

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of the Proposed Waikato Regional Plan
Change 1 and Variation 1 to Proposed Plan
Change 1: Waikato and Waipā Catchments

Block 2 Hearing – Part C

AND

IN THE MATTER of the submissions and further submissions
by Ravensdown Limited
(Submitter ID 74058)

**STATEMENT OF EVIDENCE OF MARK PETER FITZPATRICK
ON BEHALF OF RAVENSDOWN LIMITED**

3 MAY 2019

SUMMARY

- A. While there may be uncertainty and ambiguity for the farming community that will be affected by Proposed Waikato Regional Plan Change 1 and Variation 1 to Proposed Plan Change 1: Waikato and Waipā Catchments (**PC1 and Variation 1**), in my opinion, the changes are needed for the good of the industry, community and the environment. For the outcomes sought by PC1 and Variation 1 to be successful, I consider that it is important for all parties to work constructively together.
- B. As the Business Manager, Environmental at Ravensdown Environmental, myself and my colleagues will be responsible for assisting Ravensdown's farmers in the delivery of the various requirements stipulated in PC1 and Variation 1. Initially this includes the calculation of Nitrogen Reference Points (**NRP**), the preparation of Farm Environment Plans (**FEP**) and associated resource consent applications. By my calculations, around 75 full time equivalent, suitably experienced consultants, will be needed to carry out this work, in the near-term. All of these professionals will need significant training, development and experience. While I consider that industry will respond appropriately to meet this demand in the long-run, there will need to be a smoothing of the demand across the decade of interest, to allow the market response to occur. It is almost inevitable that there will be 'bottle-necks', as has been experienced in other regions. In such instances, the use of transparent waitlists between consultants and Council can manage such challenges.
- C. With regards to Certified Sector Schemes, given the framework recommended in the section 42A Report, I believe that such schemes are unlikely to be successful. This is because there are insufficient commercial drivers and too much business risk, to generate the necessary market response.
- D. Finally, given the proposed role of Certified Farm Nutrient Advisors under PC1 and Variation 1, I am of the opinion suitably qualified and experienced experts should be Certified Nutrient Management Advisors.

1. INTRODUCTION

Background

- 1.1 My name is Mark Peter Fitzpatrick. I am the Business Manager of Ravensdown Environmental, a national farm environmental consultancy and business unit of Ravensdown Limited (**Ravensdown**).
- 1.2 I hold a Bachelor of Applied Science (Environmental); Postgraduate Diploma of Environmental Science; Master of Marine Science; Postgraduate Certificate in Strategic Leadership. I have fifteen years' experience in project, business and people leadership and management. For nine of these years I have specialised in Environmental Consulting.
- 1.3 I have held the role of Business Manager, Environmental, at Ravensdown for nearly four years. In this role I oversee all aspects of the consultancy including recruitment; training; business strategic development and growth; and both financial and non-financial value delivery for the cooperative and our shareholder customers.
- 1.4 I am presenting evidence as a representative of Ravensdown, and not as an expert witness.

Ravensdown Environmental

- 1.5 Since its inception over five years ago, Ravensdown Environmental has employed, trained and developed more than thirty specialist farm environmental advisors and consultants. These consultants provide a range of services including nutrient loss and mitigation modelling (including OVERSEER Nutrient Budgeting); Farm Environmental Plan (**FEP**) development; and associated resource consent planning services.
- 1.6 At the time of writing this evidence, our internal training and development has required an investment of over 12,000 hours of effort; a cost of around \$2.1M in opportunity value.
- 1.7 During this time the Ravensdown Environmental team have delivered significant effort in the farm nutrient loss, environmental impact assessment and mitigation planning. This work has been conducted nationally in Southland,

Otago, Canterbury, Marlborough, Wellington, Manawatu, Hawkes Bay, East Coast, Bay of Plenty and Waikato.

- 1.8 Currently there are four fulltime consultants working in Waikato delivering Farm Environmental Consulting services to farmers, under the leadership of the highly experienced Principal Consultant, Adrian Brocksopp. This team has provided significant effort assisting farmers, primarily with the development of their Nitrogen Reference Point (**NRP**), across the last two years.
- 1.9 While working in these regions, Ravensdown Environmental consultants have actively worked with farmers to meet regional planning requirements, through the inception and implementation, as well as the on-going compliance. These regional plans, which give effect to the National Policy Statement for Freshwater Management, are similar to the Proposed Waikato Regional Plan Change 1 and Variation 1 to Proposed Plan Change 1: Waikato and Waipā Catchments (**PC1 and Variation 1**).
- 1.10 The experience obtained over the last five years provides a qualified insight into the potential risks, challenges and opportunities associated with the proposed PC1 and Variation 1.

2. SCOPE OF EVIDENCE

- 2.1 In preparing my evidence I have read relevant sections of the section 42A Report, relevant sections of PC1 and Variation 1, as well as analysed the data contained within Ravensdown Environmental's time-sheeting system.
- 2.2 My evidence is limited to the matter of timing and resourcing implications, Certified Sector Schemes (**CSS**) and the qualifications and experience requirements for Certified Farm Management Advisors (**CFMA**). These matters are discussed in **Sections 3 to 5** of my evidence.
- 2.3 Finally, in my conclusions (**Section 6**), I have made some observations about the challenges and opportunities that the changes required by PC1 and Variation 1 present.

3. TIMING AND RESOURCING IMPLICATIONS

- 3.1 In accounting for the proposed quantum of NRPs, FEPs and associated resource consent applications (5,000¹), I have considered the amount of consultancy effort that will be required to service Waikato farmers.
- 3.2 On average, for mixed pastoral and moderately complex cropping systems, we can reasonably expect NRPs to require between 8 and 20 hours of effort, averaging around 15 hours per farm. When extrapolated (assuming 1,000 hours of effort per full time equivalent (**FTE**) per year), this sees a requirement for 75 FTE to deliver on the NRPs across a 12-month period. However, I understand many farmers have already completed their NRPs. This includes many Ravensdown farmers who have been supported by Ravensdown Consultants since 2017. This could result in a reduction of the required FTE needs, in reality.
- 3.3 FEP production requires on average around 15 hours of effort per farm. Resource consent applications will likely require around 10 hours, including farmer engagement and discussions with Waikato Regional Council (**Council**). This extrapolates to more than 60 FTE to deliver on the peak workload for FEP development and consent applications by 2021 (or 6 months after PC1 and Variation 1 comes into effect). This first tranche of workload relates to Priority 1 catchment farms and dairy farms that exceed the 75th percentile nitrogen leaching limit by 2021 (estimated at 2,500 being 50% of the total 5,000).
- 3.4 In my opinion this is not achievable within the timelines. While Ravensdown Environmental have 4 FTE in the region, we are one of the few cross-sector businesses seeking to support Waikato farmers in the holistic services required. Accordingly, the majority of these professionals will need to be trained and developed which will take time and I anticipate this first target being missed by at least 50%.
- 3.5 Should the plan become operative in 2020, this initial period is then followed by a reduction in market urgency until Priority 2 catchments are required four years later in 2025. During this four-year period, I anticipate a decrease in demand

¹ The section 42A Report, at paragraph 643, identifies that it is estimated that around 5,000 properties will need to calculate a NRP. In relation to FEPs, and associated resource consent applications, paragraph 807 in section 42A Report outlines that the section 32 Report identified the need for the preparation of 5,000 FEPs.

requiring only 7 FTE. This poses significant risk for consulting businesses. To build a team to serve the first tranche only to be met with an up to 75% reduction in demand could destroy a business. Typically, businesses build with an eye for such risks and this hiatus, in my opinion, this further reduces the likelihood of the first tranche targets being met. I note however, that should the 2021 date remain as proposed, because the deadline will not be met, during this four-year period, farmers overdue for consent will still be being serviced. This would see a continued steady increase in market response.

- 3.6 Demand will continue with a likely supply/demand gap across the twelve-month period leading to the 2026 deadline for Priority 3 catchments, likely requiring around 30 FTE. This may well likely be achievable given the probable market response through the prior tranches, unless the backlog of work for the first two tranches slows the workload.
- 3.7 I recommend considering that a smoothing of this delivery pattern would be sensible. In consideration, I note the exact quantum of farms within each group of sub-catchments is key data that is missing in my assumptions. This data will be important in determining the actual resourcing needs within each time period and subsequently how this may fit with the likely market response building progressively toward and steadying around 50 FTE, specialising in this area.
- 3.8 It is worth noting that while the existing rural professional market in Waikato serves demand well and may seek to respond, this 50 FTE will be in addition to existing resources. If professionals desire to step into this space, they will need to backfill existing demand, or only partly service environmental needs. Both are difficult. To this end it is my opinion the demand will largely be met by farm environment specialists, as has occurred in other regions.
- 3.9 Of further importance is the need for a regulatory deadline in order to generate a market response. It is a natural response for many busy farmers to wait until they must get a consent, before they take action. Farmers seeking to get consents early are by far the minority in this space, understandably. For this reason, I recommend a greater number of deadlines with smaller tranches of prioritised farmers for each deadline. Spreading part of the first tranche of demand into the 2021-2025 period, coupled with a progressive ramp-up of projected annual throughput, as the market responds, will induce a higher likelihood of success for all involved.

- 3.10 In addition to the consent application process, on-going FEP compliance reporting, updates and Year-End Nutrient Budget production, as well as Scenario Modelling for farm system change, and any required industry auditing could require around 50 FTE, with anything from 5 to 60 hours required per project. The exact number of farms requiring work each year will be determined through the timing and frequency of required compliance reporting thereby increasing or decreasing this demand from year to year.
- 3.11 Although I am aware that commercial vegetable production is not the subject of this hearing, I note there has been some concern in the additional effort required to establish a 10-year NRP for vegetable growers. Ravensdown Environmental consultants have been modelling vegetable and cropping systems in Canterbury for many years. Our experience shows that: 1) where there is sufficient competency in the modellers; and 2) the growers have sufficient data; the workload is around 35% greater than pastoral systems. The most critical component in delivery of NRPs for vegetable growers will be the ability for Council, consultants and growers alike, to accept an average rotation for the ten-year period, as opposed to modelling ten individual years and subsequently averaging them. We are confident this can be achieved with suitably experienced consultants.
- 3.12 Our experience shows that in order to complete robust work, farm environmental consultants need to have completed all the necessary courses (Intermediate, Advanced Sustainable Nutrient management) and have obtained CNMA status, plus have an additional two years' experience working with a range of farmers and farm systems providing environmental services. Up until this point, these staff will need to be closely supervised and all staff will need to be managed. This requires additional FTE – around a ratio of 1 leader to 5 consultants, maximum.
- 3.13 Importantly, the above considerations do not include the peripheral services often required by farmers as a result of regulation. These include environmental due diligence assessments for any and all farm sale and purchases, often running into the 15 to 20 hours per project scale, as well as on-going advice and support around how to farm within changing circumstances.

- 3.14 As a result of my analysis, should the assumptions prove correct, there will need to be a ramp-up of at least 50 rural professionals in the region specialising in the delivery of the services, in a robust manner. Additionally, there will need to be leaders, managers and business systems and processes established to support these professionals. Finally, Council staff will need to undergo significant upskilling and team growth will be inevitable.
- 3.15 While this is significant growth, our experience shows it is achievable in the long-run if the workload is spaced appropriately. There will likely be a bottle-neck in the delivery of NRPs due to both a supply and a demand constraint, however there are lessons learned in other regions such as the use of transparent waitlists between consultants and Councils, that can effectively manage this challenge. Bottle-necks will also likely occur with consent applications, but this can be overcome by smoothing the demand curve.
- 3.16 The key risk to industry and Council is this. Should a bottle-neck occur in the short term, there will be a politically-driven temptation to reduce the level of expertise of the consultants and/or the rigour associated with the work, in favour of expedience. Our experience has shown that this pathway typically results in a perverse outcome environmentally and financially. This is because farmers either lose farm capital value as they are unreasonably restricted to a lower NRP or more stringent consent conditions than they should. Alternatively, the environment may suffer continued excessive impacts which has the potential to lead to more rigorous regulation from inflated NRPs or insufficient consent conditions. Of greatest importance for all parties is that the work is done in a robust manner, using well qualified and experienced consultants, using quality data.

4. CERTIFIED SECTOR SCHEMES

- 4.1 With regard to Certified Sector Schemes, in principle it is sensible and aligns with the concept of Industry Audited Self-Management, which I support. However, I do not see the need for, nor benefit of, a related regulatory mechanism.
- 4.2 It is my opinion that there are not enough commercial drivers to seek certification. In the notified version of PC1 and Variation 1 there was a

perceived benefit for farmers as they would be a permitted activity if part of a scheme. For some, this would be an incentive. But for many the commercial benefit of obtaining a consent would outweigh the benefit of being permitted, as it provides both flexibility and certainty. The flexibility comes from having sale options into the future without the complexity of prospective purchasers either having to join a scheme or obtain a consent. The certainty comes from knowing the constraints the business will need to operate within, for the consent term.

- 4.3 With this incentive removed from PC1 and Variation 1 there appears to be no benefit for farmers other than the service offering they may receive from a scheme. The question is, could they receive the service offering anyway?
- 4.4 For a consultancy, having a holistic service offering may be commercially sensible as it could meet this farmer demand. However, for a business to certify the scheme they would increase their business risk profile substantially, adopting responsibility for both farmer and Council obligations. Typically, increased risk needs to result in an increase in return. However, in my opinion, the cost differential may need to be such that an alternate scheme not burdened by the risk, would be more competitive.
- 4.5 For these reasons, at this stage, I believe the commercial drivers are insufficient to generate the market response this planning mechanism would likely require to be successful.

5. CERTIFIED FARM NUTRIENT ADVISORS

- 5.1 I firmly recommend that all CFNA are required to be, at minimum, Certified Nutrient Management Advisors (**CNMA**) as currently provided for by Clause (a) of the CFNA definition in PC1 and Variation 1.
- 5.2 My reasoning is four-fold being 1) through the process of obtaining CNMA, professionals complete the relevant courses; 2) the ability for the professional to provide nutrient management services is confirmed through an auditing process; 3) there is confirmation they have at least five years professional experience and complete continued professional development; and 4) under Nutrient Management Advisor Certification Programme (**NMACP**) there are

process expectations that must be met by CNMAs. Should CNMAs not do so, there is a reporting and disputes resolution process available.

- 5.3 Given the qualifications and experience of a CNMA, and the comprehensive nature of the NMACP, the alternative provision provided in Clause (b) of the CFNA definition is not appropriate. In my opinion, a CFNA who is trained to an advanced level but with only two years' experience, will not offer sufficient level of certainty to council and farmers, to deliver on the outcomes sought by PC1 and Variation 1. Further, if they are suitably qualified with necessary experience, it will be a simple process for them to apply for, and obtain, CNMA status.
- 5.4 I note that there are professionals in the market who dispute the need to fund such certifications and claim it is unnecessary cost burden on them. In my opinion, our whole sector is needing to step up to the new world of environmental regulation. Farmers need to accept regulatory constraints and invest thousands of dollars per year in professional services; a significant cost they previously did not have to incur. I maintain, it is also reasonable that professionals - who are capitalising on this demand and obtaining financial gain - accept the need to suitably certify themselves thereby provide increased certainty to their clients, regulators, and the communities closely monitoring our progress.
- 5.5 Finally, I note that Ravensdown Environmental has a higher expectation than just CNMA, by investing in significant on-the-job specialist training as well. This is due to a professional standard ensuring all customers receive the most robust work, possible. I maintain all consultants should do the same to ensure we deliver the robust outcomes necessary.

6. CONCLUSION

- 6.1 The journey the farming sector is embarking on is full of uncertainty and ambiguity. Our experience is that there will always be challenges in the journey and hurdles to overcome. This will be true in the establishment of the farm environmental consulting profession in the Waikato. However, it is a journey we must undertake, for the good of our industry, the communities and the environment.

- 6.2 Industry will likely respond to the demand and as we progress, we will learn and adjust. What is seeing us through successfully in other regions is a willingness by all parties to work constructively, to achieve the right outcomes, through forums such as the Industry Overseer Working group, hosted quarterly in Canterbury. What is critical in this instance, is a willingness to spread the demand curve more sensibly across the decade of interest, while maintaining sufficient urgency through deadlines to trigger the market response.
- 6.3 Finally, of greatest importance, is that all parties maintain a position that favours rigour, coupled with a determination to produce the right outcome even in the face of political pressure for expediency. Quantum of effort will mean nothing, in the absence of substance.

A handwritten signature in black ink, appearing to read 'M. P. Fitzpatrick', written in a cursive style.

Mark Peter Fitzpatrick

3 May 2019