

## **SMOOTH HILL - SUBMISSIONS AND UPDATE - 9 YEAR PLAN 2025-2034**

Department: Waste and Environmental Solutions and Legal Services

### **EXECUTIVE SUMMARY**

- 1 Council's draft 9 Year Plan includes budgeted funding of \$92.4 million for the proposed Smooth Hill Landfill (Smooth Hill).
- 2 There have been a range of submissions regarding Smooth Hill.
- 3 This report:
  - a) Provides details regarding the submissions; and
  - b) Discusses the issues raised in submissions.
- 4 This report also attaches the report to Council on 25 November 2025, including three Morrison Low reports which compare the following options:
  - a) Council building Smooth Hill alone (ie without a joint venture partner).
  - b) Council building Smooth Hill in a 50:50 partnership with a private waste company.
  - c) Council exporting waste out of district.

### **RECOMMENDATIONS**

That the Council:

- a) **Confirms** its decision to build Smooth Hill Landfill alone and that \$92.4 million be included in the 9 Year Plan 2025-34 for its construction.

### **BACKGROUND**

#### **Reports to Council**

- 5 On 25 November 2024, there was a report to Council called "Waste Futures – Commercial Matters" (November Report).
- 6 The November Report is attached as Attachment A, including three reports from Morrison Low (collectively referred to in this report as the Morrison Low Reports):
  - a) An updated DBC2 (February 2023);
  - b) A comparison of disposal costs (September 2024); and
  - c) Questions and Answers (November 2024).

7 On 25 November 2024, Council resolved as follows:

*“Moved (Cr Jim O'Malley/Cr Bill Acklin):*

*That the Council:*

- a) **Decides** in principle for inclusion in the draft 9 Year Plan 2025-34, that it would prefer to:
  - i) *Build a landfill at Smooth Hill, rather than export waste out of district; and*
  - ii) *Build a landfill at Smooth Hill alone, rather than in a partnership with a private waste company.*
- b) **Notes** that this decision is subject to consultation through the 9 Year Plan 2025-34 as the funding will be included in the draft 9 Year Plan 2025-34 budget.

**Division**

*The Council voted by division*

*For: Crs Bill Acklin, Sophie Barker, David Benson-Pope, Kevin Gilbert, Carmen Houlahan, Marie Laufiso, Cherry Lucas, Mandy Mayhem, Jim O'Malley, Steve Walker and Brent Weatherall (11).*

*Against: Crs Lee Vandervis and Andrew Whiley (2).*

*Abstained: Nil*

*The division was declared CARRIED by 11 votes to 2*

**Motion carried (CNL/2024/230)**

8 On 28 January 2025, there was a public noting report to Council, called “Smooth Hill Update” (January Report).

**DISCUSSION**

**9-year plan consultation document**

9 The draft 9-year plan consultation document 2025-34 included a discussion headed “A new city landfill at Smooth Hill”. An extract from the 9-year plan is attached as Attachment B.

**Submissions Received**

10 Thirty-nine submissions were received in relation to Smooth Hill:

- a) Thirty-one submissions opposed the construction of Smooth Hill.
- b) Six submissions supported the construction of Smooth Hill.
- c) Two submissions did not clearly state a view but expressed concerns regarding wildlife and any potential for bird strike.

11 A summary of submissions is attached as Attachment C.

12 This report discusses some of the key submission points.

### Concerns regarding costs

13 Some submitters expressed concerns regarding matters such as:

- a) the cost of constructing and/or operating Smooth Hill.
- b) the risk of cost escalation for the construction of Smooth Hill.

### *Summary of the financial analysis by Morrison Low*

14 Morrison Low completed extensive financial analysis on the following options:

- a) Council building Smooth Hill alone (ie without a joint venture partner).
- b) Council building Smooth Hill in a 50:50 partnership with a private waste company.
- c) Council exporting waste out of district.

15 The Morrison Low Reports refer to these options respectively as Option 1, Option 8, and Option 12. This is because they are the three short-listed options selected from an initial long list of 13 options.

16 Based on current waste volumes to Green Island Landfill and current cost estimates for construction of Smooth Hill, Morrison Low's financial modelling over a 20-year period indicates that:

- a) The cheapest option is to build Smooth Hill alone. This is because, although Council has the full construction costs, it retains all gate revenue.
- b) The overall cost of disposal over 20 years (whole of life cashflow) is estimated to be approximately:
  - Build Smooth Hill alone: \$151 million
  - Build Smooth Hill in a 50:50 partnership with a private waste company: \$218 million
  - Export Dunedin's municipal waste out of district: \$296 million
- c) For the export option to become comparable to the cost of building Smooth Hill, the export provider's gate rates would need to be reduced to nearly half of that currently payable under the contract between Council and AB Lime.

17 The two key financial risks regarding Smooth Hill are the potential for a reduction in tonnage and/or an increase in construction costs.

18 Morrison Low's modelling indicates that:

- a) Exporting waste would be more expensive than building Smooth Hill, either alone or in partnership, even if Council were to receive no commercial tonnage at Smooth Hill.
- b) The estimated Smooth Hill construction costs would need to increase by approximately 70% for the cost of exporting waste to become comparable to the cost of building Smooth Hill.

- c) The option of a 50:50 partnership between Council and a private waste company becomes the cheapest option (over a 20 year period) if the volume of commercial waste received at Smooth Hill drops from 26,000 tonnes per annum to 21,000 tonnes per annum.
- 19 Morrison Low's modelling is based on a 20 year period. This is an industry standard as modelling becomes unreliable after this period. However, Smooth Hill is expected to last:
- a) Forty (40) years if current annual waste volumes continue; and
  - b) More than 70 years if the annual volume of waste is reduced to 35,000 tonnes per annum.

*Further details regarding the Morrison Low financial analysis*

- 20 The Morrison Low Reports compare the shortlisted options on a total cost of disposal basis (i.e., consolidation, bulk haulage and disposal costs, and excluding waste levy and ETS costs that are the same for all modelled options).
- 21 Bulk haulage costs have been modelled based on:
- a) An allowance of \$72 per tonne for transporting waste to the AB Lime Landfill in Winton; and
  - b) An allowance of \$17 per tonne for transporting waste to a landfill at Smooth Hill.

*Assumptions*

- 22 In completing its financial modelling, Morrison Low has needed to make certain assumptions, including the following:
- a) Morrison Low has assumed that the annual tonnage being delivered to the Green Island Landfill and then the Smooth Hill Landfill will be approximately as follows:

Waste source	Tonnes per annum
DCC waste:	35,000
<i>Kerbside collections (after recycling and organics diversion)</i>	<i>21,000</i>
<i>Green Island public transfer station</i>	<i>6,800</i>
<i>Wastewater treatment plant solids</i>	<i>7,000</i>
<i>Rural transfer stations</i>	<i>200</i>
Commercial waste:	25,900
<b>Total</b>	<b>60,900</b>

- b) Morrison Low has assumed that the initial cost of building a landfill at Smooth Hill will be approximately \$80 million. This cost is based on recent calculations by GHD using the Full Cost Accounting Model and includes a 20% contingency. This cost is for both the landfill itself and the associated access road from the State Highway. (Note: The draft budget for the 9 Year Plan allocated \$92.4 million for the landfill and access road. This is higher than the \$80 million estimated by GHD because an additional contingency has been allowed for unexpected ground conditions during construction (particularly the access road), additional design and compliance costs during detailed design, and subsequent contract variations).

- c) Morrison Low has assumed that the operation costs will be \$4 million per annum (using 2024 dollar values) to cover waste placement, environmental controls and landfill monitoring.
- d) For Smooth Hill, Morrison Low has assumed that the gate rates will be:
- i. For general waste - \$172.50 per tonne (plus waste levy plus ETS plus GST). The current charge for disposal of general waste at the Green Island Landfill is \$120.15 per tonne (plus waste levy plus ETS plus GST).
- For special waste - \$224.25 per tonne (plus waste levy plus ETS plus GST). The current charge for disposal of special waste at the Green Island Landfill is \$238.15 per tonne (plus waste levy plus ETS plus GST).
- e) For the export option, Morrison Low has assumed that the gate rates will be:
    - i. \$133 per tonne (plus waste levy, ETS and ETS margin, plus GST) for general waste; and
    - ii. \$342 per tonne (plus waste levy, ETS and ETS margin plus GST) for special waste.
  - f) Morrison Low has assumed that the Green Island Landfill will be used for the first 6 years of the 20-year assessment period.

23 Morrison Low's financial comparison of options is detailed in the table below:

Options	Option 1: 100% Council owned	Option 8: 50:50 partnership	Option 12: Out of District
Description	Closure of GI for landfilling by Jun-30. SH built and operated by DCC alone	Closure of GI for landfilling by Jun-30. SH built and operated by DCC entering 50:50 partnership with private operator	Closure of GI for landfilling by Jun-30. DCC transport council-controlled waste to out-of-district landfill (AB Lime)
NPV (\$million)	(89)	(103)	(120)
Whole of Life Cashflow 20-Year Total Cost (\$million)	(151)	(218)	(296)
Average Annual Cashflow (\$million)	(7.6)	(10.9)	(14.8)
Annual Rates Impact Average (\$million)	(4.8)	(9.3)	(14.8)
Capital Requirements 20 years (\$million)	(143)	(74)	(6)
Capital Requirements 10 years (\$million)	(97)	(51)	(6)

### *Cost controls and risk management*

- 24 There will be a project team established to ensure that there is a robust procurement and contract management process for Smooth Hill, and that all risks are appropriately managed.
- 25 Procurement will be through an open market tender process. This is likely to be a dynamic process, and there will be regular updates to Council, particularly if there are any indications of cost increases.

### **Concerns regarding transparency and process**

- 26 Some submitters expressed concerns regarding transparency and process.
- 27 Council is required to balance its commercial interests with requirements for transparency given the public interest in matters like Smooth Hill. In November 2024, Council had solid commercial grounds for considering certain material in non-public. Now, however, those grounds have changed and the full November 2024 report is provided publicly. This report shows the cost comparisons of building Smooth Hill versus exporting waste to the AB Lime Landfill.
- 28 Regarding process:
  - a) Council's Waste Futures project is following the Better Business Case model, which is the model developed by New Zealand Treasury and NZ Transport Agency Waka Kotahi for projects of this nature.
  - b) The aim of the Better Business Case process is to ensure a robust rationale for investment.
- 29 The process for Smooth Hill has included:
  - a) Council signing agreements to purchase the land at Smooth Hill in the 1990s.
  - b) Council designating the land at Smooth Hill as a proposed landfill in the 1990s and recording this in its planning maps.
  - c) Council establishing the Waste Futures project in 2019. This project included various interlinked workstreams, such as the detailed business cases, obtaining resource consents, planning for contingencies and preparing Waste Minimisation and Management Plans (WMMPs) etc.
  - d) Numerous technical and consultancy reports, including the Morrison Low Reports.
  - e) Numerous reports to Council and various community engagement activities.

### **Concerns regarding whether AB Lime has been adequately investigated as an alternative option**

- 30 Some submitters were concerned that there may have been inadequate consideration given to the option of exporting waste.
- 31 As set out in the November Report, the option of exporting waste has been fully investigated and evaluated over many years. The option of exporting is one the three shortlisted options which have been fully analysed by Morrison Low and staff.
- 32 In May 2022, Council issued AB Lime with a Request for Information (RFI) seeking information on a wide range of matters, including:

- a) Whether AB Lime would be able to take Council's wastewater sludges and/or general waste and/or hazardous and special waste and, if so, on what terms and conditions.
  - b) Whether AB Lime's Landfill would be a feasible alternative to Council building a landfill at Smooth Hill.
  - c) Whether AB Lime would be able to take waste from Council in the case of an emergency.
- 33 The RFI was issued to AB Lime so that Council could receive comprehensive pricing details from AB Lime, and also as a contingency for Council (eg if the Green Island Landfill capacity was exhausted before Smooth Hill is operational).
- 34 The RFI led to a contract dated 22 November 2022 between the Council and AB Lime (AB Lime Contract).
- 35 The AB Lime Contract included pricing and mechanisms for price increases. This information was used by Morrison Low to compare the option of building Smooth Hill against the option of exporting waste.
- 36 Morrison Low concluded that, based on current information, the export of waste is likely to be significantly more costly over the long term than building Smooth Hill.

### Environmental Concerns

- 37 Some submitters were concerned about various environmental matters, including the potential effects on Otokia Creek and Brighton Beach.
- 38 Environmental concerns were fully canvassed through the resource consent process that was undertaken between August 2020 and May 2023.
- 39 Some submitters raised the same concerns that they raised as part of the resource consent process. Those concerns were considered by the Independent Hearing Panel as part of the resource consent Hearing, and resource consents were granted with conditions aimed at addressing any potential environmental effects.
- 40 The resource consent conditions include:
- a) ***A Community Liaison Group (CLG) must be established to facilitate ongoing engagement between the consent holder and the community on the design, construction and operation of the landfill.***
  - b) ***An Independent Peer Review Panel (IPRP) must also be established to review design, construction, operation, and closure of the landfill.***
  - c) ***Three years of baseline groundwater, surface water, and freshwater ecology monitoring must be completed prior to construction. This monitoring will inform various management plans including the overall Landfill Management Plan that must be developed in consultation with the CLG and Te Rūnanga o Ōtākou.***
  - d) ***The landfill must be designed and constructed with a landfill liner to isolate landfill leachate, a leachate collection system, and leachate storage and management facilities to store leachate prior to removal from the landfill site.***

- e) ***A full detailed design report must be submitted to the IPRP and to the ORC for certification prior to construction.***
- f) ***During operation of the landfill, the conditions of consent:***
  - i. ***Impose limits on the site operating hours;***
  - ii. ***Establish waste acceptance criteria (including the requirement that to the extent practicable, putrescible waste be removed prior to placement of waste at Smooth Hill); and***
  - iii. ***Require covering of highly odorous waste within 30 minutes of placement at the landfill.***
- g) ***The operation of the landfill will also be subject to several requirements related to landfill fire prevention and detection, including that a person trained in landfill fire detection always supervises the active landfilling area during operating hours.***

*Concerns regarding bird strike*

- 41 Some submitters were concerned about a risk of bird strike given the proximity of Dunedin Airport to Smooth Hill.
- 42 ***This issue was specifically considered as part of the resource consent process for*** Smooth Hill. Expert evidence was provided on this topic, and a range of conditions were imposed on the consents by the Independent Hearing Panel to manage any risks.
- 43 In essence, a suite of conditions has been included in the resource consent to monitor and manage Southern Black Backed Gulls (SBBG). The conditions include preparation of a SBBG Management Plan within six months of the granting of consent (completed), monthly baseline bird monitoring to establish a baseline estimate of any bird-related risks around Dunedin Airport, completion of a full bird strike risk assessment at least six months prior to construction of the landfill, and preparation of a Landfill Operational Bird Management Plan. There are also escalating management interventions to manage the risk of birds establishing at the Landfill that are required to be followed, reported on and monitored.

*Concerns regarding strict nature of consent conditions*

- 44 Some submitters queried the viability of operating Smooth Hill given the strict resource consent conditions (eg in relation to bird management). Some submitters were concerned that the consent conditions would either be unworkable and/or costly.
- 45 A decision granting the resource consents was issued on 9 September 2022. At that time, Council staff and its consultants carefully reviewed the consent conditions to ensure that Council was satisfied that the consent conditions are workable and that they can be achieved at a reasonable cost. Staff are satisfied that the consent conditions are workable and that operational costs have been accurately budgeted as part of the 9 Year Plan process.
- 46 The Independent Hearing Panel commented that the resource consent conditions are modelled on a range of other modern landfills in New Zealand and represent best industry practice.



### **Concerns regarding alignment with waste management goals**

- 47 Some submitters were concerned that building a landfill at Smooth Hill does not align with Council's waste minimisation goals.
- 48 However, having a sufficient level of tonnage to provide revenue that funds the construction and operation costs of Smooth Hill is not necessarily inconsistent with Council's waste minimisation goals. For example, Council could focus on reducing current waste streams, but seek to broaden its catchment area. This is consistent with New Zealand having fewer but larger and better managed landfills.

### **Concerns regarding a potential reduction in tonnage**

- 49 Some submitters were concerned that a reduction in tonnage would create a financial risk, as there needs to be a sufficient level of annual waste to generate revenue to offset the initial capital costs of building a landfill and to cover operating costs.
- 50 This is a risk that will need to be managed. However:
- a) There are potential mechanisms to mitigate this risk, including Council seeking to broaden its catchment area, preserving the option to have a joint venture partner if it becomes apparent that this is desirable, and potentially incentivising a management contract for Smooth Hill.
  - b) Even if Council were to receive only its own waste, Morrison Low's modelling indicates (based on current information) that building Smooth Hill would still be cheaper over the long term than exporting waste.
  - c) Council expects that it will need to remove approximately 220,000 cubic metres from the old landfill at Kettle Park. This is likely to equate to more than 300,000 tonnes of waste.
  - d) While Smooth Hill is expected to last 40 years based on current annual tonnages, the life of Smooth Hill could be extended (up to 70 years) with lower tonnages.
- 51 AB Lime indicated that it may look to set up a transfer station in Dunedin so that it could take waste from Dunedin to its site in Winton, Southland. It is free to do so.
- 52 Like the Green Hill Landfill, the Smooth Hill Landfill would have a commercial landfill operator. Council would explore all options with its commercial operator to ensure that Smooth Hill is run efficiently and cost effectively, with Dunedin's long term goals in mind (which are partly financial and partly non-financial).

### **Reasons for Smooth Hill and concerns regarding the export of waste**

- 53 Some submitters supported the development of Smooth Hill and/or expressed concerns regarding the export of waste. For some:
- a) Operating a landfill is seen as a core Council function.
  - b) The export of waste is seen as being inefficient, risky and an unsustainable way of dealing with Dunedin city's waste, both in financial and environmental terms.
  - c) Smooth Hill already has resource consent, showing that the environmental considerations have already been considered.

- d) The development and operation of Smooth Hill will allow Council to retain financial and environmental responsibility for the management of the city's waste.

### Other matters

- 54 During the 9 Year Plan Hearings, it was suggested that the Council pause the development of Smooth Hill. It was also suggested that there could perhaps be a trial period for the export of waste. Council has sent some waste to AB Lime, but the volume has been a relatively small waste stream compared to the city's total waste volumes.
- 55 One matter that Council will need to bear in mind is the lapse date for the Smooth Hill consents. The consents will lapse in 2033 if:
- a) the consents are not given effect to before that date; or
  - b) an application has not been made and granted to extend the lapse date.
- 56 The words "given effect to" do not mean that the landfill must be operating by that date but something substantial would be expected to give effect to the consents. The ORC has discretion whether to lapse the dates on the consents but must consider certain matters such as whether substantial progress or effort has been, and continues to be, made towards giving effect to the consents.

### OPTIONS

- 57 The options were fully canvassed in the reports to Council on 25 November 2024. They are therefore not repeated here.

### NEXT STEPS

- 58 If Council confirms its decision to build Smooth Hill alone, then budget of \$92.4 million will be confirmed in the 9 Year Plan 2025-34.

### Signatories

Author:	Chris Henderson - Group Manager Waste and Environmental Solutions Karilyn Canton - Chief In-House Legal Counsel
Authoriser:	

### Attachments

	Title	Page
<a href="#">⇒A</a>	November Report - Waste Futures - Commercial Matters <i>(Under Separate Cover 1)</i>	
<a href="#">⇒B</a>	Extract from 9-year plan - A new city landfill at Smooth Hill <i>(Under Separate Cover 1)</i>	
<a href="#">⇒C</a>	Summary of Submissions <i>(Under Separate Cover 1)</i>	

**SUMMARY OF CONSIDERATIONS**
***Fit with purpose of Local Government***

This decision enables democratic local decision making and action by, and on behalf of communities. This decision promotes the social, economic, environmental, and cultural well-being of communities in the present and for the future.

***Fit with strategic framework***

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Economic Development Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Environment Strategy	✓	<input type="checkbox"/>	<input type="checkbox"/>
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
3 Waters Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Spatial Plan	✓	<input type="checkbox"/>	<input type="checkbox"/>
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	✓
Other strategic projects/policies/plans	✓	<input type="checkbox"/>	<input type="checkbox"/>

The Waste Futures Project contributes to the Environment Strategy by enabling a robust evaluation of potential options for Council to continue to ensure effective reduction and management of solid waste to achieve the goals set out in its WMMP, and its Carbon Zero Policy.

***Māori Impact Statement***

Mana whenua have been identified as a stakeholder in the Waste Futures project and have been engaged during the Better Business Case options development phase, and the resource consenting processes for both the Smooth Hill Landfill and the Green Island Landfill. Mana whenua do not support the export of waste out of district. This has been stated as being unacceptable to mana whenua (as per Mr Ellison's evidence to the Smooth Hill Hearing on behalf of Te Rūnanga o Ōtākou).

***Sustainability***

The Council's overall objective for the Waste Futures project is to ensure effective reduction and management of solid waste to achieve the goals set out in Council's WMMP. Council's new kerbside collection service and Resource Recovery Park have been designed to assist in meeting Council's waste minimisation goals. Having a sufficient level of tonnage to provide revenue that funds the construction and operation costs of a landfill is not necessarily inconsistent with Council's waste minimisation goals. For example, Council could focus on reducing current waste streams, but seek to broaden its catchment area.

***LTP/Annual Plan / Financial Strategy /Infrastructure Strategy***

If Council confirms its decision to build Smooth Hill alone then \$92.4 million will be included in the 9 Year Plan 2025-35 for adoption by 30 June 2025.

***Financial considerations***

The financial considerations are discussed in the body of this report and the report to Council on 25 November 2024 (as attached to this report).

## **SUMMARY OF CONSIDERATIONS**

### ***Significance***

The decision is considered medium to high in terms of the Council's Significance and Engagement Policy. Smooth Hill and the associated funding of \$92.4 million was included in the 9 Year Plan consultation document.

### ***Engagement – external***

Smooth Hill has been discussed widely for many years. The previous 10 year Plan consultation document included commentary on Smooth Hill. The resource consent process for Smooth Hill was a fully notified public process. There has also been a community liaison group established as part of the consent process and that group has been formed and is meeting. There have been discussions with AB Lime Limited, including for a contract between Council and AB Lime Limited.

### ***Engagement - internal***

There has been extensive internal engagement for the Waste Futures project, including Waste and Environmental Solutions, Legal Services, Finance, Transport, 3 Waters, Communications and Marketing.

### ***Risks: Legal / Health and Safety etc.***

Legal advice has been undertaken on the various components of the Waste Futures Project to ensure statutory compliance and minimisation of legal risks.

### ***Conflict of Interest***

There are no known conflicts of interest.

### ***Community Boards***

Both the current landfill site at Green Island and proposed landfill site at Smooth Hill are of particular interest to the Saddle Hill and Mosgiel Taieri Community Boards. There have been periodic updates to these Community Boards. The Saddle Hill Community Board submitted as part of the 9 Year Plan 2025-34 consultation process, opposing the construction of Smooth Hill Landfill. The Chair of the SHCB is the current Chair of the Community Liaison Group established as part of the resource consent conditions.