

**BEFORE THE HEARING PANEL**

**IN THE MATTER** of the Resource Management Act 1991

**AND**

**IN THE MATTER** of Private Plan Change 20: Titanium Park Limited and Rukuhia Properties Limited - Airport Northern Precinct Extension

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**STATEMENT OF EVIDENCE OF GREGORY MICHAEL AKEHURST**

**(ECONOMICS)**

**Dated 7 March 2023**

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## INTRODUCTION

1. My full name is Gregory Michael Akehurst.
2. I have a Bachelor of Arts, majoring in Geography and a Bachelor of Commerce, majoring in Economics from the University of Auckland. I am a Director of Market Economics Limited (**ME**), an independent research consultancy. I have more than 24 years of consulting and project experience, working for commercial and public sector clients.
3. I have developed models to assess community needs and assess allocation networks set up to meet those needs. I have previously given expert witness evidence in a number of local government hearings, the Environment Court and provided affidavits as an expert for the High Court in the area of development contributions (**DCs**).
4. I was Auckland Council's expert witness with respect to commercial land requirements during the formulation of the Auckland Unitary Plan providing evidence with respect to the volume and distribution of commercial centres and industrial land needs.
5. I drafted MBIE's guidance document for local councils needing to meet the National Policy Statement for Urban Development Capacity (**NPS-UDC**) requirements in respect of providing capacity for business land for economic growth. I subsequently carried out assessments of non-residential capacity and sufficiency of provision for the Future Proof Partners, Queenstown Lakes District and oversaw these assessments in Auckland Council, Selwyn District and Waimakariri District under the NPS-UDC.
6. I have recently completed assessing non-residential land sufficiency for the Future Proof Partners under the National Policy Statement on Urban Development 2020 (**NPS-UD**) and have overseen the assessments in

Rotorua District, Queenstown Lakes District, Tauranga City, Napier City, Hastings District, and Matamata Piako District under the NPS-UD.

7. These projects are directly relevant because in each one an assessment of demand in terms of employment, land and Gross Floor Area (**GFA**) is required as a basis for determining sufficiency at a reasonably granular level.
8. I have significant experience in understanding Councils' Rating and Development Contribution systems and requirements, having provided evidence on behalf of both developers and Councils in New Zealand's leading cases on DCs.
9. In terms of my role in this hearing, I have provided advice to Hamilton City Council (**HCC**) on Proposed Plan Change 20 (**PC20**) and have prepared this statement of evidence on the basis of that advice, analysis and review of the Insight Economics report in support of PC20, Waipa District Council's Section 42A report on PC20 and the Joint Witness Statement (Economics).

#### **CODE OF CONDUCT**

10. I have read the Environment Court Code of Conduct for expert witnesses contained in the Environment Court Practice Note 2023 and agree to comply with it. I confirm that the opinions expressed in this statement are within my area of expertise except where I state that I have relied on the evidence of other persons. I have not omitted to consider materials or facts known to me that might alter or detract from the opinions I have expressed.

#### **SCOPE OF EVIDENCE**

11. My statement of evidence focuses on:

- a) Assessing the proposed retail provisions of PC20 in terms of how they will facilitate retail development within the Northern Precinct, how they are likely to generate impacts on the existing centre network, and how they will work in combination with the ancillary retail provisions proposed.
  - b) Propose a potential solution to the issues raised.
  - c) A discussion of the strategic importance of the Airport location of the PC20 land using location quotients, and the agglomeration benefits of strategically developing the land to match the growing importance of the airport as a regional and international transport hub.
  - d) A discussion of the ancillary retail provisions of PC20.
12. Finally, I provide my view of the evidence provided in support of PC20 by Mr Fraser Colegrave, before drawing key conclusions.
13. Where relevant, I have provided comment on the Section 42A Report as it relates to the key areas I have covered.

#### **EXECUTIVE SUMMARY**

14. The key conclusions I reach in my assessment include:
- a) The retail provisions outlined in proposed PC20 allow an excessive amount of retail to establish in the Industrial Zone.
  - b) I recommend that the 5,000m<sup>2</sup> cap be reduced to around 1,000m<sup>2</sup>. Any additional retail must be trade focused and able to be developed in line with local business demand, in order for The Hub to be appropriately scaled. I note that this assessment has not been provided by the applicant.

- c) Allowing up to 50% of GFA developed on the industrial land to be ancillary retail will generate significant adverse effects on existing centres vibrancy and vitality. Especially in combination with the stand-alone retail. This should be set at 10% or have a per site cap of 100m<sup>2</sup>.
- d) In addition, allowing this much retail to develop on strategically important airport co-located Industrial land is a highly inefficient use of a scarce resource.
- e) Taking a strategic view of land use has the potential to achieve agglomeration economies of high value industrial and logistic activities across the PC20 land. This is potentially compromised through consumption of that land for retail activities and the traffic flows, people activity and reverse sensitivity issues that will arise from the retail development.
- f) Hamilton Airport is a strategic asset for the entire sub-region. It deserves to be developed with a strategic eye on the shape of both the future local spatial structures and future economy.

#### **RETAIL DEMAND ANALYSIS APPROACH**

- 15. Development of land around Hamilton Airport represents a significant opportunity for the wider sub-region to benefit from the high value transportation options the Airport offers. Airport land is a scarce commodity that needs to be managed to maximise the benefits it delivers the entire sub-region. Co-location of high value manufacturing, wholesaling, distribution and other logistics operations will ensure that the opportunity is maximised.
- 16. However, the development has potential, if inappropriately managed, to fall short of this ideal by allowing the land to be used within very wide

parameters. This potentially sees activities locating on the PC20 land that do not contribute to the high value airport land opportunity.

17. One of the key sectors that might seek to locate on this land to meet wider sub-regional needs is retailing. Therefore, the provisions controlling land use on the PC20 land need to carefully balance the role retail plays in industrial developments within the wider development opportunity while ensuring that the unintended consequences of retail development here, does not adversely impact existing or planned future centres within the wider sub-region.
18. This is recognised in the introduction of the Proposed Plan Change where it states that the land around the airport is gradually developing into a strategic industrial node catering for a wide range of industrial, business and **supporting retail activity** [emphasis added]. PC20 recognises retail's role as supporting the industrial and business activity.
19. However, the provisions as currently drafted in PC20 offer little reassurance that the retail provided for is simply 'supporting' the other activity. Significantly higher retail GFA is provided for than is required to meet the daily needs of workforce, businesses and visitors within the PC20 area. In addition, the provisions include an allowance for ancillary retail activities which is unconstrained in terms of GFA.
20. To adequately assess the level of retail demand that arises from the businesses and workers within the industrial PC20 land (from within the Northern Precinct), it is best to use a 'bottom-up approach'. Bottom up means starting with an estimate of employment numbers, then estimating daily spend whilst at work on convenience retail and food. This approach is widely recognised by economic retail experts as useful to establish an evidence base. It is important to note that the Economics report, prepared by Insight Economics, in support of PC20, provides no retail demand analysis to support the proposed 5,000m<sup>2</sup> GFA retail cap.

21. Instead, the Insight Economics report simply rolls over the provisions that governed the existing Airport land to cover the Northern Precinct without adequately assessing if they were fit for purpose.
22. The first step in generating an estimate of retail GFA required is to estimate the level of future employment within the Northern Precinct. I have based this on industrial land per employment ratios taken from the 2021 Business Development Capacity Assessment (BDCA) work produced by ME for Future Proof Partners. An industrial land per employment ratio is applied to land available for development within the Northern Precinct to generate estimates of the number of potential workers. Next, annual spend per worker and annual business spend per worker ratios are applied to estimated future workers to generate estimates of total retail spend likely to be sustained here.
23. The final step is to apply a retail sales productivity (dollars per sqm) to the total retail spend in order to generate an estimate of the quantity of retail space required or able to be sustained by the future workers and businesses within the PC20 land.
24. The following is a list of assumptions which underpin my analysis:
  - a) PC20 enables the expansion of the Northern Precinct from 41ha to 130ha. In terms of developable land, around 70% or 91ha of the Northern Precinct is developable land.
  - b) Industrial land per employment ratios are applied to land ready for development/parcel ready.
  - c) Annual convenience retail spend per worker and business spend per worker ratios are drawn from ME's in-house retail models using the latest available datasets provided by Statistics NZ (Household Economic Survey, Retail Trade Survey).

- d) Types of convenience retail most likely co-locate with industrial development are; food and beverage (cafes, restaurants and takeaway food services), specialised food retailers (bakeries, liquor stores, fresh fruit and veg, butchers), and supermarket and grocery (this includes small footprint grocery and dairies).
- e) For this assessment we have used a retail productivity of \$7,000/m<sup>2</sup> to reflect convenience retail store productivities.

### **POTENTIAL EMPLOYMENT NUMBERS IN THE NORTHERN PRECINCT**

- 25. Based on industrial land per employment ratios (discussed above), we estimate future workers in the Northern Precinct to be somewhere between 1,710-2,820 once fully developed.
- 26. There is a discrepancy between potential employment numbers for the Northern Precinct in the Insight Economics Report (authored by Mr Colegrave) and those indicated by Mr Colegrave during the caucusing session. The Insight Economics Report estimates the additional 90ha (of which 63ha is developable) of Airport Business Land enabled by the rezoning will yield around 189,000m<sup>2</sup> of GFA, potentially creating 1,440 jobs (pg. 41, section 11.3 paragraph 1; pg. 42 bullet point 2). That level of employment is equivalent to around 438m<sup>2</sup> per worker and suggests a total of 2,080 workers could be accommodated within the Northern Precinct (Figure 1). However, during caucusing, Mr Colegrave indicated a total of 3,500 workers could be accommodated within the Northern Precinct. That is equivalent to 323m<sup>2</sup> per employee, a much higher land per worker ratio than what the economic report suggests.
- 27. Figure 1 highlights the differences between employment estimates indicated by Insight Economics and those generated by ME. For the total proposed Airport Business Zone, future potential employment is estimated at around 3,390-5,590 workers by ME which is equivalent (at the lower end



of the scale) to the estimate of workers (3,500) for the Northern Precinct only, as indicated by Mr Colegrave.

*Potential Employment in Total Airport Business Zone and the Northern Precinct*

	Total Airport Business Zone (ME)	PC20 Northern Precinct Expansion		
		ME	Insight Economics Report	Fraser Colegrave (caucusing)
Land area (ha)	257	130	130	130
Developable land (ha)	180	91	91	113
Employment	3,390-5,590	1,710-2,820	2,080	3,500

### DEMAND FOR CONVENIENCE RETAIL

28. Future employment numbers within the Northern Precinct are the driving force behind demand for daily retail spend to be met by a convenience retail offer. Annual spend per worker and annual business spend per worker estimates are applied to estimated future workers to get total retail spend. Once retail productivity is applied to total retail spend, the quantum of convenience retail required by future workers is between 600-1,000m<sup>2</sup> of GFA.
29. This is significantly less than the amount sought within PC20.

### PROPOSED PC20 RETAIL CAP

30. The proposed retail cap enabled by PC20 for the Northern Precinct is 5,000m<sup>2</sup> of retail GFA – at least 5 times the amount required to meet the daily needs of businesses, workers and visitors. The potential effect of this discrepancy is that retailers seeking to locate there will be looking to pull retail trade from outside of the industrial area.
31. Another way of assessing whether 5,000m<sup>2</sup> is in keeping with demand is to work it out as though the entire amount of retail space is to be supported

by the local workforce and businesses. Assuming all the retail GFA cap was developed, retail sales would be equal to some \$35m (at \$7,000/sqm). Using the level of potential future workers (2,210 workers) as indicated by Mr Colegrave in his evidence (as opposed to his figures discussed in caucusing), each worker would need to spend approximately \$300 every week to sustain the 5,000m<sup>2</sup> of retail GFA.

32. A weekly retail spend of \$300 per worker on convenience goods and food services is extremely high (\$60 per day assuming a 5 day working week) and completely unrealistic in the context of convenience retail. A 5,000m<sup>2</sup> cap of pure convenience retail is unlikely to be supported by the level of employment as indicated by Mr Colegrave.
33. Regardless of how the amount of demand is estimated, 5,000m<sup>2</sup> is far in excess of that required to fulfil a supporting role the PC20 applicants are seeking. The fact that it sits at least 5 times the amount required means there is significant potential to pull trade from the surrounding catchments means that the Officers comment in the Section 42A report, that “5,000m<sup>2</sup> Retail GFA cap to ensure it does not adversely affect other retail centres” simply does not hold.

#### **POTENTIAL SOLUTION**

34. The retail cap should reflect the level of retail demand by future workers and businesses within the Northern Precinct. A potential solution to the proposed retail cap is to split the existing retail into two components - convenience retail and trade retail.
35. The convenience retail portion would represent an appropriate quantum of space required by future workers and businesses within the Northern Precinct. Based on our bottom-up retail demand analysis, an appropriate convenience retail cap is somewhere between 600-1,000m<sup>2</sup> of retail GFA

which would be supported by the level of retail activity generated by worker force and businesses.

36. Any additional stand-alone retail (to be located at The Hub) would need to be trade focused retail only to meet the needs of local businesses. The degree to which this can occur, needs to be assessed.
37. Trade retail will be important for the industrial area but will not adversely impact the surrounding centres (existing and future planned) as trade retail is not focused on household consumption. Therefore, will not be present in existing centres, nor be planned for new centres.
38. It will be important for the applicant to determine the amount of supportable trade retail GFA in this location, in order to ensure that the total retail footprint of "The Hub" is appropriately sized. At present there is no analysis provided as to a supportable demand for trade retail, therefore there is no way of knowing whether "The Hub" is sized correctly to meet local needs or whether it is consuming land that could be used for higher value productive activities.
39. To give effect to the split retail cap, it would be necessary to provide a definition and identify what types of activities are included in 'convenience retail' and 'trade retail', within the planning provisions. For example, in the Christchurch District Plan the definition for retail activity includes food and beverage outlets, second-hand goods outlets, food courts and commercial mail order or internet-based transactions. It excludes trade suppliers, yard-based supplies and service stations. Trade retail should include things such as, but not limited to; industrial clothing and safety equipment suppliers, farming and agriculture suppliers and marine suppliers.
40. By making this distinction PC20 can fulfil its objectives of providing retail to meet the needs of day-to-day visitors and provide trade retail for business needs, while not impacting on current or planned future centres within the sub-region. It may also enhance the functionality of the site as it will

minimise households based vehicle trips into a strategically important industrial node.

### **STRATEGIC IMPORTANCE OF THE SITE**

41. Hamilton Airport and surrounding industrial land is a strategic regional economic land resource, centrally located between Hamilton, Cambridge and Te Awamutu. Over time, the Airport's importance as a gateway to the city will increase and it has the potential to become a significant export hub. The land surrounding Hamilton Airport, known as Titanium Park, is a developing business park which caters for a range of industrial, commercial and some retail activities. Careful management of the type and nature of activities that locate there will be important to ensure that the Airport's potential is maximised in terms of what it is able to deliver to the wider region.
42. Airports directly or indirectly attract relevant industries that rely on air transport such as aviation services, manufacturing, freight transport services and other logistical functions. They can also be the base for developing high tech industries that take advantage of high value national and international air links facilitated by the airport and the co-location opportunities with other like businesses. The make up of activities that locate on industrial land around Auckland and Christchurch Airports which are well established international trade and people movement hubs, provides insights into the types of high value industrial and commercial activities that choose to locate near airports. The clustering of activities near airports generates co-location economic benefits or agglomeration benefits for businesses in terms of reduced friction, and improved costs and efficiencies.
43. Agglomeration economies are described as the positive relationship between economic scale and density and productivity. They are effectively

the positive externalities of urban scale and density and arise as a result of economic activity occurring in concentrated fashion.

44. According to Fujita, Krugman and Venables (*The Spatial Economy*, 2001), agglomeration arises as a result of increasing returns at both the firm level and city level. They identify three main “micro-foundations” for agglomeration:
  - a) Geographically concentrated industries can support specialised local providers of inputs and better supply-chain linkages.
  - b) Concentrations of firms employing similar types of workers can support labour market pooling, which enables better skill matches.
  - c) Geographic proximity facilitates the spread of information (knowledge spillovers).
45. Economic theory and evidence suggests that both increased urban scale and increased employment density can foster agglomeration. Maré (2008) and Maré and Graham (2009)<sup>1</sup> provide New Zealand-specific evidence on agglomeration, finding evidence for an “Auckland productivity premium” and for a positive relationship between employment density and productivity.
46. Economic research into agglomeration shows that:
  - a) Both urban scale (i.e. total size of labour market area) and density (i.e. proximity to surrounding firms) are correlated with higher productivity.
  - b) Agglomeration elasticities vary between industry sectors – they are consistently highest in knowledge-intensive service sectors such as

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<sup>1</sup> *Agglomeration Elasticities in New Zealand*, (June 2009), Motu Working Paper No. 09-06.

finance and professional services, and lowest in manufacturing and transport and logistics.

- c) Studies of agglomeration have shown that there is endogeneity between changes to density and changes to productivity – in simple terms, density leads to increased productivity, and productivity leads to greater density (Graham, Melo et al, 2010) – it follows that concentration of activities into centres is a more economically productive outcome for the city than dispersed activity, thereby supporting a centres based strategy.
  - d) There is also some evidence that both physical proximity and accessibility via transport can result in agglomeration economies, however these effects have not been extensively studied in New Zealand.
47. In light of the theory and evidence for agglomeration economies, and also the uncertainty associated with the precise causal mechanisms through which they work, Alan Bertaud (Senior Research Scholar at the NYU Stern Urbanisation Project) in his presentation to Treasury in 2014, recommended that urban planners focus on ensuring good employment accessibility for residents. This is best achieved by the concentration of employment activities in a network of defined centres and industrial areas, connected by efficient transport and roading networks. This ensures that;
- a) Businesses to be able to transport goods and provide services to each other.
  - b) Workers to be able to access a range of jobs.
  - c) People to be able to meet and exchange knowledge as well as fulfilling their household and personal needs.

48. Agglomeration economies are the driving force behind city formation, they also operate at local levels driving the formation of centres within the urban environment and are the mechanism behind centres being the most productive economic engines within the urban economy.
49. Agglomeration economies operate across all sectors to different degrees, but are prevalent in retail (as evidenced by the concentration of retail into clusters as opposed to being evenly distributed across the city) and the higher order professional, business and technical service sectors.
50. This is important for a strategic view of the land surrounding Hamilton Airport, as facilitating agglomeration economies across this land will maximise benefits received across the region.
51. Auckland and Christchurch Airport serve both the domestic and international market and therefore these sites are able to capture a wider range of high value industrial activities. Figure 1 presents the current (2022) employment structure around Auckland, Christchurch and Hamilton Airports. The bulk of employment is concentrated within the transport, postal and warehousing sector, 42% of total employment around Auckland Airport and 38% around Christchurch Airport. Wholesale trade and manufacturing employment represent the next largest employment sectors around Auckland Airport, 16% and 15% respectively. For Christchurch, manufacturing is the second largest employer at 17%.

Figure 1: Employment structure and location quotient – Auckland Christchurch and Hamilton Airports, 2022

ANZSIC sector	Employment Structure			Location Quotient		
	Auckland Airport	Christchurch Airport	Hamilton Airport	Auckland Airport	Christchurch Airport	Hamilton Airport
Agriculture, Forestry and Fishing	0.0%	0.9%	0.5%	0.03	0.15	0.05
Mining	0.0%	0.1%	0.0%	0.59	1.07	0.02
Manufacturing	14.8%	16.6%	52.1%	1.66	1.53	4.76
Electricity, Gas, Water and Waste Svcs	0.3%	0.0%	0.0%	0.50	-	-
Construction	0.9%	3.7%	3.0%	0.09	0.33	0.27
Wholesale Trade	15.6%	7.0%	8.2%	2.27	1.41	2.27
Retail Trade	3.4%	5.0%	1.0%	0.37	0.52	0.11
Accommodation and Food Svcs	4.2%	4.7%	3.2%	0.68	0.79	0.50
Transport, Postal and Warehousing	41.8%	38.3%	7.8%	9.31	9.53	2.52
Information Media and Telecomms	0.3%	0.1%	0.0%	0.13	0.10	-
Financial and Insurance Svcs	0.6%	0.9%	0.1%	0.16	0.45	0.05
Rental, Hiring and Real Estate Svcs	2.3%	4.3%	0.5%	1.00	2.07	0.26
Professional Svcs	1.3%	5.8%	13.4%	0.11	0.68	1.82
Administrative and Support Svcs	4.0%	0.1%	0.2%	0.65	0.03	0.05
Public Administration and Safety	8.2%	7.4%	6.7%	1.98	1.76	1.61
Education and Training	0.4%	1.5%	1.9%	0.06	0.20	0.25
Health Care and Social Assistance	0.5%	0.2%	0.0%	0.05	0.02	-
Arts and Recreation Svcs	0.3%	0.8%	0.0%	0.17	0.43	-
Other Services	0.9%	2.8%	1.5%	0.26	0.75	0.43
Total	100.0%	100.0%	100.0%	1.00	1.00	1.00

52. Currently, manufacturing employment accounts for over half (52%) of total employment around Hamilton airport. This is followed by professional services (13%), wholesale trade (8%) and transport, postal and warehousing (8%). Compared to the employment structure around Auckland and Christchurch Airport, Titanium Park's share of employment within transport, postal and warehousing is fairly small. There is additional room for growth in employment within this sector for Titanium Park.

53. Figure 1 also shows the location quotients for Auckland, Christchurch and Hamilton Airport. Location quotients reflect the degree of importance the location is to the sector concerned. Auckland and Christchurch Airport have a very high location quotient ( $LQ > 9$ ) for employment within the transport, postal and warehousing sector which indicates the sector is highly concentration at these two airports. Around Hamilton Airport, manufacturing employment has the highest concentration ( $LQ = 4.8$ ). To a lesser extent, Hamilton Airport exhibits concentrations of transport, postal and warehousing ( $LQ = 2.5$ ) and wholesale trade ( $LQ = 2.3$ ) employment. For



those sectors which show high concentrations of employment, it can be understood that the airport is important for the efficient and effective functioning of those sectors.

54. Within the development precinct of Christchurch Airport, the Christchurch District Plan limits permitted industrial activities to freight depots, light manufacturing and servicing, repair and maintenance services, and warehouse and distribution activities (13.3.4.1.1(P15)). These represent examples of the types of industrial activities which Titanium Park could seek to attract within the Northern Precinct.
55. Titanium Park is strategically located adjacent to Hamilton Airport and acts as a key gateway to Hamilton City and the Waikato. Attracting industrial activities that are high value and will benefit from co-locating next to Hamilton Airport will leverage the strategic positioning of the Northern Precinct, maximising the economic potential of the site.
56. Figure 2 presents a more detailed breakdown by sector for land around Auckland, Christchurch and Hamilton Airports. Location quotients highlighted in red indicate those activities that are less concentrated around the respective airports or have no presence at all. Identifying the types of activities that are not concentrating (currently) around Hamilton Airport (in comparison to Auckland and Christchurch) is an important guide for future development of Titanium Park as a strategic regional economic resource.
57. Key high value activities that are less concentrated (those that have a  $L.Q.<2$ ) or missing ( $L.Q.=0$ ) from around Hamilton Airport include; courier pick-up and delivery services, postal services, freight forwarding services and data processing and web hosting services. These are the types of activities Titanium Park could look to attract.
58. Currently there is a sense that first movers into the Airport surrounds including farm machinery wholesale (for example) are not the types of

activities that strictly benefit from an airport surround. They simply benefit from the additional land made available. By taking a strategic position with respect to the PC20 land will generate significant sub-regional benefits.

Figure 2: Key sectors at 6-digit industry classification - Auckland, Christchurch and Hamilton, 2022

6 Digit ANZSIC sector	Location Quotient		
	Auckland Airport	Christchurch Airport	Hamilton Airport
Airport operations and other air transport support services	64.8	32.1	212.0
Aircraft manufacturing and repair services	40.9	35.8	162.1
Air and space transport	49.0	35.5	60.2
Investigation and security services	6.9	4.9	14.4
Courier pick-up and delivery services	6.0	20.0	1.2
Agricultural and construction machinery wholesaling	1.5	4.0	12.9
Newspaper and book retailing	1.6	4.5	9.8
Other grocery wholesaling	0.4	3.4	7.3
Adult, community and other education n.e.c.	0.0	2.2	5.3
Accommodation	2.2	1.5	2.6
Passenger car rental and hiring	18.1	27.3	0.3
Postal services	8.2	20.6	-
Freight forwarding services	12.6	7.8	-
Data processing and web hosting services	2.9	4.2	-
Fish and seafood wholesaling	1.8	4.2	-
Petroleum product wholesaling	1.9	2.1	-
Central government administration	6.1	2.0	-
Liquor and tobacco product wholesaling	2.7	1.9	-

## ANCILLARY RETAIL

59. Ancillary Retail is defined as retail activities that are ancillary to the main activity that occurs on the site. I note that in Hamilton, ancillary retail is set to be no more than 50% of the primary GFA of the site. This is significantly higher than other large urban areas in New Zealand where ancillary retail is set at either 10% (in the case of Auckland and Wellington) or in the case of other areas, at a higher percentage, but with an absolute cap limit. In Christchurch, for example, the provisions allow for 25% of GFA up to a maximum of 250sqm GFA for ancillary retail. Tauranga City differentiates between Industrial Zones in general where the limit is 250sqm GFA and Tauriko Industry Zones where the limit is 100sqm GFA.
60. These provisions limit the ability of business owners to develop significant retail in industrial areas. Allowing large format retail to develop in

industrial areas in this manner has the potential to be significantly detrimental to existing centres by drawing trade away and limiting their growth potential, ultimately undermining their role and function. It also limits the industrial potential of a strategically important asset (Hamilton Airport industrial land).

61. Applying limits for ancillary retail on the industrial land supports other provisions within proposed PC20 that seek to limit retail within the Northern Precinct in order to avoid impacts on existing or planned centres (notwithstanding that the detail of those provisions do not necessarily meet that objective).
62. It would achieve a perverse outcome if the retail cap that was applied to stand alone retail was successful in minimising impacts on surrounding centres, only for the ancillary retail provisions to completely undermine it by facilitating a large amount of large format retail across the Northern Precinct.
63. Larger format retail locating in the industrial precinct would have large catchments that extended well beyond meeting the needs of local workers, businesses and visitors. In effect allowing for larger scale retail activities has the potential to disenfranchise the purpose of the industrial zones and impact on the qualities and amenities anticipated within those areas.
64. It is clear that the Northern Precinct is not well located to meet current or future household retail needs, which would result in significant additional car-based travel to access. In addition, should larger format retail develop within the Northern Precinct under the guise of 'ancillary retail' then it removes the opportunity for those same brands to establish within the existing or future centres network.
65. Larger scale retail activities in the industrial precincts also have the potential to generate reverse sensitivity effects on the surrounding

industrial activities, making the ability to carry out normal business operations more difficult than they should be.

66. Most other large urban jurisdictions recognise the importance of limiting ancillary retail to a truly ancillary component of the main activity based on the potential effects allowing free reign might have on existing and planned future centres and the effects that arise through retail activity consuming scarce industrial land.
67. There is nothing unique about Hamilton Airport or the wider Hamilton economy that would indicate a different position is justified here. The same forces are at work and the same potential outcomes would occur if the proposed ancillary retail position was maintained. For that reason I support the 10% cap.

#### **APPLICANT'S ECONOMIC EVIDENCE**

68. In paragraph 66 of his evidence, Mr Colegrave notes (correctly) that PC20 includes retail provisions "to meet the daily needs of workers, businesses, and their customers/suppliers". He notes that enabling 5,000m<sup>2</sup> of non-ancillary retail subject to certain condition (around tenancy size and location) will achieve this while not adversely impacting on the vibrancy and vitality of other centres in the sub-region.
69. Mr Colegrave then proceeds to model a 'scenario' centre to assess its potential effects that includes a significant amount of retail GFA completely unrelated to meeting the "daily needs of workers, businesses and their customers". This includes 250m<sup>2</sup> of clothing and apparel, 500m<sup>2</sup> of electrical and electronic goods, 250m<sup>2</sup> of furniture, floor covering and textiles, 500m<sup>2</sup> of hardware along with 250m<sup>2</sup> of pharmaceutical and 250m<sup>2</sup> of recreational goods retailing.

70. This level of retail enablement in these categories is far more like a Local Centre structure than the convenience role that retail should play in the Northern Precinct.
71. It is especially important to view the 5,000m<sup>2</sup> in combination with the significant retail enablement allowed for under the ancillary retail provisions sought. If substantial ancillary retail were to establish either side of The Hub, a quasi-centre much larger than envisaged could develop.
72. Shoppers would not care that the ancillary retail was not strictly considered part of the centre, they would utilise it as though it were. The Industrial retail operators would benefit from the colocation with the Hub, and any potential parking and the impacts on surrounding centres (planned and currently present) would be significantly higher than Mr Colegrave has modelled.
73. Assuming two large stores – one electrical goods retailer at 5,000m<sup>2</sup> and one in the hardware sector at 5,000m<sup>2</sup> and also assuming a linear impact relationship on Peacockes, then the impact rises to 4%. If more ‘industrial’ activities decided to devote similar levels of their built space to ancillary retail the numbers grow rapidly higher. If four stores established as ‘ancillary’ the impacts rise to almost 9%.
74. While these impacts are not hugely damaging at the retail centre plus four stores level, the ancillary retail provisions offer no control as currently drafted. It is entirely possible for a large format retail centre to develop within the Northern Precinct under the provisions as currently drafted.
75. As Mr Colegrave notes at paragraph 34, the PC20 land is less than 3 km from Hamilton and 2km from the large growth node of Peacocke. The retail offer at The Hub and surrounds, has the potential to become highly attractive to Peacocke residents, causing significant loss of vibrancy and vitality to the Peacocke Suburban/Local centre and removing the possibility that those similar stores may choose to locate within Peacocke.

76. Finally, Mr Colegrave states in paragraph 92, that he is not aware of any data or evidence that might support a position that limits ancillary retail to 10%. If Mr Colegrave casts his mind back to the Auckland Unitary Plan hearings, he will find that this issue was debated, and it was settled that Retail accessory to an industrial activity on the site where the goods sold are manufactured on the site does not exceed 10% of all buildings.
77. Also, as I have outlined above, the other large urban economies in New Zealand all have provisions that limit ancillary retail to be exactly that – ancillary to the main activity at around 10% or a GFA amount, usually 100m<sup>2</sup>.

## **CONCLUSION**

78. Based on the assessment I have carried out, I consider that the retail provisions outlined in proposed PC20 allow an excessive amount of retail to establish in the Industrial Zone. I recommend that the 5,000m<sup>2</sup> cap be reduced to around 1,000m<sup>2</sup>. An alternative may be to limit the convenience retail role to less than 1,000m<sup>2</sup> and allow an amount of trade retail, based on trade demand (yet to be determined) to develop.
79. Currently, the excessive non-ancillary retail combined with the proposed ancillary retail opportunity has the potential to significantly impact on the vibrancy and vitality of existing and future planned centres across the sub-region. In addition, allowing this much retail to develop on strategically important Airport co-located Industrial land is a highly inefficient use of a scarce resource.
80. There is potential to achieve agglomeration economies of high value industrial and logistic activities if a strategic view is taken with respect to businesses locating across the PC20 land. This is potentially compromised through consumption of that land for retail activities (both stand-alone

retail and ancillary retail) and the traffic flows, people activity and reverse sensitivity issues that potentially arise from the retail development.

81. Hamilton Airport is a strategic asset for the entire sub-region. It deserves to be developed with a strategic eye on the shape of both the future local spatial structures and future economy. For the above reasons I support HCC's submission that the retail should only serve the needs of the day to day visitors to the Northern Precinct, that ancillary retail should be limited to at most 10% of total building GFA and that a strategic view should be taken with respect to business development across the precinct.

**Gregory Michael Akehurst**

**7 March 2023**