

**BEFORE A BOARD OF INQUIRY
EAST WEST LINK PROPOSAL**

IN THE MATTER of the Resource Management Act 1991 (**RMA**)

AND

IN THE MATTER of a Board of Inquiry appointed under s149J RMA to consider notices of requirement and resource consent applications made by the New Zealand Transport Agency in relation to the East West Link roading proposal in Auckland (**Project**)

**STATEMENT OF EVIDENCE OF MATTHEW JOHN BRENNAN FOR Z
ENERGY LIMITED**

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Introduction and scope of evidence

1. My full name is Matthew John Brennan.
2. I have a Bachelor of Business Studies in Finance, a post-graduate diploma in Accounting, both from Massey University and am a Chartered Accountant.
3. I am a Property Manager at Z Energy Limited (**Z**). In this role, I provide leadership across property and lease management matters for all property owned and leased by Z. I have held this position since February 2015 but have held various positions at Z (and before that at Shell New Zealand Limited) since 2006. My previous roles at Z and Shell were based in finance where I was most recently the Retail Performance Manager (from April 2012 – January 2015).
4. Z distributes and supplies bulk fuel throughout New Zealand and is a leading supplier of New Zealand's fuel needs. The company supplies fuel to retail customers and large commercial customers including airlines, trucking companies, power generators, farmers, loggers, mining operations, shipping companies and vehicle fleet operators. It is also a major supplier of bitumen to roading contractors.
5. In June 2016 Z also purchased the assets of Chevron New Zealand, which sees Z as the wholesale fuel supplier to the network of Caltex-branded service stations and truck stops as well as Challenge-branded sites.
6. Z owns and manages a network of 203 Z service stations, 160 Z & Caltex truck stops and a number of pipelines, terminals and other bulk storage terminal infrastructure throughout the country. It also has a 15.4 percent stake in Refining NZ which runs New Zealand's only oil refinery.
7. I am familiar with New Zealand Transport Agency's (**NZTA**) East West Link Project (**Project**) which will directly affect Z's Sylvia Park Truck Stop located on Sylvia Park Road, Mount Wellington (**Truck Stop** or **site**).¹ As Property

¹ Z Energy Limited has an unregistered sub-lease of part of the property at 19-21 Sylvia Park (Lot 1 SP 65736).

Manager for this site I am the primary liaison person at Z in relation to the designation process and the compulsory acquisition process under the Public Works Act (**PWA**).

8. Z has filed a submission in opposition to the Notice of Requirement 1 (**NOR1**) and the associated resource consent applications for the Project. The route for the new highway is proposed to extend over the entire Truck Stop site, which will be compulsory acquired by NZTA under the PWA. The end result of the Project is the closure of the Truck Stop which will have significant adverse effects on Z and its customers.
9. While Z expects to be compensated under the PWA for the loss of its interest in the land on which the Truck Stop is located and for the associated impacts on Z's business, Z is participating in this process primarily because it wishes to make the Board aware of the significance of the adverse effects of the Project on Z and on the environment.
10. In my evidence I will discuss the following:
 - (a) Details of Z Energy's Sylvia Park Truck Stop and its importance to the Z network, business and community; and
 - (b) The impact of the notice of requirement on Z.

Details of Z Energy's Sylvia Park Truck Stop and its importance to the Z network, business and community

11. As noted, the Truck Stop is located on Sylvia Park Road, Mount Wellington. It is owned and operated by Z. It is located to the north east of the south eastern corner of the Sylvia Park Highway and Great South Road interchange and proposed East West Link overpass. I have marked the approximate location of the Truck Stop on the General arrangement map (East West Link Anns Creek/Sylvia Parks Road – Sheet 4) attached as **Annexure A**.
12. Z sub-leases the Truck Stop site from Stratex Group Limited (**Stratex**) which holds a long term ground lease for the site. Z currently has a secure lease agreement with Stratex which includes renewal rights for at least 10 more years. Z is a long term tenant of the site, has a good relationship with Stratex

and is confident that it would be able to renegotiate a further tenure if the East West Link Project did not impact the site.

13. The Truck Stop is of high commercial and brand value to Z - it is Z's primary truck stop site across both of the Z and Caltex networks.
14. While exact fuel volume figures for the site are commercially sensitive, I can state that the Truck Stop sales are so significant that three months of sales equates to more than the annual fuel volume sales for a large number of truck stop sites in the Z network.
15. The site also plays an important role as an inland fuel terminal for Z's subsidiary high value business Mini-Tankers. Mini-Tankers is New Zealand's largest on-site refuelling operation. Mini-Tankers distribute fuel and other products to wherever their customers need them, refuelling straight into their customers' machinery. As well as Mini-Tankers, a number of key Z Card Commercial customers use the site as part of Z's compelling nationwide network offer that provides them access to fuel sites in strategic and accessible locations.
16. One of the primary reasons that the Truck Stop is so successful is its strategic location. Sylvia Park Rd has high traffic flows from both east and westbound directions. In 2016, Z's Traffic Engineers provided a traffic survey monitoring traffic passing the Truck Stop for a 24-hour period, which resulted in over 16,750 vehicles passing the site. Included in this vehicle count were 2502 trucks. There were 1051 westbound trucks and 11.3% (89) of them turned left into the Z truck stop. For eastbound trucks, 7.4% (85) trucks still chose to cross the busy Sylvia Park Road traffic and turn right into the site to use the truck stop services. Due to the limited speed zone outside the truck stop, the site is easier to access for drivers from both directions and therefore is more attractive to customers. Further, the site has high visibility to passing traffic so vehicles have time to slow down and enter the site. It is also on a key trucking/transport route so it is convenient and customers do not need to go out of their way to find the truck stop.

17. Significantly for Z, the success of the Truck Stop has recently driven the redevelopment of the site but also the closure of another truck stop at Waikaraka:
 - (a) In 2013 Z redeveloped the Truck Stop and invested significant capital into increasing the site's fuel storage capacity to accommodate the high traffic and fuel sales volumes. In addition to increasing tank capacity, a further underground tank was installed to store Z's diesel emission cleaner product ZDEC. The total capex for this redevelopment project was \$740,440 + GST. Increasing the capacity of the underground tank storage enabled the site to meet customer demands and ensure Z's customers always had diesel and ZDEC products available.
 - (b) In April 2016, Z made the decision to close down another truck stop site at Waikaraka. This was done in reliance on the fact that the Sylvia Park site had the capacity to manage the combined demand for fuel from both sites, and would meet the needs of Waikaraka customers. This was known and planned for when the redesign for the Sylvia Park truck stop was completed as the expectation was that the Waikaraka site would likely close in a few years due to aging tanks and it made sense to consolidate volumes onto the larger site, Z Sylvia Park Truck Stop
18. The site is not only of significant value to Z commercially but it is also of high value to the community and local businesses. The Sylvia Park Truck Stop is important to its customers because it is situated on a key transport route, the same route on which NZTA propose to construct the East West Link to help move heavy freight transportation faster and provide driving time efficiencies. The Mt Wellington area where the Truck Stop is located is surrounded by business and industrial zones containing many businesses who rely on freight transportation services to both send and receive goods and services vital to operate their businesses.

The impact of the notice of requirement on Z

19. Because the Project will require all of the land on which the Truck Stop is located, it will have significant adverse effects on Z that cannot be avoided, remedied or mitigated.

- (a) The closure of the site will have significant commercial impacts on Z:
- (i) Z will not be able to continue to operate from the Truck Stop and will lose its key truck stop within its network.
 - (ii) There will no longer be an accessible Z site in the area for Z's Mini-Tankers business to use as an inland terminal to access fuel for deliveries to its customers. To fill this gap Z will have to find another location and provide a new facility to the Mini-Tankers business or they will have to obtain fuel from another Z site further away which increases cost, inefficiencies and puts supply and distribution pressures on Z's network.
 - (iii) For Z Card Commercial customers who use the site as their primary location, the closure of the site may lead them to move their business to another competitor who has a location in the area.
 - (iv) Z will not be able to use the site to provide its new biodiesel product to commercial customers, which is to be supplied shortly to all Z sites in the Auckland region and upper North Island.
- (b) The closure of the site will also inconvenience Z's customers who will need to find an alternative truck stop to obtain fuel. They will need to go out of their way and change their existing routes to fill up. Although Z operate both the Z and Caltex branded truck stop network, Z customers cannot simply access Caltex branded sites as they operate on different card platforms and would require customers to hold multiple fuel cards for the different competitors. Many customers do not like to do this as it creates additional administrative duties for their business juggling multiple cards. For this reason, I consider that Amelia Linzey is incorrect in her statement of evidence where she states that the negative social impacts associated with the loss of the Truck Stop will be low because there are other service stations elsewhere (such as the truck stop at 375 Neilson Street, which is a Caltex truckstop, not Z). In my view Ms Linzey is also incorrect when she states in her evidence that vehicles who have previously used the Sylvia Park Truck Stop can

simply use other service stations. This is because a large number of service stations in Auckland do not have the facilities to accommodate large trucks that currently use the Sylvia Park Truck Stop site. A few key reasons why this holds true is that the layouts of service station forecourts often aren't designed to allow large trucks to manoeuvre around, the site is too small (there is insufficient land) and there are height restrictions due to forecourt canopies (which prevent some trucks from being able to drive under them). Truck stop sites also have high flow fuel dispensers on site to enable fast refuelling, whereas service station dispensers discharge much slower at around 40 litres per minute, which is too slow for Commercial truck operators to tolerate.

- (c) As explained above, Z currently has a long-term secure lease agreement in place with Stratex for the Truck Stop. Z has a good relationship with Stratex and expects that if the Project were not going ahead, it would be able to renegotiate a further tenure for the site. The closure of the site means that Z will lose this secure tenure and will not be able to seek further terms in line with the duration of the site's expected use, which is based on the expected useful life of the tanks. (The site's storage fuel tanks are all double skin fibreglass tanks that have an expected useful life span of approx. 50 years. However, Z generally adopts a 30-year life span and based on this position it would have been willing to accept tenure at the site to at least 2043.)
- (d) I do not believe that it is possible to identify an appropriate and available replacement location for a truck stop in the area that exhibits the characteristics of the Sylvia Park Truck Stop. That is; located on an arterial, high traffic volume road, in a limited speed area and offers the ability for traffic travelling in both directions to access the site. The Sylvia Park Truck Stop is a profitable and successful business because of its unique and rare qualities. I am doubtful that Z will be able to find another, alternative location that will have the same commercial success.
- (e) As explained above, Z has recently closed one of its other primary truck stop sites at Waikaraka (2.8km from Sylvia Park Truck Stop) in reliance

on the fact that the Sylvia Park site would be available to respond to the combined demand. The closure of both sites means Z will have no presence in this critical area within its Z truck stop network. While Z does have two Caltex branded sites in the area, their size and tank capacity cannot accommodate the volume lost from the closure of the Sylvia Park Truck Stop, nor can it accommodate Z Card commercial customers. As noted above this is because Caltex sites operate off a different card platform to Z and the Z Card is not accepted at Caltex sites. If Z were to try and accommodate lost Z fuel volume onto Caltex sites, a further complication is that Z will soon launch a biodiesel product to the market. All Z truck stops and retail sites in the Auckland and Upper North Island regions will sell this product and not diesel. Caltex sites will not be able to provide this product.

- (f) Z has invested significantly in upgrading the Truck Stop. When the site is closed, much of this investment will be lost as it cannot be relocated and reused. From Z's perspective this is an inefficient and ineffective use of resources.

20. NZTA has not given adequate consideration to these adverse effects on both Z and the wider community. The evidence that NZTA has presented does not consider or address the adverse effects on Z except for in two brief statements:

- (a) Donald Harrington's evidence on property acquisition matters states that the Project will result in the full acquisition of Z's lease interest of two of Stratex's existing sub-lessees (one of which is Z).² Mr Harrington states that the PWA prescribes the framework for compensation including business loss resulting from the relocating of the business made necessary by the taking or acquisition, such loss to be quantified after the business has moved.³
- (b) Miss Linzey's evidence, as explained above, makes a brief statement about the social impacts of the closure of the Truck Stop.

² At [7.16] and [7.18].

³ At [7.18].

21. As noted above, while Z expects to be compensated for the loss of its site through the PWA process, I understand that the adverse effects of the NOR on the environment are relevant and must still be considered as part of the designation process under the RMA.
22. I also understand that NZTA is required through this process to show that (a) it has given adequate consideration to alternative sites, routes and methods for undertaking the Project (where there are significant adverse effects or where NZTA does not have an interest in the land required for the work); and (b) that the designation is also reasonably necessary to give effect to the Project. I am not convinced that it has demonstrated either.
23. I appreciate that NZTA has presented extensive evidence in support of the Project. However, NZTA has not been forthcoming in its consultation with Z and has not engaged with Z about alternative designs or routes for the Project or demonstrated to me why it is reasonably necessary for the route of the new highway to extend over the Truck Stop site.
24. Z was only notified of the Project after being advised by its landlord, Stratex. After becoming aware of the Project, Z sought further information about the proposals and contacted NZTA directly to request a meeting. Finally, once a meeting was scheduled I flew to Auckland to meet NZTA staff at their office and upon arrival was advised the people who I were due to meet were no longer available. In lieu of this Mr Harrington stepped in and briefly outlined what the project involved. Due to the cancellations mentioned, I had to fly up again the following week to meet NZTA staff to discuss the impact of the Project on Z and alternative route options that might avoid, remedy or mitigate the loss of the site. An alternative option presented by NZTA made an alternative site available to Z (incorporating part of the existing site and some of the neighbouring site). However, after receiving the revised road layout and speed limits in the vicinity of the site it was clear a truck stop could not be accommodated at this alternative location. Further, NZTA retracted this option before Z could provide feedback. I have not been presented with any other alternative sites, routes or methods that would avoid, remedy or mitigate the loss of the site.

Conclusion

25. For the reasons set out in this evidence, Z opposes the notices of requirement and resource consent application that are relevant to the site. Z seeks that the notice of requirement is withdrawn and/or modified to avoid the acquisition of any land currently occupied by the Truck Stop and any associated adverse effects on the Truck Stop.

DATED at Wellington this 22nd day of May 2017



Matthew John Brennan

Z Energy Limited

