

Before the Hearing Panel

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of the Queenstown Lakes Proposed District Plan–
Wakatipu Basin

AND

IN THE MATTER of Hearing Submission 2332, Middleton Family Trust

**Statement of Evidence of Michael Campbell Copeland (Economics) on
behalf of Middleton Family Trust (Submitter 2332)**

Dated 13th June 2018

I, **Michael Campbell Copeland** of Wellington, Economist, state:

1. INTRODUCTION

Qualifications and experience

- 1.1 My name is Michael Campbell Copeland and I am a consulting economist. I hold a Bachelor of Science degree in mathematics and a Master of Commerce degree in economics.
- 1.2 I am the joint 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. During the period July 1990 to July 1994, I was a member of the Commerce Commission and between 2002 and 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. A summary of my curriculum vitae is **attached as Appendix 1.**
- 1.3 With respect to the Resource Management Act 1991 (RMA), I have prepared evidence for clients covering a number of projects and policies. A selection of these is listed at the end of my curriculum vitae in **Appendix 1.**

Background and Purpose of My Evidence

- 1.4 I have been asked to provide evidence on behalf of the Middleton Family Trust (Submitter 338) (the applicant) on the economic effects of rezoning rural land for residential development within the Queenstown Lakes District and which may be in excess of projected demand.
- 1.5 Specifically my evidence addresses:
- (a) The economic benefits from zoning areas of land for residential development in excess of projected demand; and
 - (b) The potential economic costs from zoning areas of land for residential development in excess of projected demand.
- 1.6 In preparing my evidence I have reviewed:

- (a) The Stage 1 Queenstown Lakes District Plan Review evidence of Mr Nicholas Geddes on behalf of the Middleton Family Trust and dated 4 June, 2017;

Code of Conduct

- 1.7 I have read and am familiar with the Code of Conduct for Expert Witnesses in the Environment Court's Practice Note December 2014. I have complied with the Code in preparing this evidence. I confirm that my evidence is within my area of expertise, except where I state that I am relying on the evidence or opinion of another person, and that I have not omitted to consider material facts known to me that might alter or detract from my expressed opinions.

Structure of My Evidence

- 1.8 Following an executive summary, the remainder of my evidence covers:
 - (a) Relevant economic concepts under the RMA;
 - (b) The economic benefits of zoning land for residential development in excess of projected demand; and
 - (c) The potential economic costs of zoning land for residential development in excess of projected demand.
- 1.9 My evidence is confined to a consideration of economic effects. That is not to suggest that any non-economic effects (e.g. visual, ecological and cultural effects) from the proposed rezoning of land at Tuckers Beach are not relevant considerations under the RMA, but such effects are best covered by appropriately qualified technical experts and not by economists.

2. EXECUTIVE SUMMARY

- 2.1 Increasing the supply of land for residential development, even if in excess of projected demand, will generate economic benefits from increased competition. The proposed rezoning of land at Tuckers Beach to enable residential development will give rise to such economic benefits.

- 2.2 Zoning of land in excess of projected demand can give rise to infrastructure and transport economic externality costs. However the proposed Tuckers Beach development is not expected to give rise to such costs.
- 2.3 The rezoning of land at Tuckers Beach to enable residential development will give rise to net economic benefits for the Queenstown Lakes District. It is consistent with having regard to community economic well-being and the efficient development and use of resources.

3. ECONOMICS AND THE RMA

Community Economic Wellbeing

- 3.1 Economic considerations are intertwined with the concept of the sustainable management of natural and physical resources, which is embodied in the RMA. In particular, Part 2 section 5(2) refers to enabling “*people and communities to provide for their social, economic and cultural well-being*” as part of the meaning of “*sustainable management*”, the promotion of which is the purpose of the RMA.
- 3.2 As well as indicating the relevance of economic effects in considerations under the RMA, section 5 also refers to “*people and communities*” (emphasis added), which highlights that, in assessing the impacts of provisions in a plan, it is the impacts on the community and not just the Council or particular individuals or organisations, that must be taken into account. This is underpinned by the definition of “*environment*” which also extends to include people and communities. Assessing the economic effects of rezoning land for residential development in excess of projected demand requires a district-wide perspective to be adopted.

Economic Efficiency

- 3.3 Part 2 section 7(b) of the RMA directs that, in achieving the purpose of the Act, all persons “*shall have particular regard to ... the efficient use and development of natural and physical resources*” which includes the concept of economic efficiency.¹ Economic efficiency can be defined as:

¹See, for example, in *Marlborough Ridge Ltd v Marlborough District Council* [1998] NZRMA 73 at [86], the Court noted that all aspects of efficiency are “*economic*” by definition because economics is about the use of resources generally.

*“The effectiveness of resource allocation in the economy as a whole such that outputs of goods and services fully reflect consumer preferences for these goods and services as well as individual goods and services being produced at minimum cost through appropriate mixes of factor inputs”.*²

- 3.4 More generally, economic efficiency can be considered in terms of:
- (a) Maximising the value of outputs divided by the cost of inputs;
 - (b) Maximising the value of outputs for a given cost of inputs;
 - (c) Minimising the cost of inputs for a given value of outputs; and
 - (d) Minimising waste.
- 3.5 There are resource use efficiency considerations in rezoning land for residential development in excess of projected demand. These are discussed later in my evidence.

Viewpoint for Economic Assessment

- 3.6 An essential first step in carrying out an evaluation of the positive and negative economic effects of a proposed plan change is to define the appropriate viewpoint that is to be adopted. This helps to define which economic effects are relevant to the analysis. Typically a district (city) or wider regional viewpoint is adopted and sometimes a nationwide viewpoint might be considered appropriate.
- 3.7 In the case of proposed Tuckers Beach development and the rezoning of land for residential development in excess of projected demand, the actual and potential economic effects will mostly be on the community, consisting of residents and businesses of the Queenstown Lakes District and therefore a Queenstown Lakes District viewpoint is appropriate.

The Justification for Land Use Controls

- 3.8 Over the past thirty years or so, there has been a growing acceptance in New Zealand and other countries that economic efficiency is maximised when investment decisions are left to individual entrepreneurs or firms, without intervention from Government – i.e. “market based” outcomes.

²Pass, Christopher and Lowes, Bryan, 1993, *Collins Dictionary of Economics* (2nd edition), Harper Collins, page 148.

The reason for this is that in theory, a perfectly competitive market, where investment decisions are left to individual entrepreneurs or firms without intervention from Government, achieves an efficient allocation of resources.

- 3.9 The essence of this policy is that the efficient use of resources, and therefore "sustainable management" results from the creation of a climate where the market enables people to make investment decisions "to provide for their economic well being".
- 3.10 Despite this, in reality markets are not "perfect", and the presence of "externalities"³ affects the working of the market and the results that could be expected from a totally unregulated system of resource allocation. Externalities arise because the actions of individuals or firms sometimes create positive or negative impacts on others.
- 3.11 It is unrealistic to assume that development of particular forms of economic activity and/or the location of that economic activity will not sometimes impose costs on the community in general. Where the developer, and/or those engaged in various forms of economic activity at the site do not face the incidence of these costs, externalities arise and intervention of some form may be justified. In other words, development may create costs or benefits for parties other than those commercially involved in transactions related to the development.
- 3.12 Externalities may be in the form of environmental effects such as visual, cultural, noise, water or air pollution effects. Externalities in an economic context may relate to the provision of infrastructure where a strict user pays system is not in place, and road transport congestion and safety effects.
- 3.13 Consideration of the efficient allocation of resources must encompass the extent to which externalities will or are likely to exist, but the existence of externalities does not necessarily imply the need for intervention. This is because intervention in the market, for example to limit where residential development may occur, is not costless in that it prevents optimum resource allocation from the perspective of the market. Also there may be external benefits associated with allowing

³Defined as the side effects of the production or use of a good or service, which affects third parties, other than just the buyer and seller.

development to occur at an increased number of locations and which need to be taken into account.

- 3.14 Therefore, from the point of view of community economic well being and economic efficiency, market interventions such as land use constraints should only be imposed where clear external costs have been identified and the significance of these external costs is such that it outweighs the costs of the particular form of intervention proposed.
- 3.15 Further, restricting development having considered only potential negative externalities relies on partial or incomplete analysis and will lead to suboptimal outcomes. It ignores not only positive externalities, but also the economic and other benefits inherent in market determined solutions.
- 3.16 In other words to justify land use controls, which restrict free market outcomes, externality costs must be identified and they must be significant enough to outweigh the inherent cost of not allowing a free market solution and any positive externalities that may be associated with that free market solution.
- 3.17 This approach is consistent with the requirements under section 32 of the RMA to assess the effectiveness, efficiency and benefits and costs of proposed provisions in district plans.
- 3.18 In the remainder of my evidence I assess the economic externality benefits and costs associated with enabling the proposed rezoning of rural land for residential development even though the land already zoned for residential development may already be sufficient to meet projected demand.

4. THE ECONOMIC BENEFITS OF ZONING LAND FOR RESIDENTIAL DEVELOPMENT IN EXCESS OF PROJECTED DEMAND

- 4.1 Economists generally accepted that measures which increased competition in markets provide for greater economic well-being and greater economic efficiency and that conversely interventions in markets which limit or prevent competition in markets reduce economic well-being and 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.

4.2 Increased competition in markets (or the removal of constraints on competition) is seen to be consistent with more competitive (and therefore lower) prices in markets and improved service levels by providers of goods and services. This is particularly relevant with respect to residential housing markets in New Zealand where housing affordability is seen to be an issue requiring attention at national, regional and district (or city) levels. Whilst housing affordability will need to be addressed on a number of fronts, maintaining and enhancing competition in the residential land supply market is one component of this.

4.3 The National Policy Statement on Urban Development Capacity (2016) is very clear about encouraging competition in markets for land development. It states⁴:

“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.

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.”

4.4 In addition, Policy PA3 of the National Statement requires that when making planning decisions particular regard be given to:

“a) Providing for choices that will meet the needs of people and communities and future generations for a range of dwelling types and locations, working environments and places to locate businesses; and

⁴ At page 4.

c) *Limiting as much as possible adverse impacts on the competitive operation of land and development markets.”*

4.5 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 Queenstown Lakes 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 Queenstown Lakes 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 PA1⁵, 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.” (Emphasis added)

4.6 Therefore there are clear economic benefits associated with efficiency gains from enhancing competition from zoning land for residential development in excess of projected demand.

5. POTENTIAL ECONOMIC COSTS FROM ZONING LAND FOR RESIDENTIAL DEVELOPMENT IN EXCESS OF PROJECTED DEMAND

Loss of Productive Farm Land

5.1 Lost agricultural production is not an external cost of the proposed residential development at Tuckers Beach. 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 the developer 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 passed through to purchasers of sections.

⁵Policy 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.

- 5.2 Also zoning land in excess of projected demand will mean that if the Tuckers Beach land is developed in advance of other land zoned for residential development, this other land will generally⁶ not be taken out of alternative productive use, so there is a transfer of economic activity rather than a net loss in productive use.

Increased Infrastructure Costs

- 5.3 Externality costs may arise if as a consequence of zoning additional areas of land for residential 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 section purchasers), whilst development charges will usually be set so that any additional off-site infrastructure costs that result from a particular development are internalised in the cost structure of the developer and are not external costs paid for by the community (ratepayers) in general.
- 5.4 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 Tuckers Beach development I am informed that the this can be fully serviced and this is discussed in the evidence of Mr Chris Hansen.

Increased Transport Costs

- 5.5 Rezoning land more distance from employment, retail and commercial centres, recreational and entertainment facilities, educational institutions and public facilities such as hospitals and libraries may lead to increased transport costs if as a result more distance residential areas are developed in preference to those not so distant to these facilities. However, for the most part any such additional transport costs are internalised to owners (or renters) of the newly developed properties.
- 5.6 Only to the extent there are additional externality costs – e.g. road accidents, congestion and greenhouse gas emissions – are increased transport costs a relevant consideration. In the case of the proposed Tuckers Beach development, transport distances to town centres and facilities are less than or equal too other existing residential areas such as Lake Hayes Estate and Shotover Country. Therefore, the transport

⁶ In some cases partial development of an area zoned for residential use may preclude alternative productive use or reduce the productivity of the land not yet developed.

cost will be no greater than other areas already zoned for residential development and enabling residential development at Tuckers Beach is not expected to give rise to additional transport externality costs.

Michael Campbell Copeland

Date: 13th June 2018

CURRICULUM VITAE OF MICHAEL CAMPBELL COPELAND

DATE OF BIRTH	3 October 1950
NATIONALITY	New Zealand
EDUCATIONAL QUALIFICATIONS	Bachelor of Science (Mathematics) 1971 Master of Commerce (Economics) 1972

PRESENT POSITIONS

(Since 1982)	Economic Consultant, Brown, Copeland & Co Ltd
(Since 2017)	Trustee, Trade Aid (Kapiti)

PREVIOUS EXPERIENCE

1978-82	NZ Institute of Economic Research Contracts Manager/Senior Economist
1975-78	Confederation of British Industry Industrial Economist
1972-75	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

AREAS OF PRIMARY EXPERTISE

- Agriculture and Resource Use Economics (including Resource Management Act)
- Commercial Law and Economics (including Commerce Act)
- Development Programme Management
- Energy Economics
- Industry Economics
- Transport Economics

RESOURCE MANAGEMENT ACT SPECIFIC PROJECTS

- Port storage facilities at Westport;
- The proposed Clifford Bay ferry terminal;
- The proposed pipeline and related facilities to utilise water from the Waikato River for metropolitan Auckland;
- A container terminal expansion by the Ports of Auckland;
- The proposed Variation No. 8 to the Wellington City District Plan covering height and other controls on development of the airspace above the Wellington railway yards;
- Proposed expansion of Paraparaumu town centre within the Kapiti Coast District;
- Wellington City Council's heritage preservation policy;
- Solid Energy's proposed West Coast Coal Terminal at Granity;
- Solid Energy's Mt William North coal mine at Stockton in the Buller District;
- The proposed Waimakariri Employment Park;
- The designation of land for a proposed motorway extension in the Hawke's Bay;
- The Hastings District Council's Ocean Outfall – two consent renewal applications;
- A proposed new shopping and entertainment centre in Upper Hutt;
- Rezoning of land in Upper Hutt from Business Industrial to Residential;
- New regional correctional facilities in Northland, South Auckland, Waikato and Otago;
- Proposed controls on wake generation by vessels travelling within the waterways of the Marlborough Sounds;
- The expansion of marina facilities within the Marlborough Sounds;
- Southern Capital's proposed new township at Pegasus Bay, north of Christchurch;
- Renewal of water resource consents for the Tongariro Power Development Scheme;
- Economic analysis inputs to a Section 32 report for the Waitaki Water Allocation Board;
- The imposition of land use restrictions within noise contours surrounding Christchurch International Airport;
- The expansion of the Whangaripo Quarry in Rodney District;
- The economic significance of Winstone's proposed quarry at Wainui, in the north of Auckland City;
- A proposed five star hotel development for Wanaka;
- Holcim's proposed new cement plant near Weston in the Waitaki District;
- TrustPower's proposed new wind farm at Mahinerangi in Central Otago;
- TrustPower's proposed new Arnold hydroelectric power scheme on the West Coast;

- McCallum Bros and Sea Tow Limited's appeal before the Environment Court regarding extraction of sand from the Mangawhai-Pakiri embayment north of Auckland;
- The development of the Symonds Hill pit at Winstones' Hunua Quarry;
- The rezoning of land for residential development at Peninsula Bay, Wanaka;
- The rezoning of land for more intensive residential development at PekaPeka on the Kapiti Coast;
- A gondola development for the Treble Cone skifield;
- A gondola development for the Snow Farm and Snow Park skiing and snowboarding facilities;
- The extraction of gravel from the bed of the Shotover River;
- The proposed Hilton hotel development on Wellington's Queen's Wharf;
- Land use restrictions in relation to the Runway Extension Protection Areas for Christchurch International Airport;
- A new residential and commercial development by Apple Fields at Belfast on the outskirts of Christchurch;
- A proposed business park development on land at Paraparaumu Airport;
- The proposed redevelopment of Wellington's Overseas Passenger Terminal;
- The proposed Central Plains irrigation scheme in Canterbury;
- The staging of residential and business development at Silverdale North in the Rodney District;
- The redevelopment of the Johnsonville Shopping Centre;
- A Plan Change enabling the relocation of existing development rights for a residential and commercial development on Mount Cardrona Station in the Queenstown Lakes District;
- A new Pak'n Save supermarket at Rangiora;
- New supermarkets at Kaiapoi, Whitby, Silverstream and Havelock North;
- The extension of the TeRereHau wind farm in the Tararua District;
- MainPower's proposed new wind farm at Mount Cass;
- Fonterra's proposed new milk processing plant at Darfield and its subsequent expansion;
- Fonterra Pahiatua milk powder plant expansion;
- Fonterra's proposed new coal mine in the Waikato District;
- Assessment of the economic significance of ANZCO's Canterbury operations to the Canterbury regional economy;
- Resource consent extensions for Oceana Gold (New Zealand) Limited's gold mining operations at Macraes Flat in north-east Otago, the Globe Mine at Reefton and a proposed underground gold mine at Blackwater on the West Coast;
- Designation of land for NZTA's Waterview motorway project in Auckland;
- Designation of land and resource consents for NZTA's Transmission Gully motorway project in Wellington;
- Designation of land and resource consents for NZTA's MacKays to PekaPeka Expressway;
- Designation of land and resource consents for NZTA's PekaPeka to Otaki Expressway;
- Resource consents for NZTA's Basin Reserve Bridge Project;
- Resource consents for NZTA's Puhoi to Warkworth motorway extension;
- Resource consents for the Ruataniwha Water Storage Scheme;
- Assessment of the economic effects of a Queenstown Airport Corporation's proposed Notice of Requirement for the designation of additional land for aerodrome purposes;
- Assessment of the retail effects of proposed Plan Change 19 to the Queenstown Lakes District's District Plan;

- Assessment of the regional and national economic significance of Lyttelton Port;
- The economic benefits of utilising a Recovery Plan under the Canterbury Earthquake Recovery Act for the rehabilitation and enhancement of facilities at Lyttelton Port;
- The economic effects of the Lyttelton Port Company's Capital Dredging Project;
- Meridian's proposed new Mokihinui hydro scheme;
- Assessment of the economic effects of alternative wreck recovery options for the MV Rena;
- Assessment of the economic benefits and costs of Transpower's corridor management approach to giving effect to the National Policy Statement on Electricity Transmission in District and City Plans;
- Assessment of economic effects of a proposed extension to Arrowtown's urban boundary;
- Assessment of the economic benefits of overhead deployment of ultrafast broadband infrastructure;
- Assessment of the economic benefits of the proposed Ruataniwha Water Storage Scheme;
- Preparation of evidence for Transpower in relation to the proposed Ruakura development on the outskirts of Hamilton City;
- Preparation of two reports reviewing the economic benefits of the Hobbiton movie set at Matamata;
- Assessment of the economic benefits of renewal of a water discharge consent for Silver Fern Farm's Belfast meat processing plant;
- Preparation of evidence for Transpower in relation to the Proposed Auckland Unitary Plan;
- Preparation of evidence for Christchurch International Airport Limited, Transpower, Ngāi Tahu Property Limited, the Lyttelton Port Company, Tailorspace Limited, Church Property Trustees, the Roman Catholic Bishop of the Diocese of Christchurch, Pacific Park Limited, Fulton Hogan and the Christchurch Aggregates Producers Group in relation to the Proposed Christchurch Replacement District Plan.
- Preparation of evidence for Darby Planning LP, Soho Ski Area Limited, Treble Cone Investments, Lake Hayes Ltd, Lake Hayes Cellar Ltd and Mount Christina Limited in relation to economic issues concerning the Rural and Rural Recreation and Rural Lifestyle Chapters of the Proposed Queenstown Lakes District Plan;
- Preparation of evidence for Coastlands Shoppingtown Limited in relation to the proposed Kapiti Coast District Plan;
- Preparation of evidence for Tinline Properties Limited in relation to a proposed plan change to enable the establishment of an out of centre supermarket;
- The assessment of the economic effects of a proposed Plan Change for safeguarding the future efficient operations of the Rangiora Airfield;
- The assessment of the economic effects of proposed changes to Queenstown Lakes District Plan covering the Jack's Point resort area;
- The assessment of the economic benefits of the development of a marquee golf course in Christchurch;
- Economic assessment of Waitemata Harbour Crossing Project alternatives.