

RESOURCE CONSENT APPLICATION

APPLICANT: QUATTRO PROPERTY HOLDINGS LIMITED

CONSENT AUTHORITY: Waikato District Council

STATEMENT OF EVIDENCE OF FRASER JAMES COLEGRAVE

Dated: 6 November 2020

Introduction

1. My full name is Fraser James Colegrave.

Qualifications and Experience

1. I hold a first-class honours degree in economics from the University of Auckland (1996).
2. I have 24 years' commercial experience, the last 20 of which I have worked as an economics consultant.
3. I am the founder and managing director of Insight Economics Limited – a boutique economics consultancy in Auckland. Prior to that, I was a founding director of another consultancy, Covec Limited, for 12 years.
4. I have successfully led and completed more than 500 consulting projects across a wide range of sectors, and have helped clients gain planning approval for major projects and developments worth more than \$20 billion. These include:
 - New towns and suburbs (catering for up to 12,000 people each);
 - Dozens of retail and office developments;
 - New Zealand's largest gas field (Maui);
 - New Zealand's largest mussel farm;
 - Auckland Airport's second runway;
 - A \$400 million 5-star hotel/convention facility in Papua New Guinea;
 - A \$250 million infant milk formula plant; and
 - The \$100 million upgrade of the Skyline Gondola & Luge in Queenstown.

Code of Conduct

2. I have read the Environment Court's Code of Conduct for Expert Witnesses in the Environment Court of New Zealand and I agree to comply with it. My qualifications and experience as an expert are set out above. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed.
3. The evidence that I give in these proceedings is within my area of expertise, except when I rely on the evidence of another witness or other evidence, in which case I have explained that reliance.

Introduction

Context & Purpose

4. Quattro Property Holdings Limited ('**QPHL**') is seeking planning permission to construct and operate a small convenience retail centre in Te Kowhai, in the Waikato District. This brief of evidence provides an economic assessment of the proposed development.

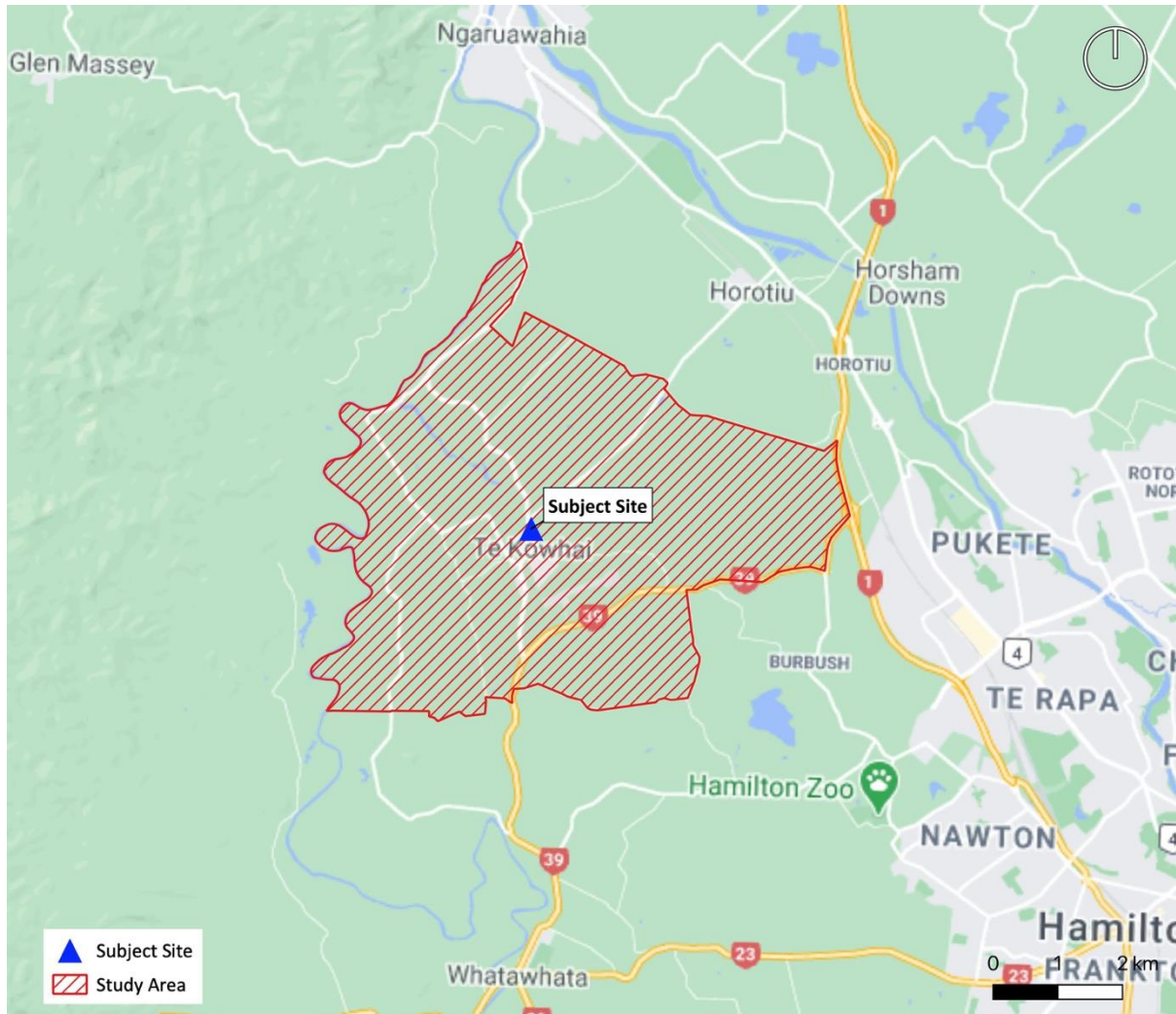
Structure of Evidence

5. In my evidence I address the following issues:
 - i) Location and description of the subject land;
 - ii) Summary of the proposed development;
 - iii) Existing stores and centres;
 - iv) Current and future retail demand;
 - v) Market shares required to sustain the development;
 - vi) Assessment of likely trade impacts and retail distribution effects;
 - vii) Economic benefits of the proposal;
 - viii) Response to the Market Economics report;
 - ix) Response to submissions; and
 - x) Overall summary and conclusion.

Study Area

6. The Te Kowhai Census Area Unit¹ has been adopted as the study area for this assessment. It is delineated in Figure 1 below.

Figure 1: Map of Study Area (Te Kowhai Census Area Unit 2013)



Site and Location

Location and Description of Subject Land

7. The subject site (or '**the site**') is located at 561 Horotiu Road in Te Kowhai, a small rural town situated approximately 15km northwest of Hamilton city. The site sits in the northern portion of the existing township, just south of the Ngāruawāhia and Horotiu Road junction, as illustrated in Figure 2 below.

¹ 2013 boundaries

Figure 2: Location of Subject Site



8. The site spans approximately 5,000m² and is relatively flat. It has recently been subdivided from the large parcel of land to its east, and is currently vacant.

Zoning

9. The site is zoned for Country Living pursuant to the Operative District Plan (ODP). However, under the Proposed District Plan (PDP), it is zoned Business. Figure 3 and Figure 4 below show the current and proposed zoning of the site and its immediate surrounds.

Figure 3: Current Zoning Under Operative District Plan

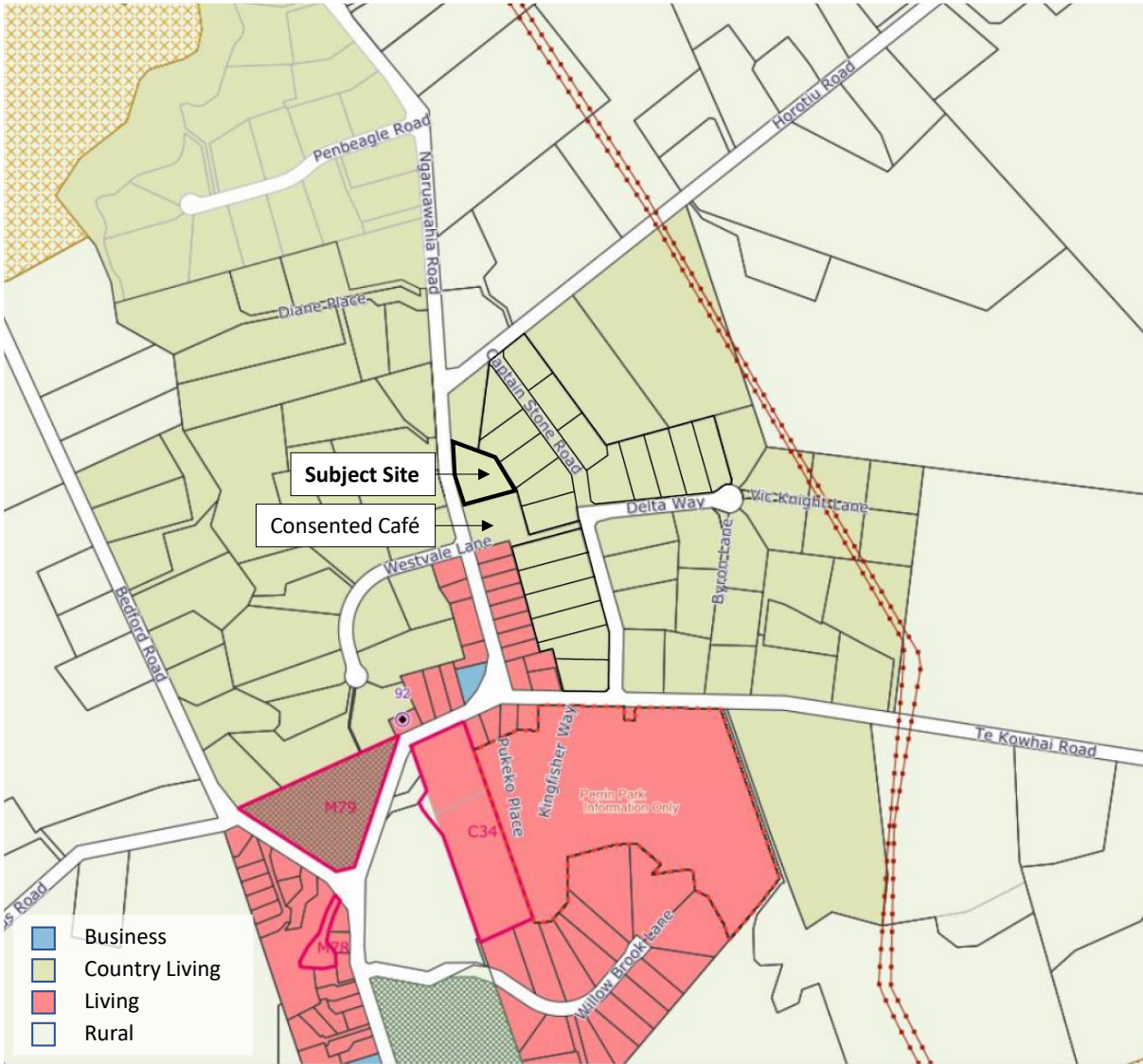
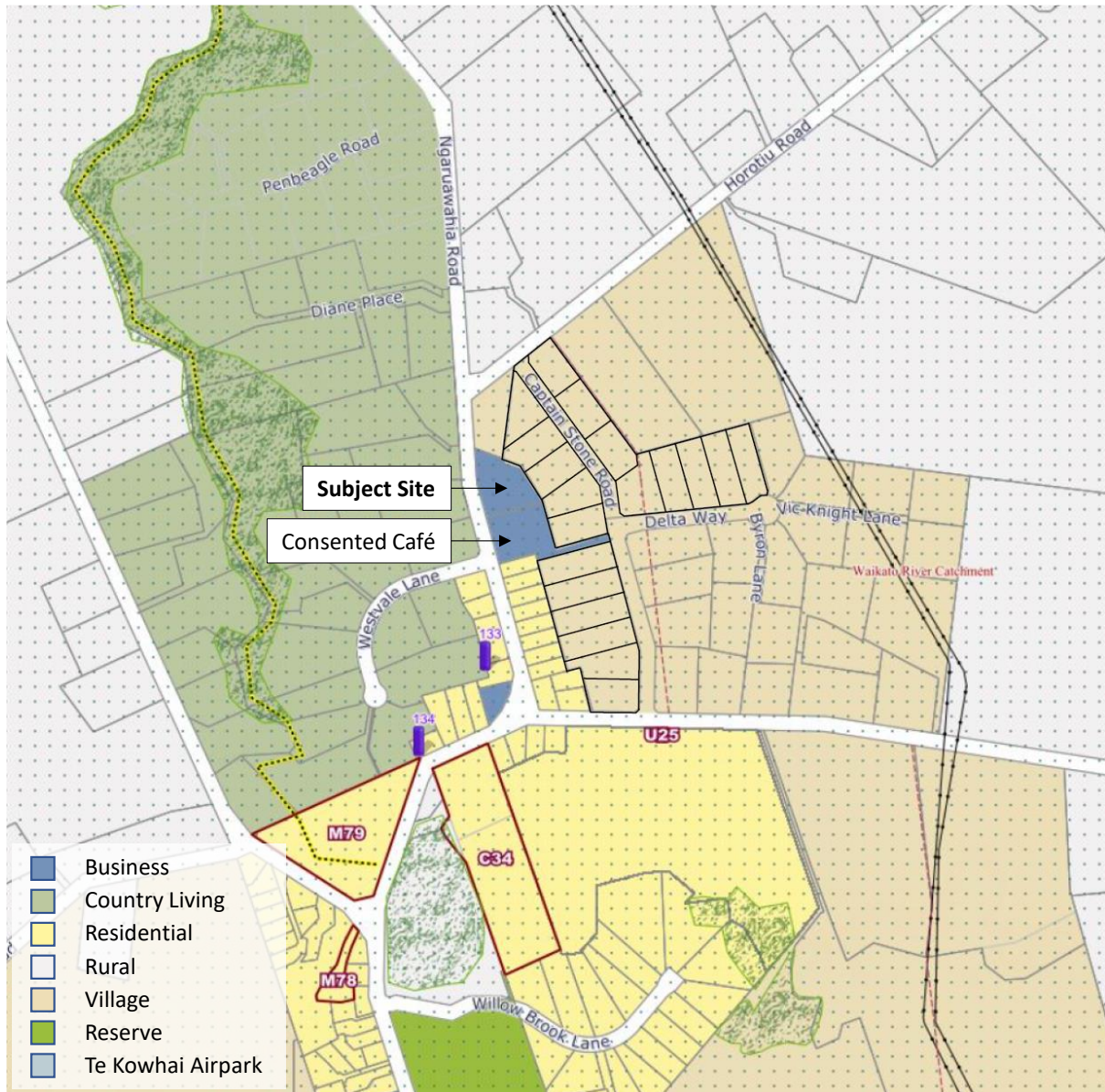


Figure 4: Zoning Under Proposed District Plan



Current and Consented Receiving Environments

10. The site is surrounded by rural-residential properties to the north and west. The land adjacent to the site on the east has recently been subdivided for rural-residential living, with lots sizes of approximately 3,000m². Slightly further out, there is a node of higher density residential living to the south and rural land to the north.
11. To the immediate south of the site, consent has been granted for a large café and giftshop, which is to be housed in a relocated church. This site, along with the subject land, form the indicative new Business Zone under the PDP. The

proposed development will form a natural extension of this commercial activity, which is constructed and about to be occupied. (J Barnes evidence)

Summary of Proposed Development

12. The proposal is for a single-storey commercial development consisting of seven retail tenancies, with a combined floor area of 1,290m². However, the seven tenancies themselves span only 1,070m². The built form follows the north-eastern boundaries of the site, and is set back from Horotiu Road by a 39-space carpark. An indicative site plan is included in Figure 5 below.

Figure 5: Indicative Site Plan



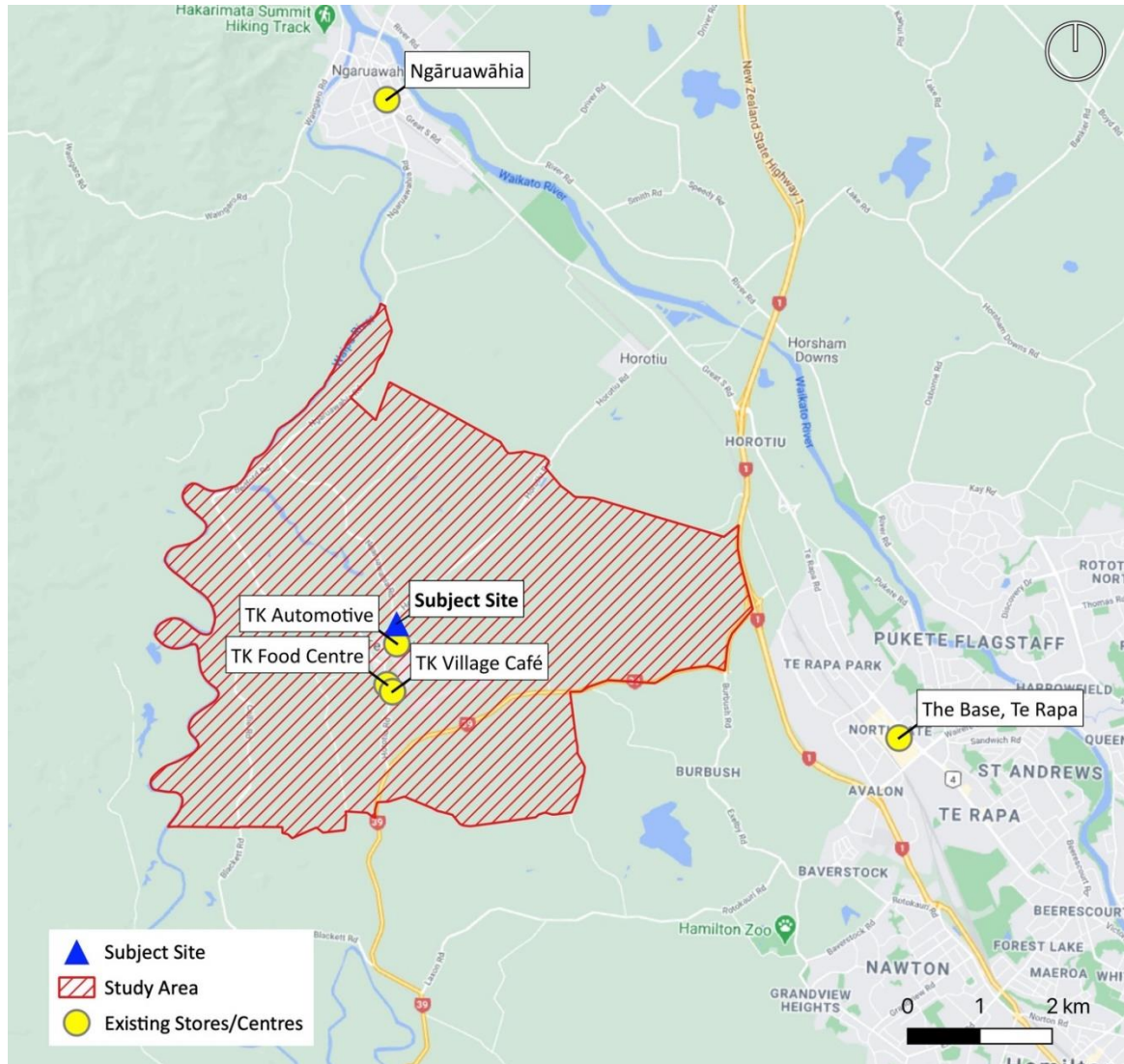
Committed/indicative tenancies

13. QPHL has confirmed that it currently has tenancy commitments from a superette, a liquor store, a hairdresser, a pizza shop, a bakehouse and a health and beauty centre. The remaining tenancy could be a small-scale retail outlet, a service such as a dry cleaner or pharmacy, or small professional office (an accountant or real estate agency, for example).

Existing Stores/Centres

14. Figure 6 below plots the location of the existing stores in Te Kowhai, as well as the closest commercial centres.

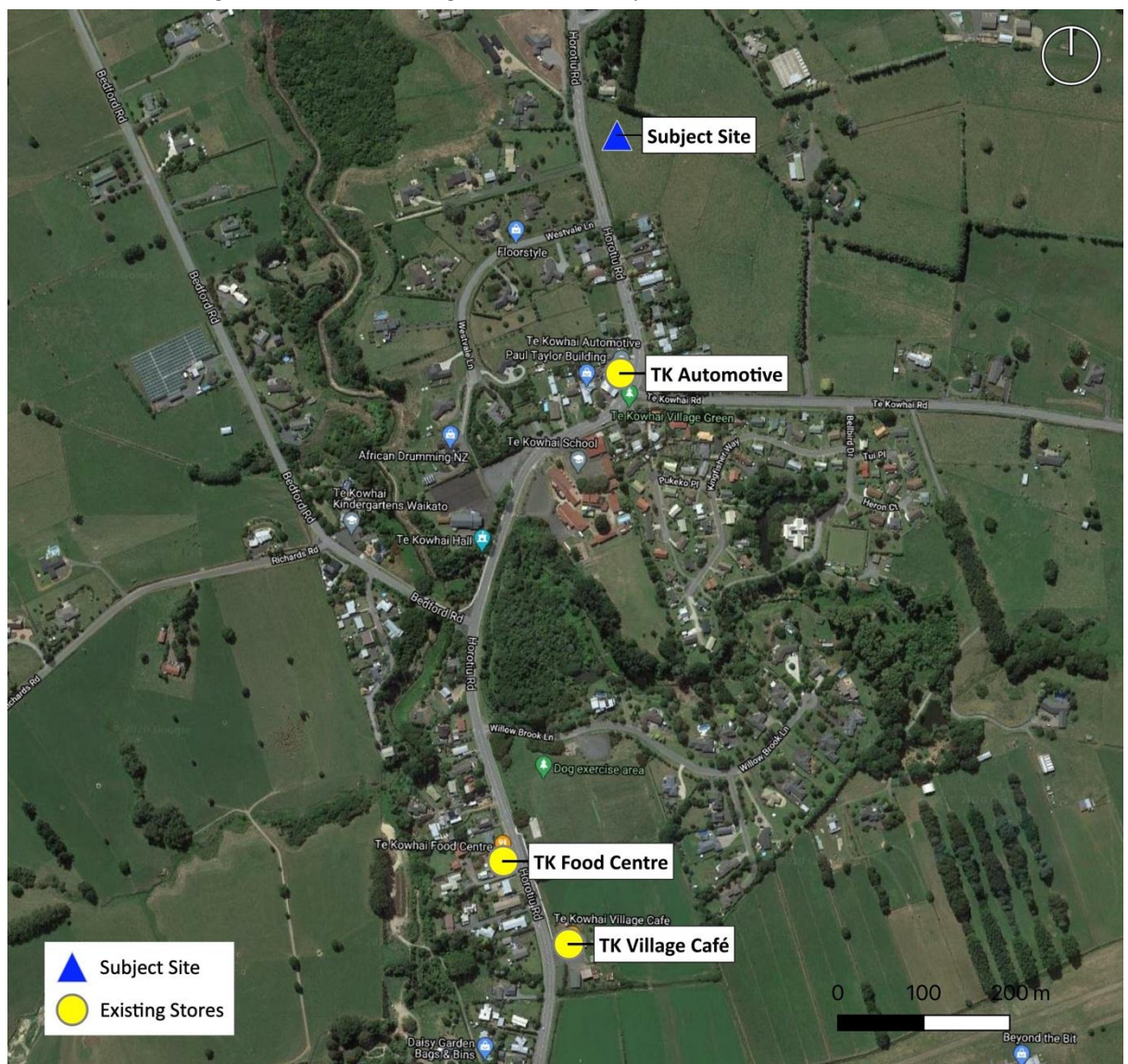
Figure 6: Location of Existing Stores and Centres



15. The Base shopping mall (Te Awa) is the closest commercial centre to the subject site, located approximately 10km east of Te Kowhai, across SH1 in Te Rapa. It includes large format retailers such as The Warehouse, Farmers and Mitre10 along with a Hoyts cinema, a food court and a variety of retail outlets and services. Opposite The Base is a large format centre with a Countdown supermarket and Kmart.

16. Ngāruawāhia is located just over 10km north of Te Kowhai. The town centre includes a New World supermarket, a liquor store, a post shop, and a number of food and beverage outlets (including takeaways, bars, restaurants and cafés). It also provides services such as a medical centre, a pharmacy, a veterinarian, a bank, and a petrol station. In addition, it offers recreational facilities, churches and a library.
17. Figure 7 below shows the location of the existing Te Kowhai commercial activities in relation to the subject site.

Figure 7: Location of Existing Commercial Activity – Te Kowhai



18. As the map above illustrates, the limited commercial offering in Te Kowhai is currently staggered across three sites along Horotiu Road. It consists of:
- i) Te Kowhai Food Centre - a dairy with NZ post facilities;
 - ii) Te Kowhai Village Café and Bakery and the adjacent Te Kowhai Gardens, which sells fresh produce; and
 - iii) Te Kowhai Automotive.

Current and Future Retail Demand

Current (2018) retail expenditure

19. Estimating the level of retail expenditure originating in the study area is an important first step in analysing the possible effects of proposed retail developments, because it identifies the quantum of local spending potentially available to local retailers. To that end, Table 1 presents my estimates of core retail spending by Te Kowhai residents and businesses in 2018 – the closest ‘current’ model year available. These figures exclude spending by residents out-of-region on holiday or business trips, which do not form part of the “contestable” market for district retailers.

Table 1: Estimated Retail Spend by Te Kowhai Residents/Businesses in 2018 (\$m ex GST)

Core Retail Store Types	Demand (\$m)	Shares
Clothing, Footwear & Personal Accessories	\$1.3	7%
Department Stores	\$1.6	8%
Electrical and Electronic Goods Retailing	\$1.1	6%
Food and Beverage Services	\$2.5	13%
Food Retailing (incl. Supermarkets)	\$7.9	40%
Furniture, Floor Coverings, Houseware & Textiles	\$0.8	4%
Hardware, Building & Garden Supplies Retailing	\$2.6	13%
Pharmaceutical and Other Store-Based Retailing	\$1.4	7%
Recreational Goods Retailing	\$0.8	4%
Total	\$19.9	100%

20. Table 1 shows that retail demand originating in Te Kowhai was estimated to be nearly \$20 million in 2018. 40% of this was spent on food retailing (including supermarkets), with a further 13% spent on food and beverage services (cafes, restaurants, takeaways). Thus, collectively, spending on food and beverages accounts for more than half of current local retail demand.

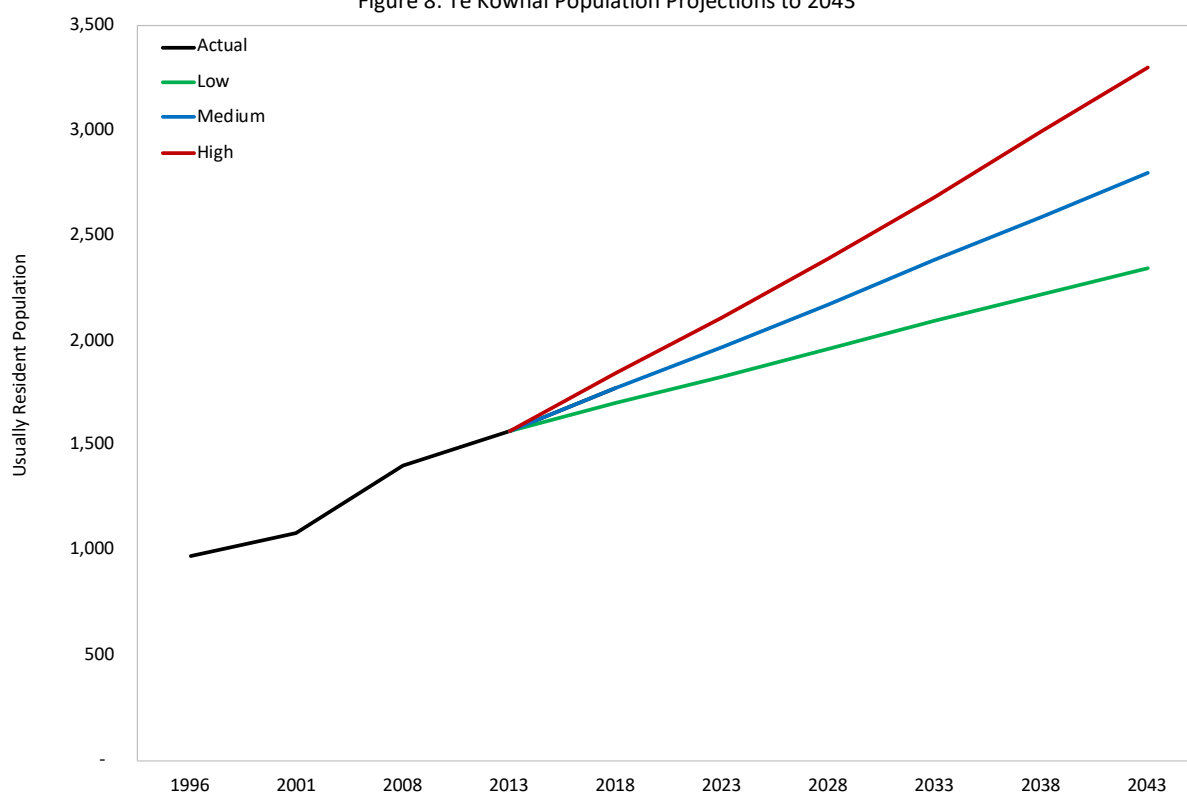
Projected population growth

21. To assess likely future retail expenditure, I first reviewed Statistics New Zealand's latest census area unit (CAU) population projections for the study area. Table 2 and Figure 8 below present the results.

Table 2: Te Kowhai Population Projections to 2043

Year	Low	Medium	High
2018	1,700	1,770	1,840
2023	1,830	1,970	2,110
2028	1,960	2,170	2,390
2033	2,090	2,380	2,680
2038	2,220	2,590	2,990
2043	2,340	2,800	3,300
Growth	640	1,030	1,460
CAGR	1.3%	1.9%	2.4%

Figure 8: Te Kowhai Population Projections to 2043



22. To summarise: Official projections for the study area signal strong population growth to 2043, with an increase of 640 people under the low scenario, 1,030 people under the medium scenario, and 1,460 people under the high. These translate to compound annual growth rates (CAGRs) of 1.3%, 1.9%, and 2.4% respectively. By contrast, the corresponding district growth rates are 0.8%, 1.2%, and 1.6% under the low, medium, and high scenarios, respectively.

Hence, the local neighbourhood is forecast to grow much faster than the district average.

23. In addition, I consulted the Waikato District Council Growth and Economic Development Strategy ('Waikato 2070'), which was adopted in May of this year. Waikato 2070 identifies Te Kowhai as an area with strong capacity to support future growth, and indicates that the population in the Te Kowhai township alone could increase from 500 in 2018 to up to 4,000 in the future². It cites a residential development timeframe of 10-30 years, suggesting that an acceleration in growth is anticipated from around 2028.
24. Overall, Waikato 2070 signals significantly higher growth than indicated in the census projections, which cover a larger geographical area. In fact, even if no growth was experienced in the rest of the study area in the next 25 years, this would equate to a 2043 population in excess of 4,400 people³, which is well above the 'High' projection published by Stats NZ.
25. Despite the bullish growth implied by Waikato 2070, however, I used Stats NZ's medium population projections to estimate study area retail spending.

Projected Retail Expenditure

26. Table 3 presents my projections of core retail spending by Te Kowhai residents and businesses. They assume that:
 - i) Population growth will follow the Stats NZ medium projection;
 - ii) Inflation-adjusted spending per household grows by 1% annually; and
 - iii) Business spending will remain constant per employee.

² 'Current Population' figures are based on Statistics NZ 2018 Census estimates. 'Possible Future Population' is based on Statistics NZ population projections and development capacity of towns as set out in the Waikato 2070 development plans.

³ Assuming village follows Stats NZ medium growth projection to 2028, followed by linear growth between 2018 and 2048 as implied by Waikato 2070.

Table 3: Projected Local Retail Spending (\$m ex GST)

Core Retail Store Types	2018	2023	2028	2033	2038	2043	Change
Clothing, Footwear & Personal Accessories	\$1.3	\$1.5	\$1.7	\$1.9	\$2.2	\$2.5	\$1.2
Department Stores	\$1.6	\$1.9	\$2.2	\$2.5	\$2.8	\$3.2	\$1.6
Electrical and Electronic Goods Retailing	\$1.1	\$1.2	\$1.4	\$1.6	\$1.9	\$2.1	\$1.0
Food and Beverage Services	\$2.5	\$2.9	\$3.4	\$3.9	\$4.4	\$5.0	\$2.5
Food Retailing (incl. Supermarkets)	\$7.9	\$9.1	\$10.5	\$12.0	\$13.7	\$15.5	\$7.6
Furniture, Floor Coverings, Houseware & Textiles	\$0.8	\$0.9	\$1.0	\$1.2	\$1.3	\$1.5	\$0.7
Hardware, Building & Garden Supplies Retailing	\$2.6	\$3.0	\$3.4	\$3.9	\$4.5	\$5.1	\$2.5
Pharmaceutical and Other Store-Based Retailing	\$1.4	\$1.6	\$1.8	\$2.1	\$2.3	\$2.6	\$1.2
Recreational Goods Retailing	\$0.8	\$0.9	\$1.0	\$1.2	\$1.3	\$1.5	\$0.7
Total	\$19.9	\$22.9	\$26.4	\$30.4	\$34.5	\$38.9	\$19.1

27. According to my estimates, local core retail spending is projected to nearly double from almost \$20 million in 2018 to nearly \$39 million in 2043. The largest growth is in food retailing, which is projected to grow by \$7.6 million over the period, followed by food and beverage services with growth of \$2.5 million.

Projected Current and Future Floorspace Demand

28. Next, I translated the expenditure estimates above to corresponding measures of floorspace demand using estimated rates of sales per square metre of floorspace (GFA). The results are shown in Table 4 below.

Table 4: Study Area Core Retail Floorspace Demand (GFA m2)

Core Retail Store Types	2018	2023	2028	2033	2038	2043
Clothing, Footwear & Personal Accessories	220	260	300	340	390	440
Department Stores	450	520	600	690	790	890
Electrical and Electronic Goods Retailing	150	170	190	220	250	290
Food and Beverage Services	360	410	480	550	630	710
Food Retailing (incl. Supermarkets)	790	910	1,050	1,200	1,370	1,550
Furniture, Floor Coverings, Houseware & Textiles	220	260	300	340	380	430
Hardware, Building & Garden Supplies Retailing	540	620	720	820	930	1,050
Pharmaceutical and Other Store-Based Retailing	270	310	360	410	460	520
Recreational Goods Retailing	150	170	200	230	260	290
Total	3,150	3,630	4,200	4,800	5,460	6,170

29. Table 4 shows that demand originating in the study area translates to core retail floorspace demand of 3,150 in 2018, growing to nearly 6,200 by 2043. This represents average floorspace growth of 120m2 per annum.

Market Shares Required to Support the Proposal

30. The estimates of current and future retail expenditure above represent spending that originates within the study area by residents and businesses on core retail goods and services.
31. Naturally, not all this demand will be satisfied by study area retailers, with some instead leaking out to retailers further away. Conversely, not all future sales by study area retailers will be to locals, with some sales also going to people visiting or passing through. As a result, estimates of the proposal's sales potential depend on the overall sizes of these two markets – locals and visitors.
32. My preferred approach is to first estimate the share of local spend captured by study area retailers, and to then estimate the relative size of visitor spending. For example, we might assume that study area retailers capture one third of local spend, and that spending by visitors is of roughly equal value.
33. For the purposes of this analysis, and based on my experience with dozens of retail developments across New Zealand, I estimate that a modest share of local spending on three core retail store types will be captured locally, with the rest leaking out. For all other store types, I assume that no local spend is captured by the development.
34. Specifically, my analysis assumes that the proposed development captures:
 - i) 25% of local spending on food and alcohol retailing;
 - ii) 20% of local spending on pharmaceutical and other store-based retailing (such as a florist, or antiques dealer); and
 - iii) 15% of local spending on food and beverage services (restaurants, cafes, bars, and takeaways).
35. Collectively, these assumptions result in 13% of local core retail spending being captured by the proposed development.

36. Further, I conservatively estimate that sales to visitors and passing trade will roughly match sales to locals. This assumption can be readily verified by examples from elsewhere. For instance, the following table from a detailed Auckland Council analysis of Marketview data shows that 50% of sales in Auckland's rural/satellite centres (i.e. places like the proposal) come from within a 10-kilometre road distance.⁴ Thus, for retail centres in the rural parts of Auckland (with similar attributes to the proposal), half of total sales originate in a local catchment that spans 314 square-kilometres, with the other half leaking in from further away.

Table 5: Road Distances from which Retail Sales Come for Auckland Centres in 2011

Centre/area type	Cumulative share of Auckland household spend			
	50%	60%	80%	90%
City centre	9	11	16	23
City centre fringe	6	8	14	21
Major urban	4	5	11	20
Minor urban	3	4	8	17
Non-centre	7	8	13	22
Rural/satellite	10	14	26	56
Sub-regional	6	8	13	21
Survey total	5	7	13	22

Data source: Marketview Ltd and Auckland road network distance matrix.

37. By contrast, my study area spans only 34 square-kilometres, which is nine times smaller than the 314 square-kilometres referenced above, so assuming that my study area accounts for half of total sales is highly likely to understate the role of passing trade.
38. Indeed, with 4,300 vehicles passing the site daily, the proposal will be passed by more than 1.5 million vehicles per annum. As a result, sales to visitors will likely significantly outweigh those of my relatively localized study area. However, I maintain my assumption of a 50/50 split between sales to locals and passing trade to ensure that my analysis is as conservative as possible.

⁴ As their name implies, rural/satellite centres are (typically) small and isolated retail/convenience centres that are dotted throughout Auckland's rural areas to provide for the day-to-day needs of locals and those passing by. They are functionally and geographically analogous to the proposal and hence provide a reliable benchmark for assessing the likely geographic extent of the proposal's future trade catchment.

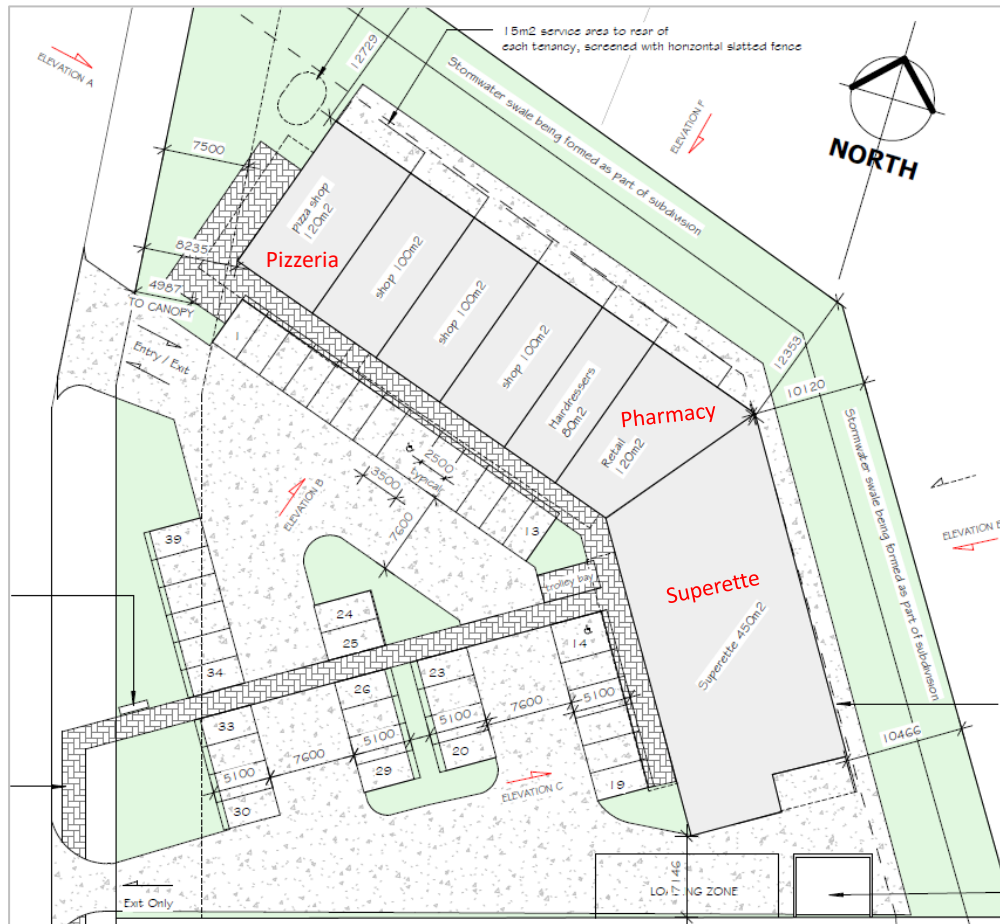
39. Table 6 below shows my resulting estimates of the proposal's supportable core retail floorspace from 2018 to 2043.

Table 6: Projected Supportable Core Retail Floorspace (m²)

Core Retail Store Types	2018	2023	2028	2033	2038	2043
Food Retailing (incl. Supermarkets)	395	455	525	600	685	775
Food and Beverage Services	105	125	145	165	190	210
Pharmaceutical and Other Retailing	110	125	145	165	185	210
Total	610	705	815	930	1,060	1,195

40. Table 6 shows that, under my assumptions, the proposed development can support about 610m² of core retail floorspace in 2018, increasing to 705m² by 2023. Specifically, by 2023, the proposal is estimated to support 455m² of food retailing floorspace, 125m² of food and beverage retailing, and 135m² of pharmaceutical and other store-based retailing.
41. These estimates reconcile well with the development's proposed tenancies. For example, as illustrated below, the latest plans indicate a superette of 450m² – just like my estimate. In addition, they include a pizzeria of 120m², which maps directly to my estimate of potential demand for food and beverage services retailers. Finally, my estimated demand of 125m² of pharmaceutical and other store-based retailing is a close match to the tenancy adjacent to the superette, which is notionally sized at 120m².

Figure 9: Indicative Mapping of Core Retail to Available Tenancies



42. This just leaves the four tenancies located between the indicative pharmacy and the pizzeria, all but one of which I understand are already under contract. Accordingly, there is now only one 100m² tenancy left. This would invariably be filled by one of the various commercial and professional services providers that are often found in smaller centres, like the proposal. Common examples include:

- i) Dry cleaners;
- ii) Gyms;
- iii) Doctors;
- iv) Dentists;
- v) Real estate agents;
- vi) Accountants; and
- vii) Lawyers.

43. To illustrate the potential for these various services providers to fill the remaining three tenancies, I calculated the current national average provision per 1000 people, and applied those to the study area's current and future population. Table 7 presents my findings.

Table 7: Study Area Demand for Commercial/Professional Services

Tenancy Types	Current NZ average per 1000 people	Study Area Potential	
		2018 Pop	2043 Pop
Accounting Services	1.1	2	3
Architectural Services	0.6	1	2
Computer System Design and Related Services	2.5	5	7
Dental Services	0.5	1	1
Engineering Design and Engineering Consulting	1.3	2	4
General Practice Medical Services	0.8	2	2
Hairdressing and Beauty Services	1.0	2	3
Insurance Services	0.5	1	1
Legal Services	0.7	1	2
Other Specialised Design Services	0.8	1	2
Real Estate Services	2.4	4	7
Specialist Medical Services	0.6	1	2
Totals	12.7	23	36

44. To summarise: applying national average ratios of tenants per capita to the study area's current and projected future population suggests that it could support 23 tenancies of this type by 2018, growing to 36 by 2043.
45. In my view, given the lack of any other available commercial space in the study area, there would be more than enough demand from local commercial and professional services providers to fill the proposed tenancies. This is reinforced by the fact that the applicant has already secured commitments for all but one of the seven tenancies available.

Assessment of Likely Trade Impacts and Retail Distribution Effects

46. Although I estimate that there is sufficient demand to support the proposal, it is still important to ensure that it would not have significant adverse effects on the role, function, health, and vitality of other commercial areas.
47. Under the Resource Management Act 1991 (RMA), decision makers must disregard effects that are ordinarily associated with trade competition when

evaluating proposed developments. Instead, they may only consider possible flow-on effects arising from trade competition, which are known as retail distribution effects.

48. Put simply, retail distribution effects may occur if a new development reduces the patronage of competing stores so acutely that it causes some to close, thereby causing the roles and functions of their respective centres to decline so significantly that the social and economic wellbeing of their communities is undermined.
49. A strong body of case law confirms that trade impacts must be very high to go beyond effects that are ordinarily associated with trade competition, and that impacts on individual stores are irrelevant because they amount to pure trade competition.
50. With that definition in mind, I reiterate there are no defined centres in Te Kowhai, and the only existing commercial offers are small and sporadic. Moreover, the closest commercial centres at Ngāruawāhia and Te Rapa are a considerable distance away and are not at practical risk of experiencing adverse effects beyond those associated with trade competition. Accordingly, I consider that the proposal will not give risk to significant – if any – retail distribution effects.

Economic Benefits of Proposal

51. I now briefly comment on likely economic benefits associated with the proposal, starting with benefits to future customers.

Customer Net Benefits

52. Every customer that frequents the proposed development must perceive a benefit from doing so, otherwise they would not switch from their existing routine. Thus, each transaction at the new development generates a net benefit to its customers over and above their previous store choices. These benefits may encompass a range of factors, but the most significant are likely to be:

- i) Reduced travel time and cost because the new store is closer,
- ii) The ability to visit a new store that incorporates the latest design, and:
- iii) Access to a wider range of products, services, and technical support.

Benefits of Increased Competition

53. In addition to generating a range of benefits for its own customers, the new centre will also benefit the rest of the wider community by increasing the level of retail competition. Indeed, increased competition is a cornerstone of economic efficiency, both in the retail sector and beyond. It creates incentives for competing stores to “lift their game”, to invest wisely, to innovate, and to refine their offerings. In doing so, the efficiency of the wider sector improves.

Economic Impacts of Construction

54. Design and construction of the proposed development will provide one-time increase in regional economic activity by creating incomes and employment for locals. To estimate these impacts, I estimated the likely various costs of design and construction, then overlaid regional economic multipliers to derive the resulting economic impacts.
55. The economic multipliers used to translate the financial flows into economic impacts incorporate detailed matrices called input-output tables, which show how the various sectors of the economy are interrelated. Consequently, they enable the overall impact of the proposed development, including its flow on effects, to be readily estimated.
56. To see how multiplier analyses work, consider the following example. Suppose a local construction company wins a large building contract. In addition to extra labour, the company will need to source a range of extra building products from its suppliers to complete the job. These suppliers will need to source various inputs from their own suppliers, and so on.
57. Input output tables trace these supply chain interdependencies through the regional economy so that the direct and wider (flow-on) effects of the new

building work can be estimated. These effects are measured in terms of their contributions to regional GDP, employment, and household incomes.

58. For example, the process of planning for, designing, constructing, and fitting out the commercial spaces will draw in workers from a diverse range of fields and hence create jobs and incomes for numerous district workers. For example, the following workers would be required to complete the project, many of which would be Te Kowhai or district/regional locals.

- i) Architects, planners, lawyers;
- ii) Quantity surveyors;
- iii) Civil and structural engineers;
- iv) Site preparation workers;
- v) Building contractors and sub-contractors;
- vi) Plumbers, electricians, glaziers; and so on.

59. Table 8 presents my estimates of the proposed development's one-off economic impacts, based on the methodology described above.

Table 8: One-Off Impacts of Construction

Construction Impacts	Direct	Flow-on	Total
GDP \$m	\$0.6	\$1.3	\$1.9
Employment (FTE-years)	7	14	21
Household Incomes \$m	\$0.4	\$0.6	\$1.1

60. To summarise: I estimate that the proposed retail development could:

- i) Generate a one-time boost in regional GDP of \$1.9 million;
- ii) Create employment for 21 FTE-years⁵; and
- iii) Boost household incomes by \$1.1 million.

61. Further, over the longer term, the proposed development would provide full-time employment for more than a dozen people to sustain the economic and social wellbeing of study area households.

⁵ An FTE-year means one full-time equivalent employed for a full year. Hence, 100 FTE-years could mean 100 people employed for one year, 50 people employed for 2 years, and so on.

Reduced Vehicle Travel & Emissions from Improved Accessibility

62. In addition to general economic stimulus during construction and operations, the proposal will also help to capture more spending locally. The new commercial development would be driven by market forces and would therefore provide goods and services demanded by locals and visitors. Consequently, it would capture expenditure that would have otherwise occurred elsewhere, most likely via a trip to Ngāruawāhia or Te Rapa.
63. The types of tenants that will be attracted to the centre are typically convenience retailers and commercial or professional services. These can be distinguished from comparison retailers (such as footwear and clothing stores), which are commonly found in malls and city centres. While it is generally best for comparison retail stores to be grouped together in well-defined shopping areas to enable people to compare products easily in one location, accessibility is key for convenience retailers. As a result, it is preferable for them to be spread out and interspersed with households, which is what the proposal seeks to achieve.
64. The retail demand assessment set out above estimates that around \$20 million in expenditure is currently generated by Te Kowhai residents and businesses. Due to the limited retail offer in the study area, a very high proportion of this this will 'leak out' to surrounding centres. Providing more opportunities to capture this spend in Te Kowhai would provide other positive impacts, such as:
- a) Reducing the fuel cost, travel time cost and harmful vehicle emissions associated with the additional shopping trips; and
 - b) Decreasing the risk of motor vehicle accidents by reducing vehicle kilometres travelled.

65. For example, if (say) 20 trips a week could be avoided between Te Kowhai and Ngāruawāhia or Te Rapa⁶, in the space of one year Te Kowhai residents would collectively:
- i) Reduce travel distances by over 20,000km;
 - ii) Burn more 2,000 fewer litres of fuel; and
 - iii) Save close to \$8,000 in travel time and fuel costs⁷.

Thus, not only will the proposal avoid adverse distributional effects on other centres, but it will also sustain a host of important economic benefits.

Response to Market Economics Report

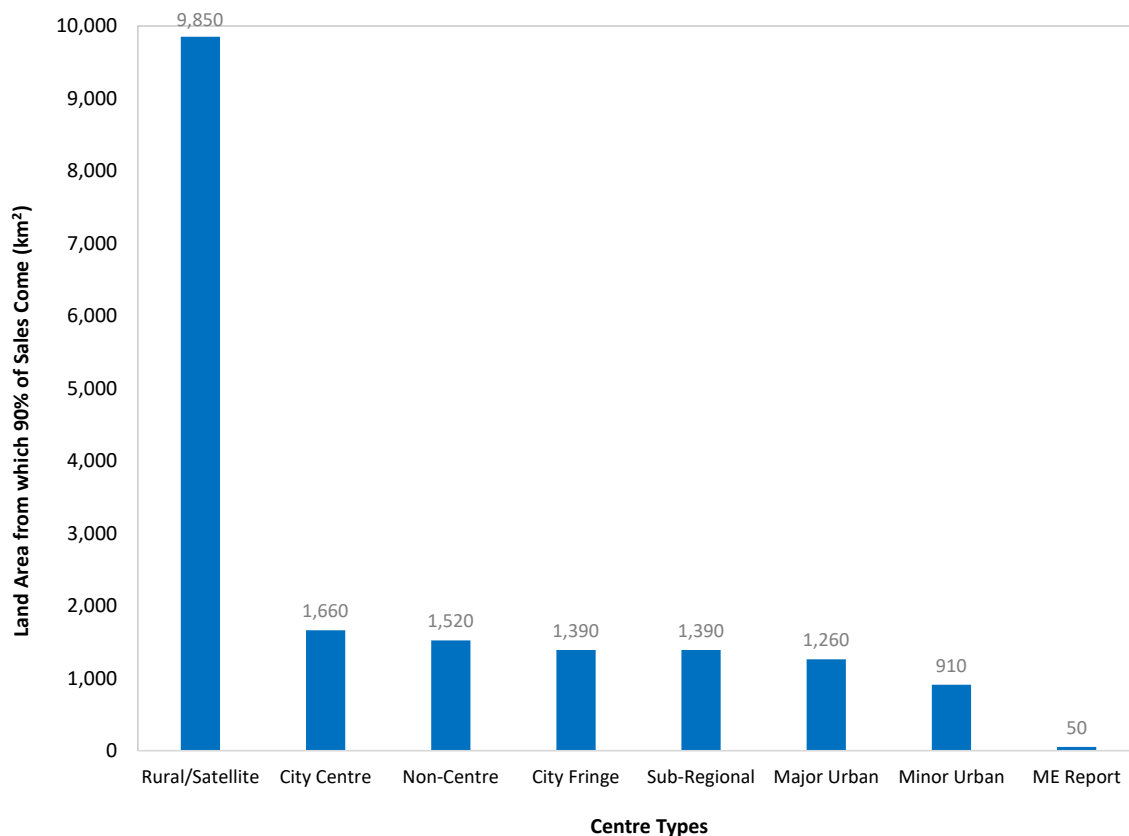
66. Recently, Market Economics (ME) was commissioned to assess the economic effects of the proposal, particularly whether there is sufficient demand to sustain the proposal, and to consider amenity effects on local business areas.
67. The ME report begins with a helpful review of the planning context before briefly characterising existing commercial activities in the local area. Then, it sets out its assessment of sustainable centre floorspace.
68. Overall, the ME assessment of sustainable floorspace is similar to mine. For example, both adopt the same general approach, and our study areas are similar, as are our estimates of retail spend and the shares that will accrue locally. However, our estimates of likely future sales to people residing outside the catchment are vastly different, which leads to fundamentally different conclusions about the financial viability of the proposal.
69. Specifically, the ME report assumes that sales to locals (i.e. within their study area which is only slightly larger than mine) will account for about 90% of total local sales. In other words, ME assume that sales to visitors and passing trade will be nine times smaller than sales to locals, despite their study area being relatively small.

⁶ The estimates of weekly trips are purely indicative and used only for illustrative purposes.

⁷ Using estimated fuel efficiencies, fuel prices, and official rates for the value of travel time from the NZTA economic evaluation manual.

70. By contrast, the Auckland Council analysis of Marketview data – mentioned above – shows that 90% of sales at rural/satellite centres like the proposal originate from an area that is nearly 200 times larger than ME’s study area. Even for other centre types, like minor urban centres that have much tighter catchments, 90% of sales come from an area that is many times larger than ME’s relatively narrow catchment.
71. To illustrate the implausibility of ME’s assumption that 90% of sales will originate within their study area, the figure below compares this to the known catchments from which different types of Auckland centre draw 90% of their trade. Here, I have estimated that ME’s catchment spans roughly 50km².

Figure 10: Land Areas from which 90% of Centre Sales Come (Auckland actual vs ME Assumed)



72. Figure 10 shows that ME’s assumption that 90% of sales will originate within their study area (which I estimate is about 50km²) is simply implausible. It is 18 times smaller than the corresponding figures for minor urban centres in Auckland, and 197 times smaller than for rural/satellite centres like the proposal.

73. To ensure that my assessment of ME's study area was not unduly skewed by reliance on the Auckland data, I looked for other electronic transaction data to assess the area from which the bulk of sales originate.
74. In 2016, I was provided with data on the origins (and hence distances) of sales for all Dunedin retail centres. As expected, these vary depending on centre size and location, with larger centres having wider appeal and thus drawing trade from further afield. Specifically, the CBD drew sales from a much wider catchment than most other centres.
75. Excluding the Dunedin CBD, 90% of total Dunedin centres sales comes from within 50 kilometres, which translates to a total land area of 7,850km². This is 157 times larger than ME's study area, from which they assume 90% of the proposal's sales will come. Clearly, this is unreliable.⁸
76. In addition, I note that ME appear to have overlooked the proposal's ability to attract tenants other than core retailers, such as those I mentioned above. In my experience, commercial/professional services providers often account for a large share of the tenants in small centres like the proposal, so omitting them from their analysis has caused ME to draw erroneous conclusions about the proposal's viability. Accordingly, and coupled with their very narrow catchment, I categorically reject the conclusions that ME draw about the likely viability of the proposed development.
77. Finally, I would like to comment on ME's assessment of retail distribution effects. On the one hand, they concede that there is no centre zone upon which such effects could occur, and that any effects would likely amount to trade competition. I agree.
78. However, conversely, ME then later state that the proposal's site is an inferior location relative to the existing food centre down the road. With respect, this statement lacks any robust evidential basis, and it overlooks the fact that the

⁸ More generally, I note that the densely-populated nature of cities (like Auckland and Dunedin) mean that their centres draw trade from smaller catchments than those in rural areas, like the proposal, where people have to travel further to meet their day-to-day households needs. Accordingly, all other things being equal, we would expect the proposal's trade catchment to be considerably larger than comparable centres from those areas, not significantly smaller as ME suggest.

subject site has been tentatively zoned as Business under the PDP, with a commercial activity currently establishing on the adjacent site. In other words, this conclusion ignores realities on the ground.

79. In addition, this comment about the perceived relative merits of the proposal's location ignores the fact that 1.5 million vehicles currently pass the site each year, and that this would be the same even if it were located further down the road towards existing shops. Regardless, these comments have no bearing on an assessment of retail distribution effects, which are the only reason that the proposal could be credibly denied on economic grounds.

Response to Submissions

80. Several opposing submissions have been received, which raise various economic issues associated with the proposal. They include that:

- i) There is no need for the centre, particularly since the Base is nearby;
- ii) There is insufficient demand to support the centre; and
- iii) The land should be developed for housing instead.

81. I acknowledge these concerns but, respectfully, disagree with them. First, the Base is located about 10 kilometres away and is therefore a considerable distance to travel on a regular basis. Conversely, by providing a wider range of day-to-day goods and services in a closer and more convenient location, the proposal will improve accessibility to essential household items and thus reduce travel times/distances. This, in turn, will create enduring economic and environmental benefits, as illustrated above.

82. Further, this brief of evidence shows that there is ample demand to sustain the proposal, which is confirmed by the fact that the applicant already has tenancy commitments for all but one of its tenancies.

83. Finally, I agree that there is a need for more housing in this location, which is being met by various recent and planned future subdivisions. However, I disagree that the subject site should be used for that purpose, particularly given its indicative future Business zoning. I understand that this proposed zoning is unchallenged.

Summary of evidence

84. This evidence has considered the likely economic effects of the proposal to enable a small-scale retail/convenience centre in Te Kowhai. It has shown that there is currently a lack of local provision to meet the daily needs of residents, and that there will be more than enough demand from locals and visitors to sustain the proposal.
85. Further, not only will the proposal improve accessibility to convenience retail items for locals and visitors alike, but it will also provide incomes and employment during construction and future operations.
86. Finally, given that the proposal will not have any material adverse effects on the health and vitality of existing commercial areas, I support it on economic grounds.

Dated: 6 November 2020



.....

Fraser James Colegrave