

**BEFORE THE WAIPĀ DISTRICT COUNCIL**

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

**AND**

**IN THE MATTER** of Proposed Plan Change 20 – Airport Northern  
Precinct Extension to the Operative Waipā  
District Plan

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**REBUTTAL STATEMENT OF EVIDENCE OF FRASER JAMES COLEGRAVE**

**(ECONOMICS)**

**10 March 2023**

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## **INTRODUCTION**

1. My name is Fraser Colegrave. I am an economist.
2. My qualifications and experience were set out in my Primary Statement of Evidence dated 28 February 2023. I repeat the confirmation in my Primary Statement of Evidence that I have read and agree to comply with the Code of Conduct for Expert Witnesses.
3. In this statement of rebuttal evidence, I respond to the evidence of Greg Akehurst on behalf of Hamilton City Council ("HCC").
4. The fact that this rebuttal statement does not respond to every matter raised in the evidence of a submitter within my area of expertise should not be taken as acceptance of the matters raised. I have focussed this rebuttal statement on the key points of difference that warrant a response.

## **NON-ANCILLARY RETAIL PROVISION**

5. Mr Akehurst expresses concern that the level of non-ancillary retail enabled by PC20 is disproportionate to future needs, and that the cap should be reduced from 5,000m<sup>2</sup> to 1,000m<sup>2</sup>.
6. He opines, at paragraph 17, that retailers with a sub-regional focus may seek to locate at the Northern Precinct, rather than those meeting the needs of onsite workers, businesses, and their customers/suppliers (as envisaged by PC20).
7. I am unaware of any evidence to support Mr Akehurst's presumption that retailers serving the sub-region would choose to locate at a relatively remote industrial park, instead of in and around an existing commercial area with established critical mass. This outcome would be unusual, particularly given the limits on tenancy sizes and retail location options within the Northern Precinct.
8. Mr Akehurst suggests that a bottom-up approach be adopted, where onsite employment is estimated and then converted to estimates of daily spend whilst at work on convenience food and retail.
9. Assuming 70% of the Northern Precinct's 130 hectares of land is developable, and assuming a retail productivity of \$7,000 per sqm, he concludes that only 600 to 1,000 sqm of convenience retailing is required.
10. I disagree with this methodology and conclusion for several reasons.

11. First, Mr Akehurst has not disclosed his assumptions about spend per worker per day, nor has he provided any justification for his relatively high assumed sales rate of \$7,000 per sqm. While that may be accurate for a superette (say), much lower sales rates are often achieved at other retail store types, which directly affects supportable retail GFA.<sup>1</sup> Put simply, absent information about the data or assumptions used, Mr Akehurst's calculations cannot be independently verified.
12. Second, Mr Akehurst assumes that the proposed non-ancillary retail is only convenience and food retailing for onsite employees. This is incorrect. The purpose of the non-ancillary retail is to meet the daily needs of workers, businesses, and their customers and suppliers, and not just for convenience retail and food.
13. For example, the JWS on retail/planning shows that all retail store types are included, and that retail needs go beyond those of workers and also include businesses, plus their customers and suppliers. Thus, for example, they may include items such as PPE, workboots, work clothing, sunglasses, specialised tools, newspapers, pharmacy items, mobile phones, vehicle supplies, cafes, restaurants, bars, and so on.
14. In addition, the cap includes all forms of trade retail, which are likely to be prevalent, plus it allows one superette of up to 1,000m<sup>2</sup>. Based on his evidence, Mr Akehurst does not demonstrate an understanding of the scope and purpose of retail activities provided for (and captured by the cap of 5,000m<sup>2</sup>).
15. To put the issue in context, I used the latest Input Output tables for New Zealand (published by Statistics New Zealand for the year ended March 2020) to identify the shares of retail sales made to households, businesses, the Government, and international tourists by retail store type. The results are shown in the table below, where the values have been scaled to match the Retail Trade Survey for the same period.

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<sup>1</sup> As recorded on page 2 of the JWS there are inherent difficulties in predicting the retail demands of the businesses in the Northern Precinct themselves, and that such analyses depend on and are highly sensitive to numerous unsubstantiated assumptions. Accordingly, such an analysis does not provide a definitive answer on the appropriateness (or otherwise) of the proposed Retail GFA cap.

Table 1: New Zealand Retail Trade & Demand Shares by Sector (YE March 2020)

Industry	Annual \$m	Business	Govt	Households	Int Tourists
Supermarket and grocery stores	\$21,000	16%	2%	75%	8%
Specialised food retailing	\$3,500	14%	2%	75%	10%
Non-store and commission based	\$1,900	25%	3%	64%	9%
Department stores	\$5,500	16%	2%	77%	5%
Furniture, electrical, and hardware	\$11,500	21%	2%	73%	5%
Recreational, clothing, footwear, accessories	\$9,300	19%	2%	75%	5%
Pharmaceutical and other store based	\$5,900	28%	3%	61%	8%
Food and beverage services	\$12,200	10%	1%	67%	21%
Motor vehicle retailing, including parts	\$13,300	23%	2%	67%	8%
Fuel retailing	\$8,900	21%	2%	70%	7%
<b>Totals</b>	<b>\$93,000</b>	<b>19%</b>	<b>2%</b>	<b>71%</b>	<b>9%</b>

16. Table 1 shows that businesses account for nearly 20% of the \$93 billion of annual retail sales, and that business retail demand is spread across all retail store types.
17. To estimate retail demand arising from spending by future businesses, not workers in a personal capacity, I converted the business spending above to per employee figures, and then overlaid the number of workers expected to be in the Northern Precinct at full build out.
18. My calculations assume that 70% of the 130 hectares of land are developable, and that the average land per employee is 285 sqm (as per table 6 on page 25 of my EIC). The table below shows potential future retail spending by Northern Precinct businesses under these assumptions.

Table 2: Estimated Onsite Annual Retail Demand by Northern Precinct Businesses

Industry	Business Spend Per Worker	Business Retail Demand
Supermarket and grocery stores	\$1,470	\$4,690,000
Specialised food retailing	\$210	\$670,000
Non-store and commission based retailing	\$200	\$640,000
Department stores	\$390	\$1,250,000
Furniture, electrical, and hardware retailing	\$1,030	\$3,290,000
Recreational, clothing, footwear, and personal accessory	\$760	\$2,430,000
Pharmaceutical and other store based retailing	\$730	\$2,330,000
Food and beverage services	\$540	\$1,720,000
Motor vehicle retailing, including parts	\$1,340	\$4,280,000
Fuel retailing	\$830	\$2,650,000
<b>Total Sales to Businesses</b>	<b>\$7,500</b>	<b>\$23,950,000</b>
Assumed Sales per sqm		\$7,000
<b>GFA Supportable by Business Spending</b>		<b>\$3,400</b>

19. In short, applying national estimates of business retail spend per worker to the number of workers projected onsite (~3,200) shows that businesses themselves may spend nearly \$24 million per annum, which alone could support about 3,400 sqm of retail GFA.<sup>2</sup>
20. When this business retail demand estimate is added to Mr Akehurst's estimate of 600 to 1,000 m<sup>2</sup> for worker spend itself (which I also consider far too low), and when a further allowance is made for spending by customers/suppliers/visitors, the proposed non ancillary retail cap of 5,000 m<sup>2</sup> appears imminently suitable.
21. More generally, I note that the true retail needs of future workers, businesses and their customers/suppliers will depend on the specific mix of activities that reside there, which cannot be accurately assessed ex-ante. Accordingly, it is more appropriate from an economic perspective to impose a cap that limits retail activity and allow it to grow organically alongside growth in demand. In my view, attempting to second guess the quantum and composition of retail needs now is both futile and unlikely to be very helpful.
22. Consequently, I reject Mr Akehurst's suggestion to split the retail cap into two parts - convenience retail and trade. Not only do these categories fail to capture the full range of retail activity enabled, but there is also no way to accurately assess them ex-ante.
23. In my view, Mr Akehurst has focussed too much on likely demand (which, by definition, is highly uncertain) without addressing the most pressing analytical test. i.e. whether the proposed non-ancillary retail provision will affect the vitality and viability of existing commercial areas, as per the WRPS.
24. That said, at paragraph 74, Mr Akehurst concedes that the retail impacts (even of his unsubstantiated and unrealistic large format retail scenario) are not hugely damaging. While I disagree with the scenario that he has attempted to "model", I agree with his conclusions about retail impacts.
25. For the record, I also am unclear how Mr Akehurst assumes that a large format retail centre could establish on the site given the total retail cap of 5,000 m<sup>2</sup>m and the tenancy size cap of 450 m<sup>2</sup>.

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<sup>2</sup> At paragraph 26, Mr Akehurst states that I estimated employment for 3,500 people onsite during the expert conferencing process. Mr Akehurst did not attend the conference and I don't recall that, and it is not recorded in the JWS, so I am unsure of its genesis or relevance. If even I had said that, and I don't recall that, discussions within conferencing are privileged and confidential to the participants.

## **ANCILLARY RETAIL PROVISION**

26. At paragraph 71, Mr Akehurst entertains the possibility that significant levels of ancillary retail establish either side of the hub and, along with the hub's non-ancillary retail activities, end up creating a quasi-centre that is much larger than anticipated.
27. I do not share this concern, and I consider Mr Akehurst's hypothesis extremely unlikely. For example, I am not aware of quasi-centres occurring via the systematic co-location of ancillary retail uses in the city's other industrial areas, so there is no a priori reason to expect it to occur here.
28. More generally, I disagree with HCC's apparent wish to impose potentially onerous ancillary retail provisions on the Northern Precinct when they do not apply to its own industrial areas. There is no logical economic argument for differential treatment across the territorial authority boundary.
29. Interestingly, at paragraph 77, Mr Akehurst defends the proposed 10% GFA cap on ancillary retail because that is how he understand all other large urban areas to manage it. That may be true in some areas, but it is not the case for Hamilton City, so imposing such a rule here would create an un-level playing field, which is both inefficient and inequitable.

## **AGGLOMERATION BENEFITS**

30. Mr Akehurst argues that land uses around the airport be carefully managed to maximise potential agglomeration benefits arising from the clustering of certain activities.

I acknowledge that these benefits can sometimes be significant, particularly in very large cities, but PC20 enables them to be harnessed over time anyway. In addition, I consider Waikato Regional Airport Limited best-placed to deal with such issues and manage its portfolio accordingly. Attempting to control the future mix of airside and landside uses via other means, such as the District Plan as Mr Akehurst appears to seek, is both inappropriate and inefficient.

Fraser Colegrave  
10 March 2023