

BEFORE AN INDEPENDENT HEARINGS PANEL OF THE WAIKATO REGIONAL COUNCIL

UNDER

The Resource Management Act 1991

IN THE MATTER

of Proposed Plan Change 1 Waikato and Waipa
River Catchment

AND

IN THE MATTER

of the hearing statement by Waikato
District Council (Submitter No. 73418)

**STATEMENT OF FRANCIS GORDON SCRIMGEOUR ON
BEHALF OF WAIKATO DISTRICT COUNCIL - HEALTHY RIVERS
PC MATTERS WITHIN PART C (TOPICS) - HEARING BLOCK 2**

29 APRIL 2019

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1. SUMMARY STATEMENT

- 1.1. Waikato District Council (Waikato DC) agrees with the guiding principles and the endpoint aimed for by introducing the Healthy Rivers Plan Change. The intention of the Waikato DC submission (dated 7 March 2017) was to present approaches that could ensure the ability of Waikato rural land owners, managers, and communities to fund the investment necessary to achieve these final outcomes. It is noted that many submitters have shared this overall cost concern. Reporting officers have now responded to all relevant submissions within the Block 2 S42A Report and we now address their responses where it is appropriate.
- 1.2. The intention of the following evidence is to:
 - concisely analyse Reporting Officers recommendations against the thrust of the relief sought within the Waikato DC submission, then;
 - provide an updated view of the proposed plan changes effectiveness from the submitter's perspective, where the hearings appearance provides opportunity for clearer delivery and discussion on matters raised.

Please note, Waikato DC is part of the Waikato Region Territorial Authorities Group (WARTA), which is a group formed for the purpose of ensuring a consistent 'stronger TA voice' throughout the Proposed Plan Change 1 (PPC1) process. Alignment in key themes is intended between the individual Waikato DC and WARTA evidence.

2. INTRODUCTION

- 2.1. My name is Dr Frank Scrimgeour, and I am a Professor of Economics at the University of Waikato, presenting evidence today on behalf of Waikato DC. I have 30 years of research experience since completing my PhD in economics. This has encompassed research focused on the economics of agriculture, economics of the environment, regional economics, and financial economics.
- 2.2. To assist with any questions of the hearings panel, Mr Stephen Howard, Waikato DC Senior Planner (Waters), Mr Karl Pavlovich (Waikato DC Waters Manager), and Dr Vijay Kumar are anticipated to be present (Attachment 1 provides their individual backgrounds). My colleagues and I are familiar with the Environment Court's Code of Conduct for Expert Witnesses December 2014, and shall adhere to this.
- 2.3. Attachment 2 presents PC1 Hearing Block C topics submitted upon by Waikato DC, with numbered submission points shown. Waikato DC have identified a number of *critical* submission points which are highlighted in red. Evidence is structured under these critical

submission points only, intended to allow for a productive hearing's appearance focused on these topics.

3. **DIFFUSE DISCHARGE MANAGEMENT (SEC C1.1 / C1.1.11 Overseer and C1.1.6 Nitrogen Reference Point (NRP) - S42A REPORT)**

3.1. Waikato DC's key submission point that has relevance to this topic is referenced PC1-3119 which covered the related subjects of: (i) effective Overseer model use, and; (ii) sub-catchment nitrogen management / nitrogen reference point (NRP) use. Reasons for submitting specifically on these provisions were that:

- methods within PPC1 that set an NRP at an individual property level not to be exceeded, were seen to create potential for inefficient and unfair nitrogen allocation between land based on historical practice (i.e. grandfathering rights to emit higher levels, and locking in lower NRPs which may affect land profitability potential) and;
- the Overseer approach, is an estimation method where in some scenarios, the model will have limitations.

Resolution presented within the Waikato DC submission included a *sub-catchment approach* to provide for fairer mechanism to achieve environmental gains, and the ability for Overseer adjustment under PPC1 rules when warranted. On review of submissions, and the S42A report, many hundred submitters shared concerns and potential resolution methods.

3.2. Waikato DC's submission outlined the disparity that can occur when NRP's set the N limit on the basis of past landuse and management practice, as opposed to being based on the potential adverse effects of the site's activity. The paragraph below highlights that Officers consider an earlier precedent is relevant in respect to PPC1 (emphasis added)

'Officers also note that the issue of "grandparenting" N losses was canvassed extensively through the first instance and Environment Court hearing for Lake Taupo Variation 5 nearly a decade ago. In that case, it was accepted that in a catchment where an overall reduction in N losses was required (similar to what we have with PC1) a grandparenting approach to N losses was appropriate. The precedent holds true for the Waikato and Waipa catchments.'¹

3.3. Variation 5 should NOT be considered a comparable case because it involved a unique catchment which included an iconic lake. Further, the Government contributed millions of

¹ WRC Policy Series 2019/07: section C1.2.5. paragraph 289

dollars of funds to address the problem, and there was a smaller number of rural land owners. The decision itself makes clear its limitations as a precedent. Methods other than grandfathering may serve the PPC1 better such as N rights allocated on the basis of natural capital (or an alternative method based on environmental characteristics as opposed to business practices), but no such comparison in methods is apparent. It is viewed that with the plan change efforts to date, there is the opportunity for PPC1 to devise statutory methods that remove the potential for inefficiency and inequity that are seen to accompany the grandparenting concept.

- 3.4. Waikato DC submitted on the benefits of greater use of sub-catchment approaches within Hearing Block 1. We note Reporting Officers give serious consideration to the opportunity within the S42A reporting, with their conclusion being:

*'The Officers' preliminary view is that focusing on sub catchments could have real benefits in terms of implementing local solutions and community commitment, but risks not having an 'eye on the prize', which is the health and restoration of the whole river system.'*²

- 3.5. Waikato DC respectfully suggests PCC1 could be revised so that sub-catchment approaches are utilised in ways that bring the benefits without the risks. Waikato DC contend there should be clarity as to how the sub-catchment initiatives, as described in Officers reporting³, or larger sub-catchment initiatives (as aspired to by many submitters) contribute to the health and restoration of the river. A transition to more sub-catchment initiatives is anticipated to be necessary over the next 80 years.
- 3.6. The hearing appearance offers Waikato DC the opportunity to cover matters in greater depth with Commissioners. Matters considered as part of Bay of Plenty Regional Council Plan Change 10 and in other New Zealand cases suggest options that could be utilised in PPC1 catchments.
- 3.7. Waikato DC's submission questioned the use of Overseer methodology being 100% fit for purpose, particularly for vegetable production. Reporting Officers have responded to the matter (raised by many) with an acknowledgement that a WRC Nitrogen Reference Point Guideline is needed, specifying specific scientific work-arounds and proxies to allow Overseer to be used in a more accurate manner. Schedule B(d) within the 'Tracked Changes' Recommendations incorporate such a guideline. This inclusion is seen as appropriate, and to an extent reflects changes sought in the Waikato DC submission.

² WRC Policy Series 2019/4: section B1.3.2. paragraph 143

³ WRC Policy Series 2019/4: section B1.3.2. paragraph 139

DIFFUSE DISCHARGE MANAGEMENT (SEC C1.5 / C1.5.5 Landuse change and C1.5.8 Activity Status - S42A REPORT)

3.8. Waikato DC's key submission point that has relevance to this topic is referenced PC1-3118. Waikato DC is one of the large number of submitters that questioned the appropriateness of non-complying activity status accompanying the proposed plan change (Rule 3.11.5.7). Submitter reasons are summarised within the S42A Planners Report⁴ where summarised relief of Waikato DC and many others is that:

- activities lessening diffuse discharges should have a less stringent activity status, with use of Farm Environmental Plans to ensure statutory required mitigations accompany common changes in rural practice (i.e. ensuring an efficient and flexible running of farming businesses).

3.9. The intent of the rule is clarified within the S42A report as encompassing '*landuse change from activities that typically have low diffuse discharges to activities that generally have higher diffuse discharges*'⁵. Officers acknowledge the appeal of a differing status where effects or (quantum of discharges) are equivalent or less, however, caution is then offered as judgement of levels of effect pose risk. It is understood that Officers intend to revisit the feasibility of establishing definable effects-based thresholds" allowing for a change in a lesser activity status (for equivalent or less effects) in the end of hearing Reply report.⁶

3.10. Any likelihood of lessening stringency of Rule 7 activity status in these scenarios is supported, which is anticipated to allow typical farm management of crop-pasture-crop rotation in a simple manner.

4. STOCK EXCLUSION (SEC C4.1 / C4.5.3 - S42A REPORT)

4.1. Waikato DC's key submission point that has relevance to this topic is referenced PC1-3116. Alongside many hundreds of submitters, relief is sought by Waikato DC for amended provisions that recognise the impracticality of fencing all areas where stock numbers are low (as anticipated on highly undulating farms). The Officers report explains that benefits may be comparatively low in fencing hills in such scenarios, given that generally lower stocking rates are expected. Officers highlight the intention to revisit the matter in the end of hearings report, after considering hearings evidence presented.⁷

4.2. Waikato DC can accept that 'slope' can serve as an alternative criteria to 'stocking rate' (submitters recommendation) for potentially amended plan provisions that lessen fencing

⁴ WRC Policy Series 2019/07: section C1.5.8.1. paragraph 496

⁵ WRC Policy Series 2019/07: section C1.5.8.2. paragraph 508

⁶ WRC Policy Series 2019/07: section C1.5.8.2. paragraph 511

⁷ WRC Policy Series 2019/07: section C4.5.4 paragraph 914

requirements on steeper land, in a practical manner. Waikato DC support can therefore be provided to the likely changes that have been indicated, given they will both reduce compliance costs and reduce adverse sediment effects from steep country associated with fencing.

5. CONCLUSION

- 5.1. Waikato DC looks forward to continuing to participate in the Healthy Rivers process in a constructive and collaborative manner.

ATTACHMENT 1: BRIEF DESCRIPTION OF ATTENDEES BACKGROUND

- Mr Pavlovich has eight years experience in the science and waters industries. This has encompassed academic roles, and operation and management within the three waters.
- Mr Howard has a planning and asset management background, and been employed at Waikato DC for eight years including three in his present role.
- Dr Kumar has seven years experience in the business performance and academic sectors, providing professional leadership in these fields.

ATTACHMENT 2: HEARING SCHEDULE

HEARING BLOCK 1 (March/April 2019)	HEARING BLOCK 2 (May 2019)	HEARING BLOCK 3 (June 2019)
<u>Part A: Context</u> <u>Part B: Outcomes</u>	<u>Part C: Topics</u>	<u>Part C: Topics</u>
B1: Overall direction and whole plan submissions (PC1-3119)	C1: Diffuse discharge management <ul style="list-style-type: none"> • Four contaminants - N, P, E Coli and Sediment • Nitrogen Management/Nitrogen Reference Point / Overseer (PC1-3119) • Reductions (75th percentile) • Land use change (PC1-3118) 	C7: Commercial vegetable production (PC1-3125)
B2: Values and uses	C2: Cultivation, slope and setbacks (PC1-3125)	C8: Sub Catchment Planning-(Alternative approaches) (PC1-3119)
B3: Science and Economics	C3: Schemes (PC1-3127)	C9: Farm Environment Plans (PC1-3118)
B4: Objectives	C4: Stock exclusion (PC1-3116)	C10: Misc (Forestry, Wetlands and lakes, Misc, Consequential Changes)
B5: FMUs, priority areas and sub-catchments	C6: Urban/point source discharges (PC1-3129/3, PC1-3132, PC-3137,)	

Table 1: Hearing Schedule for the hearing of submissions to Proposed PC1