

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of Proposed Plan Change 11 to the Waipa
District Plan – Bardowie Industrial Precinct

**STATEMENT OF EVIDENCE OF MICHAEL CAMPBELL COPELAND
(ECONOMICS)**

19 November 2018

INTRODUCTION

- 1 My name is Michael Campbell Copeland.
- 2 I am a consulting economist and managing director of Brown, Copeland and Company Limited, a firm of consulting economists which has undertaken a wide range of studies for public and private sector clients in New Zealand and overseas.
- 3 During the period 1990 to 1994, I was also a member of the Commerce Commission and during the period 2002 to 2008 I was a lay member of the High Court under the Commerce Act. Prior to establishing Brown, Copeland and Company Limited in 1982, I spent six years at the New Zealand Institute of Economic Research and three years at the Confederation of British Industry.
- 4 I hold a Bachelor of Science degree in mathematics and a Master of Commerce degree in economics. I have over 45 years' experience in the application of economics to various areas of business, including resource management matters. With respect to the Resource Management Act 1991 ("**RMA**"), I have prepared evidence for clients covering a number of projects and policies. Attached as Appendix 1 is a brief curriculum vitae.

CODE OF CONDUCT

- 5 While this is a Council Hearing, I acknowledge that I have read and am familiar with the Code of Conduct for Expert Witnesses contained in the Environment Court Practice Note 2014, and agree to comply with it. I confirm that this evidence is within my area of expertise, except where I state that this evidence is given in reliance on another person's evidence. I have considered all material facts that are known to me that might alter or detract from the opinions I express in this evidence.

SCOPE OF EVIDENCE

- 6 I have been asked by Bardowie Investments Limited ("**BIL**") to prepare evidence covering the economic effects of Proposed Plan Change 11, which is to rezone 56.7 hectares of land at Hautapu to Industrial Zone (referred to as the "Bardowie Industrial Precinct").
- 7 My evidence addresses the following matters:

- 7.1 The relevance of economic effects under the RMA;
- 7.2 The economic benefits of Proposed Plan Change 11;
- 7.3 Potential economic costs of Proposed Plan Change 11; and
- 7.4 My conclusions.

ECONOMICS AND THE RMA

8 Community economic and social wellbeing and the efficient use and development of resources are relevant concepts under the RMA.¹In evaluating the positive and negative economic effects of a proposal under the RMA, it is necessary to define the viewpoint that is to be adopted. This helps to define which economic effects are relevant. The primary beneficiaries of proposed Plan Change 11 are the businesses and residents of Cambridge and the Waipa District. Therefore, I have adopted Cambridge and Waipa District viewpoints in assessing the economic benefits and costs of Proposed Plan Change 11.

9 The remaining sections of my evidence set out how Proposed Plan Change 11 is consistent with providing for the economic and social wellbeing of the Cambridge and Waipa District communities and the efficient development and use of resources.

ECONOMIC BENEFITS OF PROPOSED PLAN CHANGE 11

Increased Employment, Incomes and Expenditure for Local Economy

10 Construction Phase. Construction work on the proposed Bardowie Industrial Precinct will proceed in three stages over the period 2019 to 2024 and beyond. The first two stages will be completed by about March 2023 (two years after BIL gains access to Node 2), at which time APL will be able to consolidate all of its operations on the site. It is also expect that much of the Campus Hub activities will be constructed over this time period (or sometime shortly thereafter). Development of the remainder of the site is expected over the period from 2024 onwards.

11 Over the five year period 2019 to 2023 (inclusive), BIL have estimated a total works construction cost of \$400 million dollars. On average the project is expected to

¹ See Part II sections 5(2) and 7(b) of the RMA.

generate 43 on-site jobs, with wages and salaries estimated to be around \$3.2 million per annum (associated with the construction of the APL facilities). In addition expenditure on goods and services with local Waipa District businesses are estimated at \$4 million per annum. The types of local businesses to benefit from this expenditure are expected to include civil construction and landscaping businesses.

- 12 These are the 'direct' construction impacts of the development. However, in addition there are 'indirect' (or 'multiplier') impacts as a result of:
 - 12.1 The effects on suppliers of goods and services provided to the development from within the Waipa District (i.e. the "forward and backward linkage" effects); and
 - 12.2 The supply of goods and services from within the Waipa District to employees on the construction site and to those engaged in supplying goods and services to the site (i.e. the "induced" effects). For example, there will be additional jobs and incomes for employees of supermarkets, restaurants, bars, and short term accommodation providers as a consequence of the additional expenditure by employees directly employed on the development.

- 13 Multipliers can be estimated to gauge the size of these indirect effects. The size of the multipliers is a function of the extent to which an area's economy is self-sufficient in the provision of a full range of goods and services and the area's proximity to alternative sources of supply. Multipliers typically fall in the range of 1.5 to 2.0 and taking the lower end of this range (i.e. 1.5) for the Waipa District implies total impacts (i.e. direct plus indirect impacts) of:
 - 13.1 65 FTE additional jobs for local Waipa District residents;
 - 13.2 \$4.8 million per annum in additional wages and salaries; and
 - 13.3 \$6 million per annum in additional expenditure with local businesses.

- 14 These construction impacts for the five year period 2019 to 2023 (inclusive) are conservatively estimated in that they take no account of the construction associated with development other than the APL facilities – i.e. they ignore the Campus Hub and non-APL industrial facilities in Nodes 1B and 3.

- 15 Operational Phase. APL's workforce at the Bardowie Industrial Precinct is expected to average around 460, with wages and salaries of around \$26.5 million per annum. There will be some additional expenditure with local Waipa District businesses, but APL is relatively self-sufficient - for example, engaging their own building maintenance and landscaping management teams. However some local businesses will gain additional business – e.g. local electricians and plumbers.
- 16 Conservatively ignoring the employment, wages and salaries and local expenditure of other industrial occupiers of the Bardowie Industrial Precinct and the Campus Hub businesses², the direct and indirect impacts will be:
- 16.1 690 FTE jobs for local Waipa District residents; and
 - 16.2 \$39.8 million per annum in additional wages and salaries.
- 17 As indicators of levels of economic activity, economic impacts in terms of increased expenditure, incomes and employment within the local economy are not in themselves measures of improvements in economic welfare or economic wellbeing. However, there are economic welfare enhancing benefits associated with increased levels of economic activity. These relate to one or more of:
- 17.1 Increased economies of scale: Businesses and public sector agencies are able to provide increased amounts of outputs with lower unit costs, hence increasing profitability or lowering prices;
 - 17.2 Increased competition: Increases in the demand for goods and services allow a greater number of providers of goods and services in markets and there are efficiency benefits from increased levels of competition;
 - 17.3 Reduced unemployment and underemployment³ of resources: To the extent resources (including labour) would be otherwise unemployed or underemployed, higher levels of economic activity can bring efficiency

² For example, the wellness centre, the childcare facility and café proposed for the Campus Hub are expected to create an additional 40 jobs.

³ Underemployment differs from unemployment in that resources are employed but not at their maximum worth; e.g. in the case of labour, it can be employed at a higher skill and/or productivity level, reflected in higher wage rates.

benefits when there is a reduction in unemployment and underemployment; and

17.4 Increased quality of central government provided services: Sometimes the quality of services provided by central government such as education and health care are a function of population levels and the breadth and quality of such services in a community is higher with higher levels of economic activity, particularly to the extent they lead to or maintain higher levels of population.

18 The Bardowie Industrial Precinct's construction and operating phases will give Cambridge and the Waipa District greater critical mass and as a consequence the local residents and businesses can expect increased benefit from economies of scale, greater competition, increased resource utilisation and better central government provided services.⁴

Reduction in Employment Commuting Costs

19 A significant proportion of the Cambridge and (other Waipa District) workforce commute into Hamilton each day for employment.⁵ In addition, Cambridge is expected to continue to experience high population growth in the future with its current (2017) population of 16,100 expected to grow to 23,200 by 2027 – i.e. an additional 7,100 persons and an average annual population growth rate of 3.7 % per annum. By 2050 the population is expected to reach 30,300.⁶

20 Without the provision of additional employment opportunities within Cambridge (and the Waipa District), local residents will increasingly commute to Hamilton and elsewhere outside the District for employment incurring additional transport costs – i.e. additional private vehicle operating costs, public transport fares, travel time costs and accident costs. In addition, road transport externality costs will be incurred including congestion costs for other motorists, greenhouse gas emissions, road accident externality costs and the subsidy costs associated with the provision of public transport services.

⁴ The transfer of APL's operations to Cambridge, will result in an initial reduction in economic activity within Hamilton City and within the wider Future Proof sub-region there will just be a transfer of economic activity.

⁵ Source: Waipa District Plan 2016, Volume 1, Part D, Section 7, paragraph 7.1.3. Waipa District Council.

⁶ Source: Waipa 2050 Growth Strategy; Waipa District Council. September, 2017.

- 21 As set out in the previous section of my evidence Proposed Plan Change 11 will result in the creation of significant job opportunities (both direct and indirect) within Cambridge (and the Waipa District), enabling a reduction in the number of work commuting trips out of Cambridge and the District and a reduction in the costs associated with this travel. The Plan Change will provide a more balanced mix of residential, industrial and other business⁷ development consistent with the “live, work, play” concept and prevent Cambridge becoming a “dormitory suburb” of Hamilton.

Increased Supply and Competition in the Market For Industrial Land in Cambridge

- 22 Proposed Plan Change 11 makes it clear that the current provision of industrial zoned land within Cambridge is overstated to the extent that some of this land is effectively not available for industrial purposes. Also a single industrial business seeking a 28 hectare site, to transfer existing activities, is unusual for a town the size of Cambridge.
- 23 Economists generally accept that measures which increase supply and competition in markets provide for greater economic well-being and greater economic efficiency. Such a philosophy is the basis for the measures contained in the Commerce Act and is the reason why trade competition effects are not relevant considerations under the RMA.
- 24 The National Policy Statement on Urban Development Capacity (2016) is very clear about ensuring sufficient supply and encouraging competition in markets for land development – indeed it contemplates situations as has occurred in Cambridge where land although zoned for a particular type of development is withheld from the market. It states⁸:

“Competition is important for land and development markets because supply will meet demand at a lower price where there is competition. There are several key features of a competitive land market and development market. These include providing plenty of opportunities for development. Planning can impact on the competitiveness of the market by reducing overall opportunities for development and restricting development rights to only a few landowners.

⁷ In addition to the non-industrial business jobs created within the proposed Campus Hub, the indirect employment effects of Proposed Plan Change 11 will provide employment across a range of sectors supplying the needs of industrial businesses located at the Bardowie Industrial Precinct and their employees and families.

⁸ At page 4.

This national policy statement requires councils to provide in their plans enough development capacity to ensure that demand can be met. This includes both total aggregate demand for housing and business land, and also the demand for different types, sizes and locations. This development capacity must recognise that not all feasible development opportunities will be taken up. This will provide communities with more choice, at lower prices.”(Emphasis added)

- 17 Also under the heading “Responsive Planning” the National Policy Statement on Urban Development Capacity contains a number of policies requiring local authorities such as the Waipa District Council with part, or all, of either a medium-growth urban area or high-growth urban area within their district or region to make available sufficient land capable of housing and business development. For example, policy PC1 requires the Waipa District Council:

“To factor in the proportion of feasible development capacity that may not be developed, in addition to the requirement to ensure sufficient, feasible development capacity as outlined in policy PA1⁹, local authorities shall also provide an additional margin of feasible development capacity over and above projected demand of at least:

20% in the short and medium term, and

15% in the long term.”

- 18 Proposed Plan Change 11 is consistent with these requirements of the National Policy Statement, will help mitigate the immediate lack of supply of land for industrial development in Cambridge and will contribute to the provision of an adequate supply for future development.

Greater Diversity for the Waipa District Economy

- 19 The primary sector (i.e. primarily agriculture and forestry) produces 18.0% of the Waipa District’s GDP, whilst the manufacturing sector contributes only 10.6%.¹⁰ Also much of the manufacturing sector in the District is involved with the processing of primary sector products, (especially dairy, meat and wood products). Proposed Plan

⁹Policy PA1 relates to local authorities having to ensure that at any one time there is sufficient housing and business land development capacity with different requirements for the short, medium and long term.

¹⁰ Source: Waipa District Economic Profile; Infometrics;
<https://ecoprofile.infometrics.co.nz/Waip+District/Home/MetaData>; 31 October, 2018.

Change 11 by increasing manufacturing and other industrial activity within the District will provide the local Waipa District economy with greater diversity, making it less dependent upon the primary sector and less susceptible to variations in international commodity price changes.

- 20 Also the tourism sector of the Waipa District economy is estimated to contribute only around 3.5% of GDP, as compared to 5.5% for the New Zealand economy. The provision of visitor accommodation within the proposed Campus Hub and close by State Highway 1 is expected to increase guest nights and spending within the District by providing a broader range of accommodation options than currently exists. This will also add greater diversity to the local economy.

Economic Efficiency Benefits for Occupiers of the Bardowie Industrial Precinct

- 21 APL and other occupiers of the Bardowie Industrial Precinct will benefit from particular locational advantages of the site. In APL's case being able to co-locate all its operations on a single site will facilitate cost savings and other efficiency improvements, whilst APL and other industrial occupiers will benefit from the close proximity to the Waikato Expressway for product distribution and the delivery of inputs to production processes. The Campus Hub services for employees through enhancing their welfare may also lift productivity.
- 22 These benefits in the first instance accrue to private sector interests but improvements to their efficiency and competitiveness will benefit the community generally through increased employment opportunities, incomes and profitability for a wide range of other Cambridge businesses.

POTENTIAL ECONOMIC COSTS OF PROPOSED PLAN CHANGE 11

Lost Alternative Land Use

- 23 The land intended to be zoned Industrial under Proposed Plan Change 11 is currently used by Fonterra Limited for spray irrigation of dairy factory wastewater apart from the land owned by Shoof Properties Limited. Whilst Fonterra will need to make alternative arrangements for its wastewater disposal, the loss of alternative land uses is not an externality cost of the Plan Change. The productive value of the land in alternative uses (such as agriculture) will be internalised into the cost structure of the development – in other words BIL in purchasing the land has paid a price reflective of future net

returns from alternative uses for the land. Such costs are not costs to be borne by the wider community but will be met by BIL and subsequently occupiers of the site.

Utility Costs

- 24 Externality costs may arise if as a consequence of zoning additional areas of land for industrial and commercial development there is a need to duplicate or bring forward the installation of bulk infrastructure capacity. On-site infrastructure will be paid for by the developer (and subsequently occupiers of sites within the Bardowie Industrial Precinct), whilst for higher level infrastructure cost sharing arrangements are to be determined through a Development Agreement process.
- 25 The extent to which bulk infrastructure capacity will need to be duplicated or future increments of capacity brought forward will depend upon site specific factors. In the case of the proposed Bardowie Industrial Precinct development I am informed that much of the site already has a Deferred Industrial zoning, whilst surrounding land is either zoned for Industrial or Deferred Industrial. Therefore, there are no costs to be borne by other ratepayers to provide utility services to the proposed development. In fact the increase in rates payments for the Waipa District Council as a consequence of Proposed Plan Change 11 is likely, by economies of scale, to reduce the burden of rates on other ratepayers within the District, and/or enable the Council to provide an improved range of services.¹¹
- 26 Also because of the current tight supply situation with respect to land zoned for industrial development in Cambridge, there can be no suggestion that Proposed Plan Change 11 will lead to the under or delayed utilisation of infrastructure already installed elsewhere (and therefore impose an additional cost on ratepayers). Indeed in this regard the proximity of the Waikato Expressway to the proposed Bardowie Industrial Precinct, suggests there are economic benefits from greater utilisation of its existing capacity, as compared to locating new industrial development elsewhere within the Waikato Region at locations that would require additional capacity to be constructed in state highway and/or local road networks.

¹¹ I.e. because of the presence of fixed cost components associated with some Council provided services, economies of scale will reduce the unit costs of providing these services.

Potential Undermining of the Cambridge Town Centre

- 27 The RMA specifically excludes consideration being given to trade competition or the effects of trade competition. However, it is my understanding that where trade competition effects in aggregate are of such significance that they threaten the overall vitality, vibrancy and amenity values of district or town centres then such effects are relevant considerations under the RMA as being effects that extend beyond trade competition effects.
- 28 Proposed Plan Change 11 includes provision for a 5.5 hectare Campus Hub¹² enabling visitors' accommodation, conference facilities and a range of services such as a wellness centre, childcare and preschool facilities, a tavern and a limited amount of retail space to primarily meet the needs of businesses and employees within the Bardowie Industrial Precinct and the wider Hautapu Industrial Area. However, I would not expect these activities to undermine the vitality, vibrancy and amenity values of the Cambridge town centre because:
- 28.1 Proposed Plan Change 11, by bringing industrial and other business development to Cambridge and reducing commuting out of Cambridge (and the Waipa District) for work, will increase day-time economic activity within Cambridge (and the District) rather than diverting business from the Cambridge town centre. This will reduce retail and other expenditure leakage from Cambridge (and the District) and therefore increase rather than reduce economic activity within the Cambridge town centre.
- 28.2 The Cambridge Chamber of Commerce submission on the Plan Change states that: *"The campus approach may well ease some of the pressure on space in the CBD and add additional stock and facilities for accommodation/tourism."* Pressure on space within the town centre and expected continued high population growth suggest there is little likelihood that the Cambridge town centre will be undermined by the activities to be permitted within the proposed Bardowie Industrial Precinct Campus Hub.

¹² A significant proportion of the 5.5 ha of the proposed Campus Hub will be for car parking and landscaping (Memorandum to Waikato Regional Council, Hamilton City Council and Future Proof; Mitchell Daysh; 24 October, 2018).

28.3 I am informed that there are currently no conference facilities available within the Cambridge town centre and so such facilities in the Bardowie Industrial Precinct Campus Hub will not divert activity from the town centre. They are more likely to contribute additional activity within the town centre by attracting additional visitors to Cambridge.

28.4 A set of rules is being proposed that will limit the extent and type of activities within the Campus Hub. These have been drawn up having regard to not only the likely needs of businesses and their employees at the Bardowie Industrial Precinct but also to ensure the Campus Hub does not become a competing retail/commercial centre – e.g. retail activity in the Campus Hub is limited to a total of 400 square metres. I note the Cambridge Community Board now considers that the rule limiting the total retail area to 400 square metres is sufficient for it to conclude that a 5.5 hectare Campus Hub within the Bardowie Industrial Precinct will not challenge the commercial hierarchy of Cambridge.¹³

29 Overall I would expect Proposed Plan Change 11, by bringing significant industrial and other business development to Cambridge (and the Waipa District), to help underpin and support the high expected growth in Cambridge's population, especially over the next 10 years, and to reduce commuting out of the district for employment. This will contribute to increased economic activity within Cambridge and an enhancement of the Cambridge town centre's vitality, vibrancy and amenity values.

Transport Effects

30 Transport externality costs could occur as a consequence of Proposed Plan Change 11 if development within the Bardowie Industrial Precinct led to increased traffic movements, which created additional traffic congestion and/or greater risk of road accidents on the state highway and local road networks serving the development. The Transport Assessment¹⁴ accompanying the Plan Change Application concludes that the proposed areas for development under the Plan Change are well located to make efficient use of existing infrastructure and any adverse transport effects can be avoided

¹³Bardowie Industrial Precinct Hautapu Section 42A Hearing Report, Plan Change No 11 and Submissions and Further Submissions. Waipa District Council. 5 November, 2018. See Appendix 3 Correspondence from Submitters. (Email dated 26 October from Mr Mike Pettit, Chairman, Cambridge Community Board.)

¹⁴ Appendix C; Proposed Plan Change 11 to the Waipa District Plan Bardowie Industrial Precinct Integrated Transport Assessment; for Bardowie Investments Limited; Gray Matter; 25 July, 2018.

or remedied through infrastructure development requirements that can be triggered through plan rules and subdivision requirements.

- 31 In addition, Proposed Plan Change 11 is expected to lead to a significant reduction in commuting to work in Hamilton and elsewhere outside Cambridge (and the Waipa District) and this will contribute positive transport effects – both for commuters and other road users.

WAIPA DISTRICT COUNCIL SECTION 42A REPORT

- 32 The Bardowie Industrial Precinct Section 42A Report¹⁵ concludes at the end of its executive summary:

“Overall, there are significant benefits for the district in facilitating this type of plan change which will enable a necessary industrial land resource to be developed. It is further considered that the outstanding infrastructure and planning matters are capable of resolution and further evidence can be provided to confirm these matters as part of the hearing process.”

- 33 I understand that other witnesses for BIL will address the outstanding infrastructure and planning matters to be resolved.

CONCLUSIONS

- 34 Proposed Plan Change 11 will bring a number of economic and social benefits to Cambridge and the Waipa District. These include:

- 34.1 Increased employment, incomes and expenditure within the local Cambridge and Waipa District economies;
- 34.2 Significant reductions in employment commuting costs with benefits to employees, other road users and the community generally;

¹⁵ Bardowie Industrial Precinct Hautapu Section 42A Hearing Report, Plan Change No 11 and Submissions and Further Submissions. Waipa District Council. 5 November, 2018.

34.3 Increased supply and competition in the market for industrial land for development in Cambridge; and

34.4 Economic efficiency benefits for Bardowie Industrial Precinct occupants.

35 Proposed Plan Change 11 will not give rise to economic externality costs.

36 Proposed Plan Change 11 is consistent with community economic and social wellbeing and the efficient use and development of resources.

Michael Copeland

19 November, 2018.

Appendix 1**CURRICULUM VITAE OF MICHAEL CAMPBELL COPELAND****DATE OF BIRTH** 3 October 1950**NATIONALITY** New Zealand**EDUCATIONAL** Bachelor of Science (Mathematics) 1971**QUALIFICATIONS** Master of Commerce (Economics) 1972**PRESENT POSITIONS**

(Since 1982) Economic Consultant, Brown, Copeland & Co Ltd

(Since 2017) Trustee, Trade Aid, Kapiti

PREVIOUS EXPERIENCE1978-82 NZ Institute of Economic Research
Contracts Manager/Senior Economist1975-78 Confederation of British Industry
Industrial Economist1972-75 NZ Institute of Economic Research
Research Economist

1990-94 Member, Commerce Commission

2001-06 West Coast Regional Council Trustee, West Coast Development Trust

2002-08 Lay Member of the High Court under the Commerce Act 1986

2003-11 Director, Wellington Rugby Union

2010-13 Director, Southern Pastures

2010-17 Director, Healthcare New Zealand Holdings Limited

GEOGRAPHICAL EXPERIENCE

- New Zealand
- Australia
- Asia (Cambodia, India, Indonesia, Kazakhstan, Malaysia, Nepal, Pakistan, People's Republic of China, Philippines, Tajikistan, Sri Lanka, Uzbekistan, Viet Nam)
- South Pacific (Cook Islands, Fiji, Kiribati, Tokelau, Tonga, Tuvalu, Vanuatu, Western Samoa)
- United Kingdom