

**BEFORE THE COMMISSIONERS ON BEHALF OF
THE OTAGO REGIONAL COUNCIL**

Consent No. RM18.345

BETWEEN

**LUGGATE IRRIGATION
COMPANY LIMITED AND LAKE
MCKAY STATION LIMITED**

Applicant

AND

OTAGO REGIONAL COUNCIL

Consent Authority

AFFIDAVIT OF COLIN MANSON HARVEY

**GALLAWAY COOK ALLAN
LAWYERS
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AFFIDAVIT OF COLIN MANSON HARVEY

I Colin Manson Harvey of 3 Katui Street, Castor Bay, Auckland swear:

1. My full name is Colin Manson Harvey. I am a director of Luggate Irrigation Company Limited and a director and shareholder of Lake McKay Station Limited.
2. My family interest is the owners of Lake McKay Station who are part of the Luggate Partnership.
3. I hold a B.Agr Sc Degree from Massey University and B. Com from Auckland University. I commenced my career graduating from Massey in 1968.
4. After 20 years of working for multinationals in 1985, I started a business in my own right and since that time have been a successful entrepreneur and investor. I grew my company Ancare to be one of the major animal health businesses in Australia, it was sold to multinational interests in 2007. In 2008 I purchased Lake McKay Station. I have numerous other property and commercial interests including Country TV. I am a Council member of Massey University, have Chaired the Hobbiton Joint venture since its inception and Chair several biotech companies and am a Director of Kiwicare. I was awarded the title of Officer of the New Zealand Order of Merit for services to business to business and animal health in the 2008 New Years Honours List.
5. Lake McKay in 2008 was a dry sheep property running Merinos with all lambs being sold as stores. In 2010 I purchased the adjacent Big River flat and developed this with Pivot Irrigation, This was a 1.5 million dollar development which included completely refencing and cultivating the 135 ha. The project was based on dairy grazing returns and fattening our own lambs.
6. To begin we planned to access water from the Clutha and had a permit for this which would run until 2040. This proved to be difficult because of the impervious nature of the River bed at this point as it sits on the old lake bed. It is therefore not possible to access the water by bore as

is traditionally done and would require a take from the River its self. That is not a viable option because of the cost of filtration for didymo. We decided therefore to restart the Luggate Water race and developed the pond and irrigation system around this.

7. To improve sheep returns we made the decision after trying various options with Merinos to change our ewe flock to halfbreeds targeting so-called Smart Wool mid micron wool and improved lambing. This change has taken the last ten years and our lambing percentage has improved from 80% to this year is 150%.
8. In 2010 I started to investigate the Alice Burn irrigation scheme on Lake McKay terraces. This was an extremely complicated project. After some time we designed a five-kilometer pipe that would pick up the water at the water take and irrigate 200 ha by gravity and K lines. The scheme took twelve months to put in place. The initial structure was limited to 200ha to justify the \$2million dollar cost and we were unsure of the volumes the pipe would carry and the terms of the renewal on the water permit.
9. In 2013 the permits were renewed by ORC but only until 2021. This meant that while the pipe could carry the 150 l/sec it was designed for without security of water additional investment in the Kline system was not justified. The system was designed to be extended.to add an additional 80ha of terraces
10. In 2014 the long term dairy grazing contracts we had that supported much of this development collapsed which put considerable strain on the viability of the station.

EVOLUTION OF THE APPLICATION

11. Lake McKay and LIC started this process as effectively a roll-over of our existing set of permits to take water from the Alice Burn (Lake Mckay Station and LIC) and the Luggate north branch (LIC only).
12. We felt that we had a good history of use and that there was no reason not to renew the permits, effectively on their current terms but subject to the minimum flow requirement of 180 l/s at the SH6 Bridge.

13. My observation is that both branches of the Luggate seem to be in good health and support high numbers of fish under the current flow regime. We have received regular visits from Fish and Game people and no adverse comment has ever been shared with us. The local community was happy that residual flows maintained the local swimming hole and other use of the Creek.
14. After wide consultation with affected parties, we agreement reached with Criffel Water Limited and that has seen our application for primary allocation water being significantly reduced. That was a very hard decision to make and not made lightly. It comes at a significant cost in terms of efficiency upgrades to make use of every last drop of water that we are now seeking. That investment will take decades to pay back.
15. I would never have allowed Lake McKay Station or LIC to reduce the primary allocation aspect of our application had we thought that we might only gain 10-year consents. 10-year consents are, in farm planning terms, simply a short-term status quo holding pattern. That is not what we are proposing. We cannot plan for the capital commitments required to reduce our takes on that basis.

UPGRADE AND IRRIGATION EXTENSION PROPOSAL

16. It is our plan to extend the current irrigation to use the full flow of the pipe to irrigate 80 ha of the terrace beside our Queensbury boundary. With the new area being supplied by supplementary flow storage will be required. With this it may be possible also to extend the irrigation to the lower terraces beside Highway 6.
17. The cost for the 80 ha extension will be in the order of \$500,000 with another \$500,000 for storage.

10 YEAR TERM

18. The key issue of concern to Lake McKay/LIC is the submission that sought that consent only be granted for 10 years. This has been adopted by the ORC's reporting officers in their recommendation. The

officers' report at pages 42-44 ignores the financial implications of their recommendation and deals with it purely as an administrative exercise.

19. For our scheme, such a short term consent would not support an adequate rate of return on investment for this period of time to enable the scheme to undertake the efficiency upgrade works (which achieve only a marginal improvement in productivity because the irrigation infrastructure is already in place)..
20. Mr Roger Simpson's evidence details the existing and proposed investments in irrigation infrastructure. Commitments of that magnitude will require bank support for all of the shareholders. There is no way that the financial planning, infrastructure design, and roll-out can be completed inside 5 years. There will need to be a progressive roll-out project as each shareholders' capital needs allow. This is particularly the case for designing and building water storage to fully utilize the supplementary allocations and new irrigation development.
21. Having completed the infrastructure upgrades, rates of return will likely see a 10-20 year pay-back period (with term borrowing that reflects that). During that time, the consents must be secure to support the funding required.
22. I disagree with the reporting officers that short-term consents are more "efficient".¹ LMS and LIC have already spent in excess of \$100,000 on this process. To go through that all again in 10 years is not just inefficient, it is impossible to sustain from an extensive pastoral farming system in the Upper Clutha. Extensive grazing systems have to be low cost systems to be viable.

Recent engagement with Aukaha.

23. One of the matters that Aukaha raised was how cumulative effects with the Criffel application would be managed. There is an established history of flow sharing between Lake McKay/LIC and the Criffel water users. We have been voluntarily complying with the minimum flow of 180 l/s at the SH6 Bridge for the last several seasons, once

¹ Officers' report, page 43, 5th bullet point from the bottom.

telemetered monitoring was available (it was not available before 2016). Understanding the relationship between the consent applications and the future sharing of water was becoming an impediment to making progress with Aukaha. For this reason, it seemed sensible for the CWL and Lake McKay/Luggate Irrigation Limited applications to adopt the same approach to calculating the primary allocation and to flow sharing so Aukaha could see clearly how they fit together. This was finally achieved between the CWL prehearing meeting and the Lake Mckay/LIC prehearing meeting.

24. Although there is now a more formal relationship between the CWL and Lake McKay/LIL consents, there has always been a co-operative history of flow sharing and communication between the parties.

Eels

25. I now understand that a major concern is the potential for Luggate Creek to host the reintroduction of Longfin Eels. I support that goal. Lake Mckay/LICL is prepared to commit to working with Aukaha if a project takes shape that we can assist with. I am not sure what the needs of such a project might be but we will certainly co-operate with any plan that Aukaha might produce.

CONCLUSION

26. I feel very strongly that by committing to a reduced primary allocation in conjunction with a commitment to carry out efficiency upgrades, Lake Mckay/LIC has put it's best foot forward. In return, we need at least 25 years, and preferably 35 years, to make that investment possible for the shareholders.

SWORN at Auckland)
this day of)
October 2019)
before me:) Colin Manson Harvey

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A Solicitor/Deputy Registrar of the High Court of New Zealand