

Before the Independent Hearings Panel
at Dunedin

under: the Resource Management Act 1991

in the matter of: Submissions and further submissions in relation to the
proposed Otago Regional Policy Statement 2021

submitter: **Fonterra Limited**
Submitter 233

Summary of Evidence of Michael Campbell Copeland (Economics)

Dated: 7 February 2023

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SUMMARY OF EVIDENCE

- 1 My evidence addresses the economic significance of Fonterra's Stirling and Mosgiel sites to the Clutha District, Dunedin City and the Otago region.
- 2 Fonterra's Stirling and Mosgiel sites provide a broad range of economic benefits to not only Fonterra's shareholder suppliers but also to the broader Clutha District, Dunedin City and Otago regional economies. The continued operation of the sites, without additional constraints on their efficient operation, is consistent with providing for the social and economic wellbeing of local residents and businesses. It is also consistent with the efficient use and development of natural and physical resources.
- 3 The value to Fonterra of its investment in the Stirling and Mosgiel sites can be considered in terms of either the reinstatement value of the facilities at the sites (\$235 million for the Stirling site and \$121 million for the Mosgiel site¹) or the foregone future earnings of the facilities on the sites if they were forced to close or downsize. By both of these measures, the value of investment to the existing consent holder is significant.
- 4 However, Fonterra's operations at its Stirling and Mosgiel sites are also of economic significance at both a district and regional level. Significant amounts of direct and indirect employment, incomes and expenditure are associated with each of the sites. Recently during the Covid pandemic, the importance of the primary sector and the related primary product processing sector was highlighted as international and domestic tourism faced unprecedented headwinds. In particular the situation underscored the dangers of "New Zealand Inc" and the local district and regional economies being overly reliant on tourism as the sole economic driver. The Stirling and Mosgiel sites are economically significant in both the provision of economic activity within the local district and regional economies and providing much needed economic diversity.
- 5 Closure or constraints placed on the processing capacity of Fonterra's dairy manufacturing site at Stirling would require milk from the site's local catchment area to be transported further away for processing – either to Fonterra's Clandeboye plant near Timaru, and/or to Fonterra's Edendale plant in Southland.
- 6 If Fonterra's Mosgiel distribution site was forced to close or have its distribution capacity constrained, alternative storage and distribution arrangements would be required. This would likely lead to additional transport and other associated costs.
- 7 In addition, there are a number of advantages in maintaining production and distribution capacity at the Stirling and Mosgiel sites

¹ Source: Fonterra.

as compared to relocating capacity to potential new sites and/or the expansion of facilities at other existing Fonterra plants. This includes the continued optimum use of existing relatively new "sunk" assets, which otherwise would be largely "stranded".

- 8 During the last 5 years, Fonterra has invested \$70 million in capital upgrades (separate to operating expenditure) with the latest capital expenditure an investment in a biomass boiler which will, when completed, make the Stirling plant the first dairy factory to be totally powered by non-fossil fuels (making it carbon neutral). The installation of the new infrastructure is expected to contribute additional expenditure in the local economy and support ongoing employment in the wood fuel supply chain.

Dated: 7 February, 2022

Michael Copeland