce ensures that I stay well connected and engaged with business, agriculture, and local Councils which I find very rewarding.

Jason Grant

- 1.7 My name is Jason Grant.
- 1.8 I am currently a member of the SCCC Board and have been for two years. My role on the SCCC is as a co-opted member from the South Canterbury branch of Federated Farmers, of which I am the Provincial President. I am the rural voice on the SCCC board. This relationship between Federated Farmers and the SCCC is very important as the rural and urban economies in South Canterbury are intertwined and in effect form one regional economy.
- 1.9 Other governance roles I have are as a director of Rangitata South Irrigation Ltd and I am Deputy Chair of Timaru Boys High School BOT. I am also the President of the South Canterbury branch of Federated Farmers of New Zealand

2. SCOPE OF EVIDENCE

- 2.1 The SCCC made a submission addressing aspects of Part B of Proposed Plan Change 7 to the Canterbury Land and Water Regional Plan (**PC7**), which concerns the Orari-Temuka-Opihi-Pareora Zone (**OTOP Zone**).
- 2.2 In our evidence, we provide:
- (a) An introduction to the SCCC, its membership and role within the South Canterbury business community.
 - (b) Commentary on the importance of agriculture and horticulture to the South Canterbury economy both pre and post Covid-19 and the impact that PC7 will have on farms, the local community, and the wider economy.
 - (c) The SCCC's approach to its submission on PC7 and decisions sought.
- 2.3 We are authorised to provide this evidence on behalf of the SCCC.

3. SOUTH CANTERBURY CHAMBER OF COMMERCE

- 3.1 The SCCC is an incorporated society, governed by an eleven-member board of senior directors and industry leaders with extensive experience in local,

national, and global business. The SCCC team of staff focus on business growth and advice, training, networking, facilitation, lobbying and advocacy work as appropriate.

3.2 The SCCC has served the South Canterbury business community for over 114 years and its objects include:

- (a) To encourage and promote commerce, trade (both international and domestic), business, manufacturing, tourism, education, research, development, and employment in South Canterbury.
- (b) To represent the business community in any important matter locally and internationally; and
- (c) To watch over and protect the interests, rights, and privileges of Chamber members and to be responsible to the needs of members and their various interest groups.

3.3 As a membership organisation, the SCCC directly represents close to 520 member businesses, which includes 15 member businesses with in excess of 75+ staff (many of these are in the food processing and manufacturing sectors including Fonterra, Oceania Dairy, McCain, Alliance Smithfield, Silver Fern Farms, Barker's and Industrial Controls). Many businesses service and support the agricultural and processing sectors with over 20% of SCCC's membership relying upon primary production as the foundation to their business.

3.4 Consistent with its objects, the SCCC's role is acknowledged as one that represents the health and welfare of all of the businesses across our three districts (Timaru, Mackenzie and Waimate) irrespective of membership, ensuring they have a voice on matters of importance.

4. IMPORTANCE OF AGRICULTURE AND HORTICULTURE TO THE SOUTH CANTERBURY ECONOMY

4.1 The Timaru and Mackenzie District's rely upon primary production with the associated manufacturing and processing industries to enable a healthy economy and associated employment.

- 4.2 The Opuha Scheme provides irrigation for 16,000 hectares with over 230 shareholder farmers that benefit from reliable irrigation. The rather outdated Harris Report 2006 evaluated the economic impact of the Opuha Dam as adding an impressive \$124m per annum to the South Canterbury economy and \$20m per year to the district's households, with an impressive additional 480FTE's. Such is the positive impact of irrigation.
- 4.3 The significance of the primary/ag and associated processing sectors to the South Canterbury economy pre-Covid-19 is highlighted in Infometrics' regional economic profiles for 2019.
- 4.4 In the Timaru District, "Agriculture, Forestry and Fishing" made up close to 12% of GDP with manufacturing contributing a further 17.5% to GDP, a high proportion of which was attributed to food manufacturing.¹
- 4.5 In the Mackenzie District, "Agriculture, Forestry and Fishing" was the second largest generator of GDP at 21.9% tracking just behind the Accommodation and Food Sector². The Ag. sector was also the second highest employer by filled jobs at 21.9% versus the national figure of 5.7%. (Infometrics 2019).
- 4.6 Post Covid-19, South Canterbury will be more dependent upon the performance of the agricultural sector than ever before. Infometrics NZ estimate that the economy faces a tough path ahead with 54,000 more people accessing government benefits since 20th March 2020. Infometrics estimate it will take until the March 2024 year before job numbers rise above their pre-pandemic levels. (Source Infometrics article "Examining NZ's Slow Path to recovery June 2020). It is inevitable that impact will be seen locally, and In the Mackenzie District, potentially more so due to its dependency on tourism related services. We understand in this regard that the Mackenzie District is expected to see a huge economic impact and a sharp decline in household income. Average household incomes for the year to March 2019 were \$82,800 for the Mackenzie District compared to the national average of \$111,500. Post COVID-employment forecasting by Infometrics also sees a sharp decline in employment of 22% in the year to March 2021. This is in the districts like the Mackenzie,

¹ Source: Infometrics Timaru District Economic Profile 2019.

² Source: Infometrics Mackenzie District Economic Profile 2019.

heavily reliant on international tourism compared to a decline nationally of 9.8% in employment.

5. **SCCC'S APPROACH TO ITS PC7 SUBMISSION**

5.1 The SCCC is cognisant of the diversity of its membership and, as such, the potential diversity of views on PC7. It respects that diversity and has encouraged its members to consider and submit individually on matters that specifically affect their business interests and aspirations.

5.2 The SCCC's submission on PC7 was therefore confined to the following higher-level matters:

- (a) The adequacy of the economic assessment completed for PC7; and
- (b) The extent to which PC7 would provide for the social, economic, and cultural wellbeing for the businesses and communities in the OTO sub-region, with a particular focus on:
 - (i) The proposed timeframes for implementation of changes to current minimum flow regimes, stream depletion methodology and nutrient management policies; and
 - (ii) The proposed augmentation regime for the Opuha Dam, including the role of the Opuha Environmental Flow Release Advisory Group (**OFRAG**).

5.3 The SCCC is genuinely concerned about the adverse impact of PC7 on the social, economic and cultural wellbeing of the businesses and communities in the OTO sub-region, particularly in the post Covid-19 economic environment. The SCCC considers those critical wellbeings would be further eroded if the recommendations set out in the Section 42A Report were to be confirmed.

5.4 In the following sections of this evidence, we address the SCCC's concerns with PC7 and the Section 42A Report in that regard and provide a summary of the decisions it seeks.

Economic implications of PC7

- 5.5 One of the SCCC's primary concerns is that recommendations contained in the December 2018 OTOP ZIPA, which we understand have formed the basis of many aspects of Part B of PC7, were developed without the benefit of any economic analysis. Of particular concern to the SCCC are the recommendations for:
- (a) Increases in minimum flows in the main tributaries and the mainstem rivers in the Opihi Freshwater Management Unit (**Opihi FMU**);
 - (b) Addressing overallocation in the Temuka Freshwater Management Unit (**Temuka FMU**);
 - (c) Changes to stream depletion methodology for groundwater takes in the OTOP Sub-region; and
 - (d) Changes to nutrient management policies, specifically nutrient reduction requirements in High Nitrogen Concentration Areas.
- 5.6 We acknowledge that an economic report was commissioned by ECan and completed by Land Water People Ltd to support PC7. However, as set out in its submission, the SCCC is concerned that that the report has several shortcomings around the assumptions made and inputs used, which cumulatively would underestimate the assessed costs anticipated from the implementation of PC7. Those shortcomings include:
- (a) The assessment of regional impacts anticipated from the implementation of PC7 is based on a regional input/output model updated for the Waimakariri Zone, and adapted for the OTOP Zone, which the author acknowledges is "*not ideal*"³;
 - (b) The assessment is based on erroneous assumptions in relation to (but not limited to) irrigation rates and consequentially irrigated land areas, pasture growth, and dryland conversion if irrigation restrictions are applied.

³ LWP Ltd Report, page 6 (footnote 4).
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- (c) The assessment does not assess the implications of the implementation of PC7 on all existing abstraction consents within the OTOP sub-region,⁴ and is based on ECan's "consent inventory", which is known to contain various errors and omissions; and
- (d) The assessment excludes consideration of capital and management costs, which means that *"the potential for a net negative outcome with significant reductions in reliability is greater than has been shown...and even small changes can have an important impact for highly indebted landholders"*⁵, however there is no explanation for this approach, despite the significance of these costs.

5.7 It has been beyond the financial resources of the SCCC to undertake its own economic assessment of the expected costs of PC7's implementation. However, we are aware that other submitters, including submitters that are members of the SCCC, have done so. From discussions with those submitters prior to filing this statement of evidence, we understand the studies undertaken show that:

- (a) PC7's proposed minimum flow increases in the South Opuha, Upper Opihi and Te Ana Wai will render many existing farming systems financially unviable, PC7 is unsustainable unless farmers have low or no debt. If PC7 minimum flows are increased to PC7 levels farms will require a minimum of 20-30 days storage (depending on sub catchment) to maintain existing irrigation. The s42A Report recommendations take no account of financial impacts.⁶
- (b) PC7's proposed package to address overallocation has been developed in the economic study by AERU and shows a drop in aggregated farm income with serious economic impact for the Mackenzie and tourism Districts. The reduction in aggregated farm income is estimated at \$2.6m per annum with a reduction in employment of 24 full time equivalent staff and a reduction in the contribution to economic output of over \$6m per annum.⁷

⁴ LWP Ltd Report, page 7 (section 2.2).

⁵ LWP Ltd Report, page 11 (section 2.3.2).

⁶ Evidence of Grant Porter for the Opihi Flow and Allocation Working Party.

⁷ Evidence of Caroline Saunders for the Opihi Flow and Allocation Working Party.

- 5.8 While we have raised concerns about the robustness about the Land Water People Ltd Report, we note that the author's conclusions that the economic impacts of the changes to minimum flow regimes in the South Opuha and Temuka catchments as "significant" and "substantial" respectively align with those studies. We also note that the Land Water People Ltd report indicates in relation to changes in nutrient management requirements under PC7 for the OTOP Sub-region:⁸

The total calculated reduction for calculated items is estimated to be approximately \$5.0 million per annum in operating profit, \$4.2 million per annum in regional GDP, \$2.0 million per annum in regional household income, and 38 full time equivalent jobs.

- 5.9 We understand evidence of the expected costs associated with this aspect of PC7 will be addressed in other submitters' evidence.
- 5.10 Unfortunately, it appears that no assessment has been undertaken of the economic impacts associated with proposed changes to stream depletion methodology. This is particular concerning, as we understand most consent holders affected by this change will experience a significant drop in water reliability as their consents will become subject to surface water minimum flow requirements when previously they were not. In most cases, these consents would have been considered high reliability groundwater takes pre-PC7, and as a result of PC7 would only be viable for water harvesting only.
- 5.11 It is not the SCCC's intention to revisit specialist areas within PC7 but simply to highlight the gravity of the economic impact that these changes are likely to have on productivity, employment and the economy especially post Covid-19. We consider that the timeframes for implementing these changes, provided the changes proposed are indeed required, need to ensure affected consent holders have adequate time to adapt their current business/production models and/or implement some form of on farm storage and or variable rate irrigation or other mitigation, which in most cases, will require significant capital investment.

⁸ LWP Ltd Report, page
GH-161499-1-76-V1

- 5.12 In turn farmers are likely to find it harder to access capital as banks are required by the RBNZ to build greater buffers of their own money against the stresses of financial crisis. From 1 July 2021 larger banks capital must rise to 18% of risk weighted lending (16% for smaller banks), this is against the current minimum of 10.5 per cent. This policy is intended to strengthen the banks but will simultaneously push up borrowing costs and constrict lending. (NZ's handbrake on the economy. Stuff by Kate MacNamara).

Opuha Dam augmentation regime

- 5.13 As outlined in its submission, the SCCC is also concerned that PC7 does not fully recognise that the water supplied by the Opuha Dam for abstractive uses in the Opihi FMU is a significant enabler of economic activity in the OTOP sub-region.
- 5.14 In this regard, the SCCC supports the position of the Adaptive Management Working Group (**AMWG**) and the changes that it seeks to PC7 to allow the future management of the Opuha Dam and the water resources of the Lake Opuha catchment for the greatest benefit of the environment, community water supplies and those who rely on augmented water to operate their businesses.
- 5.15 We consider that the success of the augmentation regime is also contingent on the continuation of the OEFrag, which comprises representatives from district councils, farmers, Opuha Water Limited, river users and tangata whenua. This group's knowledge of the local conditions and their integral knowledge of water management during time of severe water shortage will be critical in the future.
- 5.16 The SCCC is therefore fully supportive of the AMWG's request for express recognition of this group of key stakeholders to be included in PC7.

6. CONCLUSION

- 6.1 The SCCC recognises that the health of the South Canterbury community is dependent upon the health of its businesses and economy. This is a fundamental driver to the work the SCCC carries out and the reason for its submission on PC7.

- 6.2 The SCCC supports and endorses the principles underlying the OTOIP ZIPA and PC7 with the priorities to the environment, community supply and stock water. However, it considers in various respects PC7 will preclude businesses and communities from meeting the needs of their social, economic, and cultural well-being.
- 6.3 The economic assessments conducted for ECan and submitters indicates that the financial viability of businesses will be directly or indirectly impacted by the changes proposed to minimum flow and allocation regimes and nutrient management policy. The SCCC expects those affected by the proposed change to stream depletion methodology will also come at a significant cost.
- 6.4 Provided the proposed changes can be substantiated under applicable resource management principles, the SCCC urges the Commissioners to give careful consideration to the timeframes for implementation of the changes in its decisions. In the SCCC's view, given the expected severity of the economic impacts associated with the implementation of these elements of PC7, it is critical that affected consent holders are given sufficient time to take steps to adapt their current business/production models and infrastructure before the changes take effect. This is particularly important in the post Covid-19 economic environment when South Canterbury will be dependant on the performance of its agricultural and related sectors than ever before. It is the SCCC's overall position that the timeframes for implementation of the PC7's proposed changes will need to be extended for these reasons.
- 6.5 The SCCC supports the position of the AMWG and the changes that it seeks to PC7 to allow the future management of the Opuha Dam and the water resources of the Lake Opuha catchment for the greatest benefit of those who rely on augmented water to operate their businesses and the environment, and express recognition of the group of key stakeholders presently comprising OEFrag in PC7's augmentation framework.

Wendy Smith, Gordon Handy and Jason Grant

17 July 2020