

**BEFORE THE OTAGO REGIONAL
COUNCIL**

IN THE MATTER of the Resource Management Act
1991

AND

IN THE MATTER of an application for resource
consents for Project Next
Generation

BY **PORT OTAGO LIMITED**
Applicant

**STATEMENT OF EVIDENCE OF DAVID JOHN FAULKNER
ON BEHALF OF PORT OTAGO LIMITED
Date 4 April 2011**

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INTRODUCTION, QUALIFICATIONS & EXPERIENCE

1. My full name is David John Faulkner. I hold the degree of Bachelor of Engineering (Civil), as well as a Bachelor of Science.
2. I am the Chairman of the Board of Directors of Port Otago Limited ("Port Otago") a role I assumed in 2010, a Director of Gough Group of Companies and Brightwater Engineering. I was a Director of Fulton Hogan Ltd for 18 years including 9 years as the Managing Director.

BACKGROUND INFORMATION

3. I have read the evidence of Geoffrey Philip Plunket, Chief Executive Officer of Port Otago and concur with the views expressed in that evidence.
4. My evidence provides a governance perspective on the Project Next Generation. This proposal is to widen and deepen the harbour channel, swinging areas and berths through dredging, to dispose of dredged material at sea, and to extend the multipurpose wharf and construct a public fishing jetty.
5. This project encompasses the most extensive project investigation ever undertaken by Port Otago, and management has kept the Board well apprised as the work has progressed. This has included gaining Director approval to proceed through the various stages of the investigations.

SCOPE OF EVIDENCE

6. This application will deliver what will be another important milestone in the development of the Port over its long history. As the Port is a regional asset as well as a local one I believe it is important to provide some context to this project from a governance perspective.
7. I do so as the recently appointed Chairman of Port Otago, but also importantly with an overview from my involvement in infrastructure projects and assets from a technical and a governance perspective over many years, as an engineer, project manager, and Director.

NZ PERSPECTIVE

8. In order for New Zealand to be competitive in the global market, it needs to develop and maintain its infrastructure to be able to provide for effective production and distribution, manufacturing and transportation of its goods to global markets. By far the largest proportion of the country's exports and imports are carried by sea.
9. Exports from NZ, many associated with production from the land and the primary production sector, are a considerable contributor to NZ GDP, and the role that ports play in this supply chain is critical in the ongoing health and competitiveness of these industries.
10. The fact that New Zealand has been able to develop a worldwide trading reputation is a reflection of just how far we have come as a country, particularly when you consider our size and that we are located much further away than our competitors from many of the markets that we compete in.
11. As shipping lines seek to improve efficiency and cost effectiveness of their services it is inevitable that larger ships will start calling on the NZ coast.
12. In order to maintain its international competitiveness port infrastructure will need to be upgraded to ensure that larger vessels can be handled in a productive and efficient manner.
13. A failure to upgrade ports will result in a loss of international competitiveness. The potential benefits to NZ exporters from larger vessels will be lost through inefficiencies or dis-economies of scale in NZ ports.

PORT OTAGO'S INFRASTRUCTURE PLANNING

13. Sea ports by their very nature place a heavy reliance on infrastructure, often involving long lead times for the developments to be planned and built, as well as requiring significant capital investment. This is true for the port as well as those transport links that exist between the cargo catchments and the port.
14. Strategic planning for future developments is something that the Port Otago Board take a serious and long term view on. The 20 year strategic plan developed for the port is something that is reviewed by

the Board formally on an annual basis. This helps provide an overall framework for the future port planning.

15. Project Next Generation forms an integral part of Port Otago's long term development strategy. The project is integrated into wider aspects of the port's infrastructure including the purchase and upgrade of container cranes and mobile plant.
16. As ships calling on the New Zealand coast continue to increase in size the project will be of critical importance and it will secure the long term viability of Port Chalmers within the international supply chain.
17. The Port Otago Board see this project as a critical and essential development to protect the long term viability and relevance of the Port.
18. Underpinning that strategy are the core assumptions that Port Otago has repeatedly stated over many years and in public:
 - a. The ability to utilise an international deepwater port at Port Chalmers with the ability to handle large volumes of exports is essential to the social and economic well being of Dunedin City, the Otago region and the lower South Island.
 - b. The viability of an international deepwater port at Port Chalmers with the ability to handle large volumes of exports relies on the port continuing to be able to attract and maintain calls by international shipping lines.
 - c. International container shipping lines require 24 hour per day, seven days per week, 52 weeks per year access to the port at Port Chalmers for the purposes of exchanging cargo as a condition of continuing to call at Port Chalmers.
 - d. Port Otago has no ability to dictate or control shipping movements to and from the port, if the port is to attract and maintain services from international shipping lines.
19. In the evidence presented to you by Port Otago and its advisors, you will hear of the role that Port Otago has in supporting the economy of the region, its links with the global economy and what it now needs to do in order to continue to provide that support. Port Otago will demonstrate that the effects of the project on the environment, the

other commercial and recreational users of the harbour and the community have been thoroughly assessed and are proposed to be responsibly managed through all phases of the development.

20. An Environmental Management Plan has been prepared in conjunction with Port Otago's independent technical experts, which adopts the conditions of consent offered. The Plan will ensure that all practicable steps are taken to manage the implementation of the project, it identifies clearly how the company will consult with stakeholders and the obligations it has assumed in the monitoring and mitigation of effects that may arise during the necessary work. Monitoring and reporting are also proposed for a period of time following the completion of the project.
21. As is normal and necessary in business, the Port Otago Board's role, as with any responsible board, is to make governance decisions for the company in the way that best protects the assets of the company and maximises the return to its shareholders.
22. However in doing so we also address a wider responsibility to the region, the South Island and the country as a whole to ensure the economy continues to grow. That requires us to follow through and enhance and build on the good work that our predecessors have laid the groundwork for over the past 140 years of port operations.
23. The approach adopted by the Port Otago Board, and supported by management, is that whatever steps it takes to deliver to its shareholders and the region, these must be sustainable on a long term basis.

COMMUNITY AND CONSULTATION

24. The port operation is part of the wider harbour community and surrounding residential community adjoining the port and harbour.
25. The Board is aware and interested in the views of the community. A good example of the interaction and involvement of the Board with the community is the role that one of our Directors Mr Dougal Rillstone currently undertakes chairing the Port Environment Liaison Committee. The Board receives the minutes from the Port Environment Liaison Committee and is regularly updated.

26. The Next Generation project has been comprehensively researched and extensive consultation has been undertaken with local communities and interested parties. Further evidence will be provided by other witnesses which highlights the extensive research and consultation undertaken.
27. The extension of the multi purpose wharf includes the construction of a fishing jetty for public access. Port Otago has regularly improved public amenity and the interface between the port and its neighbouring community. Projects to date include landscaping and various walkways, development of a viewing platform and Hotere Gardens on Flagstaff Hill.

SUMMARY

28. In order to maintain its international competitiveness NZ ports will need to invest and upgrade their facilities to handle larger vessels.
29. Ports play a critical part in the supply chain. The Next Generation project is critical to ensuring the long term viability of Port Chalmers as one of NZ's key international gateways.
29. The Next Generation project has been comprehensively researched and extensive consultation has being undertaken. The Environmental Management Plan and adaptive management regime to be used will ensure that the outcome will be consistent with the modelling and research completed for this project.
- 30 The Board will be closely monitoring the project as it is undertaken and completed to ensure that the predicted outcomes are achieved.

David Faulkner