

Before the Selwyn District Council

under: the Resource Management Act 1991

in the matter of: Proposed Private Plan Change 69 to the Operative
District Plan: Lincoln South

and: **Rolleston Industrial Developments Limited**
Applicant

Statement of Evidence of Michael Copeland (Economics)

Dated: 4 November 2021

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STATEMENT OF EVIDENCE OF MICHAEL COPELAND

INTRODUCTION

- 1 My full name is Michael Campbell Copeland.
- 2 I am a consulting economist at 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 I hold a Bachelor of Science degree in mathematics and a Master of Commerce degree in economics. I have over 35 years' experience in the application of economics to various areas of business, infrastructure and resource management matters. A summary of my curriculum vitae is attached as **Appendix 1**.
- 4 During the period 1990 to 1994, I was 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.
- 5 I prepared the Economic Assessment that was submitted as part of the Plan Change 69 application.
- 6 I am familiar with the plan change application by Rolleston Industrial Developments Limited (*the Applicant*) to rezone approximately 190 hectares of land on Springs Road, Lincoln to enable approximately 2,000 residential sites and three small commercial zones.

CODE OF CONDUCT

- 7 Although this is not an Environment Court hearing, I note that in preparing my evidence I have reviewed the Code of Conduct for Expert Witnesses contained in Part 7 of the Environment Court Practice Note 2014. I have complied with it in preparing my evidence. I confirm that the issues addressed in this statement of evidence are within my area of expertise, except where relying on the opinion or evidence of other witnesses. I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed.

SCOPE OF EVIDENCE

- 8 My evidence assesses the economic effects of proposed Plan Change 69 (*PC69*). Following a brief summary, my evidence addresses the following:

- 8.1 Background to the proposed Plan Change;
 - 8.2 A consideration of the relevance of economic effects under the Resource Management Act (*RMA*);
 - 8.3 A description of recent population, employment and economic growth within the Selwyn District and Greater Christchurch (i.e. Selwyn District, Christchurch City and Waimakariri District);
 - 8.4 Identification of the economic benefits from proposed Plan Change 69;
 - 8.5 A discussion of some potential economic costs from proposed Plan Change 69;
 - 8.6 Responses to the Section 42A Report;
 - 8.7 Responses to submitters; and
 - 8.8 Some overall conclusions.
- 9 In preparing my evidence, I have reviewed the following:
- 9.1 Updated 2021 data from Statistics New Zealand (NZ Stat sub-national population estimates and projections and employment data¹ and Infometrics Selwyn District economic profile data on gross domestic product²);
 - 9.2 The Greater Christchurch Housing Development Capacity Assessment³;
 - 9.3 The Section 42A Report prepared for the Council; and
 - 9.4 Growth Planning in Selwyn District (report attached as Appendix K to Section 42A Report); Ben Baird, Policy Analyst; 1 October 2021.

SUMMARY OF EVIDENCE

- 10 Over the period 2001 to 2021, the Selwyn District's population has grown 5 times faster than for New Zealand as a whole, more than 9 times faster than for Christchurch City and more than twice as fast as for the Waimakariri District. Projections for future population growth out to 2048 are for the Selwyn District's population to grow at an average annual rate of 2.0% per annum, as compared to

¹www.nzdotstat.stats.govt.nz)

²<https://ecoprofile.infometrics.co.nz/Selwyn+District>

³ Greater Christchurch Partnership - 30 July 2021

0.7% per annum for New Zealand as a whole, 0.6% per annum for Christchurch City and 0.8% per annum for the Waimakariri District. The Selwyn District has also had comparatively high rates of growth in employment and gross domestic product (GDP).

- 11 The residential development enabled by the proposed Plan Change will bring expenditure, incomes and employment opportunities for local businesses and residents within the Selwyn District and also Christchurch City businesses and residents. To the extent that the rezoning generates additional local employment opportunities for Selwyn District residents during the construction phase and subsequently as a result of greater population in the District, it will reduce their reliance on employment opportunities elsewhere in Greater Christchurch and therefore potentially reduce their commuting transport costs.
- 12 Plan Change 69 will bring economic benefits from encouraging greater choice and competition in residential land supply markets. The National Policy Statement on Urban Development 2020 (*NPS-UD*) places considerable emphasis on encouraging greater competition and overcoming imperfections in residential (and other land) development markets to help arrest declining housing affordability trends throughout New Zealand, especially those areas experiencing high rates of urban growth.
- 13 The Plan Change will not give rise to economic externality costs.
- 14 The additional housing development capacity that would be enabled by proposed Plan Change 69 will be significant, whether considered in the context of Lincoln or at a wider Selwyn District level. The proposed development of up to 2,000 dwellings represents up to around 8.0% of the 25,070 existing dwellings in the District and up to around 69% of the existing dwellings in Lincoln.
- 15 Therefore, the Plan Change is consistent with the economic wellbeing of people and communities and the efficient development and use of resources.

BACKGROUND TO PROPOSED PLAN CHANGE 69

- 16 Rolleston Industrial Developments Limited (RIDL) controls the land at 1491 Springs Road on the southern outskirts of Lincoln township and proposes a Plan Change (proposed Plan Change 69), which will rezone this land and some other adjacent properties owned by others from Rural (Outer Plains) to Residential (Living Z). The proposed Plan Change will allow for a maximum of 2,000 new lots at a minimum density of 12 households per hectare. Included within the rezoning will be provision for three small 'local centres' (Business 1 zoning) to meet the convenience shopping needs of the development's residents.

ECONOMICS AND THE RMA

Community Economic Wellbeing

- 17 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 II section 5(2) refers to enabling "*people and communities to provide for their ... economic ... well being*" as part of the meaning of "*sustainable management*", the promotion of which is the purpose of the RMA.
- 18 As well as indicating the relevance of economic effects in considerations under the RMA, this section also refers to "*people and communities*" (emphasis added). This highlights that, in assessing the impacts of a proposal, it is the impacts on the community and not just the applicant, 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.
- 19 The way in which proposed Plan Change 69 will enable the residents and businesses of the Selwyn District and Greater Christchurch City to provide for their social and economic wellbeing is discussed later in my evidence.

Economic Efficiency

- 20 Part II section 7(b) of the RMA notes 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 economic concept of efficiency⁴. Economic efficiency can be defined as:
- "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"*⁵.
- 21 More generally, economic efficiency can be considered in terms of:
- 21.1 Maximising the value of outputs divided by the cost of inputs;
- 21.2 Maximising the value of outputs for a given cost of inputs;

⁴See, for example, in *Marlborough Ridge Ltd v Marlborough District Council* [1998] NZRMA 73, the Court noted that all aspects of efficiency are "*economic*" by definition because economics is about the use of resources generally.

⁵Pass, Christopher and Lowes, Bryan, 1993, *Collins Dictionary of Economics* (2nd edition), Harper Collins, page 148.

21.3 Minimising the cost of inputs for a given value of outputs;

21.4 Improving the utilisation of existing assets; and

21.5 Minimising waste.

- 22 Proposed Plan Change 69 is consistent with the efficient use of resources, especially in regard to increasing competition in the market for residential land in Lincoln, Selwyn and Greater Christchurch as well as providing greater choice. These economic efficiency benefits are discussed later in my evidence.

Viewpoint

- 23 An essential first step in carrying out an evaluation of the positive and negative economic effects of the 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 (or city) and wider regional viewpoint is adopted and sometimes even a nationwide viewpoint might be considered appropriate.
- 24 The block of land RIDL control and covered by proposed Plan Change 69 is located within the Selwyn District, but the resulting residential sections will also form part of the Greater Christchurch housing market. Therefore, in my evidence the economic effects are considered in relation to the residents and businesses within the Selwyn District economy and also in relation to the broader Greater Christchurch economy.
- 25 There will also be private or financial benefits associated with the proposed rezoning. Generally these benefits are not relevant under the RMA and the main focus of my evidence is therefore on the wider economic effects on parties other than RIDL. Economists refer to such effects as "externalities"⁶.

Trade Competition

- 26 Consistent with seeking to maximize competition and economic efficiency, the RMA specifically excludes consideration being given to trade competition effects on individual competitors. My evidence therefore does not consider individual trade competitors. However, importantly, the proposed Plan Change will increase the level of competition in the market for residential sections at Lincoln, within the Selwyn District and within Greater Christchurch.

⁶Defined 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.

Intangible Costs and Benefits

- 27 My evidence addresses the economic effects⁷ of RIDL's proposed Plan Change 69. Relevant non-economic effects are covered in the Plan Change application main text, technical reports appended to it and in the evidence of other technical experts.
- 28 In economics, 'intangible' costs and benefits are defined as those which cannot be quantified in monetary terms. Sometimes attempts can be made to estimate monetary values for 'intangible' non-economic costs and benefits using techniques such as willingness to pay surveys or inferring values on the basis of differences in property values. Once quantified in monetary terms, these effects can supposedly be considered as part of the assessment of economic effects.
- 29 However, such techniques are frequently subject to uncertainty and criticism. It is generally better not to attempt to estimate monetary values for these effects but to leave them to be assessed by appropriately qualified experts and for their assessments to form part of the application of the relevant legal test. This also avoids the danger of 'double-counting' of effects.
- 30 Just as it is necessary for decision-makers under the RMA to consider negative intangible effects and to weigh these against positive economic effects, there are sometimes positive intangible effects that need to be incorporated in the decision making process. In relation to the proposed Plan Change, these will include the social benefits from increased housing affordability.

The Justification for Land Use Controls

- 31 Over the past thirty years or so, there has been a growing acceptance in New Zealand and other countries that economic efficiency is maximized when investment decisions are left to individual entrepreneurs or firms and consumers, without intervention from Government – i.e. "market based" outcomes. The reason for this is that in theory a perfectly competitive market, where investment decisions are left to individual entrepreneurs or firms and consumers without intervention from Government, achieves an efficient allocation of resources. 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".

⁷Sometimes economic effects can have a social dimension – e.g. employment and income effects and housing affordability.

- 32 Despite this, in reality markets are not "perfect", and the presence of "externalities" 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. 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, those engaged in various forms of economic activity at the site and/or consumers 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.
- 33 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.
- 34 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. There may also be external benefits associated with allowing additional development to occur at a particular location (e.g. Lincoln South) and these need to be taken into account.
- 35 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. 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.
- 36 Restricting development having considered only potential negative externalities relies on partial or incomplete analysis and will lead to suboptimal outcomes. It ignores both positive externalities, and also the economic and other benefits inherent in market determined solutions.

- 37 This approach to balance positive and negative externalities 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.

BACKGROUND TO SELWYN DISTRICT AND GREATER CHRISTCHURCH ECONOMIES⁸

Population

- 38 Statistics New Zealand's June 2021 population estimate for the Selwyn District is 73,600 or 1.4% of New Zealand's population. This is 4.8% higher than in 2020. New Zealand's population in 2020 was 0.6% higher than in 2020. In 2001 the population in the District was estimated to be 28,300, implying an increase of 160.0% over the period 2001 to 2021, as compared to only 32.0% for New Zealand as whole. Statistics New Zealand's 'medium' population projections⁹ have the Selwyn District's population increasing to 106,500 in 2048 – i.e. an average rate of increase of 1.4% per annum over the period 2021-48, compared to an average rate of growth for New Zealand of 0.7% per annum. The Greater Christchurch Housing Development Capacity Assessment¹⁰ states that on the basis of recent population growth in the District, the most appropriate population projection for the Selwyn District is Statistics New Zealand's 'high' population projection, which has the District's population increasing to 126,700 in 2048 – i.e. at an average rate of increase of 2.0% per annum, nearly 3 times the average rate of growth for New Zealand as a whole.
- 39 Christchurch City's population has grown from 335,300 in 2001 to 392,100 in 2021 – i.e. growth of 16.9%. It is forecast to grow to 463,500 in 2048 at an average rate of growth 0.6% per annum. Waimakariri District's population has grown from 37,900 in 2001 to 66,300 in 2021 – i.e. growth of 74.9%. It is forecast to grow to 83,000 in 2048 at an average rate of growth 0.8% per annum. The Christchurch earthquakes have contributed to faster population growth within the Selwyn District, and to a lesser extent the Waimakariri District, than for Christchurch City. However, this trend within the Selwyn District is still forecast to continue.

Employment

⁸Data in this section from Statistics New Zealand and Infometrics Selwyn District Economic Profile (<https://ecoprofile.infometrics.co.nz/Selwyn+District>).

⁹Statistics New Zealand prepare three sets of projections – high, medium and low – according to natural population change (i.e. the net effect of birth and death rate assumptions) and net migration assumptions. These projections do not explicitly incorporate assumptions about different rates of economic development.

¹⁰ Greater Christchurch Partnership; 30 July, 2021 (see page 17).

- 40 Employment within the Selwyn District has grown from 9,400 in 2001 to 19,900 in 2021 – i.e. growth of 117.0%, compared to national growth of 42.3%. For Christchurch City, employment has grown from 165,200 in 2001 to 215,200 in 2021 implying growth of 30.3%. For the Waimakariri District, employment has grown from 7,700 in 2001 to 16,800 in 2021, implying growth of 118.2%. Whilst the Selwyn District remains principally a “dormitory area” for Christchurch City, the District has exhibited much higher growth in employment over the 2001-21 period than for Christchurch City and for New Zealand as a whole.

Gross Domestic Product (GDP)

- 41 The Selwyn District’s GDP in 2020 was \$2,866 million. The four main contributors by sector were agriculture, forestry and fishing (17.6%), manufacturing (11.6%), professional, scientific and technical services (8.1%) and construction (7.0%). Over the last 10 years (2010-2020), the District’s GDP has grown by \$1,205 million – i.e. growth of 72.5% – compared to GDP for New Zealand growing by 31.4%. The main contributors to the Selwyn District’s growth in GDP have been manufacturing (\$191 million), construction (\$128 million) and agriculture, forestry and fishing (\$120 million). Manufacturing has increased its share of GDP to 11.5% from 8.5% in 2010, when it then sat behind agriculture, forestry and fishing (23.2%) and public administration and safety (14.6%).

ECONOMIC BENEFITS OF PROPOSED PLAN CHANGE 69

Additional Employment, Incomes and Expenditure

- 42 The residential development enabled by the proposed Plan Change will bring expenditure, incomes and employment opportunities for local businesses and residents within the Selwyn District and also elsewhere within Greater Christchurch. However, the extent to which the proposed rezoning will generate additional expenditure, incomes and employment for the Selwyn District and Christchurch City will be limited to the extent that the rezoning results in greater overall residential development within the Selwyn District and Greater Christchurch.
- 43 Increases in expenditure, incomes and employment within the local Selwyn District economy during the construction phase, and the subsequent increased population within the District 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 and population. These relate to one or more of:
- 43.1 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;

- 43.2 Increased competition: Increases in the demand for goods and services allow a greater number of providers of goods and services to enter markets and there are efficiency benefits from increased levels of competition;
- 43.3 Reduced unemployment and underemployment¹¹ of resources: To the extent resources (including labour) would be otherwise unemployed or underemployed, increases in economic activity can bring efficiency benefits when there is a reduction in unemployment and underemployment. The extent of such gains is of course a function of the extent of underutilized resources at the time and the match of resource requirements of a project and those resources that are unemployed or underemployed; and
- 43.4 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 quality of such services in a community can be increased if increased economic activity maintains or enhances population levels.
- 44 To the extent that the proposed Plan Change does result in additional economic activity and population within the Selwyn District, it will contribute to these types of economic benefits for the local economy.
- 45 Also, to the extent that the rezoning generates additional local employment opportunities for Selwyn District residents during the construction phase and subsequently as a result of greater population in the District, it will reduce their reliance on employment opportunities elsewhere within Greater Christchurch and therefore potentially reduce their commuting transport costs.¹²

Increased Competition and Choice in Residential Housing Markets

- 46 As covered earlier in my evidence regarding the justification for land use controls, there are economic efficiency benefits from encouraging greater reliance on market determined land use outcomes and eliminating unnecessary constraints on market

¹¹Underemployment 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.

¹²There may be additional commuting costs for Christchurch residents attracted to jobs at the plan Change 69 development site, depending on their place of residence and the location of alternative employment for them.

activity. The National Policy Statement on Urban Development Capacity 2016 (NPS-UDC) states¹³:

"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."

- 47 In addition, Policy PA3 of the NPS-UDC required 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

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

- 48 Under the heading "Responsive Planning" the NPC-UDC contains a number of policies requiring local authorities such as the Selwyn 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 Selwyn 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 PA1¹⁴, local authorities shall also provide an additional margin of feasible

¹³At page 4.

¹⁴Policy 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.

*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)

- 49 The NPS-UDC places emphasis not simply on aggregate residential land capacity sufficiency but also on attempts to improve the competitiveness of the market, greater focus on land supply and not just land capacity and addressing the housing affordability issue.
- 50 The National Policy Statement on Urban Development 2020 (NPS-UD) came into effect on 20 August, 2020 replacing the NPS-UDC. The NPS-UD is intended to place even greater emphasis on overcoming imperfections in residential (and other land) development markets to help arrest declining housing affordability trends throughout New Zealand, especially those areas experiencing high rates of urban growth. The NPS-UD, like its predecessor the NPS-UDC, establishes minimum, not maximum margins for feasible residential and business land development capacity to exceed projected demand in the short, medium and long term to overcome frictions in land markets to address housing affordability issues.
- 51 Objective 2 of the NPS-UD states:

“Planning decisions improve housing affordability by supporting competitive land and development markets.”
- 52 Also at section 3.22, the NPS-UD refers to the need for residential (and business) land capacity to exceed forecast demand by a “competitiveness margin” to support choice and competitiveness in housing (and business) land markets, whilst at section 3.25 the NPS-UD places emphasis on the need for housing development capacity to be reasonably expected to be realised.
- 53 RIDL’s proposed Plan Change will help address constraints in the residential land supply markets. It will increase supply and competition and help address housing affordability within the Selwyn District and Greater Christchurch. It is therefore consistent with Objective 2 and other sections of the NPS-UD, which places even greater emphasis on these issues than its predecessor, the NPS-UDC.
- 54 The proposed Plan Change is also consistent with various components of the NPS-UD’s Policy 1 in that it will help:

“meet the needs, in terms of type, price, and location, of different households” (Policy 1(a)(i)); and

"support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets (Policy 1(d)).

- 55 Policy 2 of the NPS-UD, like the NPS-UDC again uses the term "at least" in discussing the need for local authorities to provide development capacity for housing and for business land over the short term, medium term and long term. In Policy 7 and at section 3.6 of the NPS-UD, the term "bottom lines" is used when requiring that development capacity exceed expected demand by at least the competitiveness margin percentages specified. Therefore the NPS-UD makes an even stronger statement than the NPS-UDC that such margins should be interpreted as minimum, not maximum thresholds.

- 56 Policy 8 of the NPS-UD states:

"Local authority decisions affecting urban environments are responsive to plan changes that would add significantly to development capacity and contribute to well-functioning urban environments, even if the development capacity is:

- (i) unanticipated by RMA planning documents; or*
- (ii) out-of-sequence with planned land release."*

- 57 Policy 8 of the NPS-UD underscores that the NPS-UD seeks to encourage urban development rather than to unnecessarily restrict it. The proposed Plan Change is consistent with this and other parts of the NPC-UD.

Development Capacity Significance of Proposed Plan Change 69

- 58 The additional housing development capacity that would be enabled by proposed Plan Change 69 would be significant, whether in the context of Lincoln or at a wider Selwyn District level.

- 59 Selwyn District had a 2020 population of 70,200¹⁵ implying around 25,070 households, assuming an average of 2.8 persons per household¹⁶. Therefore the proposed development of approximately 2,000 dwellings represents around 8% of the existing dwellings in the District. RIDL expects that, once the Plan Change is approved development of the up to 2,000 dwellings will approximately occur over an 8 year period – i.e. from say mid-2022 to mid-2030, with an average of up to 250 dwellings coming onto the market in each of the 8 years 2023-2030 (inclusive). The Housing and Business

¹⁵ Source: Statistics New Zealand NZ Stat population estimates.

¹⁶ This is the average size of household assumed by Statistics New Zealand in their medium growth forecasts over the next decade.

Development Capacity Assessment Update (2020) report¹⁷ in section 4.1 identifies additional housing demand for the Selwyn District of 7,127 during 2020-2030 and 8,690 between 2030 and 2050. Therefore the proposed development of up to 2,000 dwellings represents around 6.2% of dwellings in the District in 2030 (when most of the development will have been brought to market) and 4.9% in 2050.

- 60 Within the context of Lincoln itself the development capacity enabled by the proposed Plan Change is even more significant. The up to 2,000 additional dwellings of the proposed Plan Change represents up to 69% of the estimated 2,910 dwellings in Lincoln in 2020. The Capacity Assessment Update report does not give additional housing demand estimates for Lincoln. However, assuming the same percentage increases as for the District implies total households of 3,737 in 2030 and 4,746 in 2050. Therefore the proposed development of up to 2,000 dwellings represents around 53.5% of dwellings in Lincoln in 2030 (when most of the development will have been brought to market) and 42.1% in 2050.
- 61 Recent data from the Selwyn District Council¹⁸ identifies Selwyn District sufficiency of housing capacity of -2,089 in the medium term (2020-2030) and -13,130 in the long term (2020-2050).¹⁹ Plan Change requests currently (October 2021) lodged with the Selwyn District Council provide for a total of 10,230 additional dwellings.²⁰ This includes the up to 2,000 additional dwellings to be developed under the proposed Plan Change 69. However in this regard:
- 61.1 There is no certainty that all of the Plan Changes currently lodged with the Council will be approved – either at all, or to the extent of their maximum dwelling yield proposed due to environmental, infrastructure, transport or other factors;
- 61.2 Even where other plan changes are approved, they may not all result in full development of their dwelling yields due to market supply and demand factors. However the potential for such development will play an important role in providing greater

¹⁷ Prepared for Selwyn District Council meeting of 25 November, 2020 by Ben Baird, Policy Analyst; 25 November, 2020.

¹⁸Source: Growth Planning in Selwyn District (attached to s42A officers' report); Ben Baird, Policy Analyst; 1 October 2021; (Table 4, paragraph 70).

¹⁹ I am unclear whether these dwelling capacity shortfalls include or exclude the 970 dwellings of the South East and South West Farrington application approved under the Covid-19 Fast Track process in August 2021 – see bottom of page 70 of Growth Planning in Selwyn District (attached to s42A officers' report); Ben Baird, Policy Analyst; 1 October 2021.

²⁰Source: Source: Growth Planning in Selwyn District (attached to s42A officers' report); Ben Baird, Policy Analyst; 1 October 2021; (Table 7, paragraph 75).

competition or “contestability” in the Selwyn District and Greater Christchurch housing markets.

- 61.3 The thrust of the NPS-UD is not to enable only sufficient capacity, but for supply (or at least potential supply) to exceed expected demand. Only when this occurs can we expect reductions in upward pressure on residential land and house prices to occur.

POTENTIAL ECONOMIC COSTS OF PROPOSED PLAN CHANGE 69

Lost Agricultural Production

- 62 The areas to be covered by the proposed Plan Change are zoned “Rural (Outer Plains)” and are used for pastoral grazing. However, any lost agricultural production is not an external cost of using the site for residential development. The productive value of the land in alternative uses (such as agricultural and other use) has been internalised into the cost structure of the development – in other words RIDL in agreeing to purchase the land, has agreed a price reflective of future net returns from alternative uses for the land. Such costs are not to be borne by the wider community. In any case the land in agricultural terms is relatively unproductive.²¹ In addition, if the Lincoln South land is developed in advance of other land zoned for residential development, this other land will generally²² not be taken out of alternative productive use. Therefore there is a transfer of economic activity rather than a net loss in productive use.

Retail Effects

- 63 The retail centres proposed to be included on the Lincoln South site are intended only to meet the convenience needs of local residents. Their scope and scale will be governed by the controls for Neighbourhood Shopping Centres contained within the Selwyn District Plan. There will be no provision for a supermarket and the centre will not undermine the viability, vibrancy and amenity values of existing larger centres within Lincoln or elsewhere within the Selwyn District (noting that retail activity will be limited within each centre to a total floor area of 450m², and individual tenancies will not exceed 350m²). To the extent that the proposed Plan Change increases the extent of residential development in Lincoln and the District, it will increase the viability, vibrancy and amenity values of larger centres in Lincoln and the District.

²¹ See the evidence of Ms McKusker.

²² 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.

Utilities

- 64 Externality costs can arise when utilities provided by central or local government (e.g. roads, water supply, storm water and flood control systems and wastewater disposal) are not appropriately priced, requiring their provision to be cross-subsidised by other District ratepayers. In the case of residential development on RIDL's Lincoln South site no such externality costs will arise. Development contributions, rates and user charges will cover the capital and ongoing operations and maintenance costs associated with Council provided services. The Section 42A report in relation to infrastructure servicing (water/wastewater/stormwater) states:

"It is noted that upgrades will either need to be undertaken (and funded) by the developer; or where they are necessitated by growth beyond just this site, there are mechanisms available to the Council to recoup proportional costs from the developer such as through development contributions taken at the subdivision stage or through a developer agreement. In my view, the funding of any such infrastructure upgrades necessitated by the plan change are not an impediment to the rezoning."

- 65 Similar arrangements can be made for the costs of road improvements necessitated by Plan Change 69.²³ In addition petrol taxes, road user charges, and roading costs payable as part of annual rates will contribute to the capital and operating and maintenance costs for local roads and state highways.

Transport Costs

- 66 Rezoning land more distant 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 distant 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.
- 67 Only to the extent there are additional transport externality costs – e.g. road accidents, congestion and greenhouse gas emissions – are the effects of traffic generated by the development a relevant consideration. In the case of residential development on the Lincoln South site, the Traffic Assessment prepared by Novo Group and the evidence of **Mr Fuller** and **Mr Smith** has concluded that the local road network can safely and efficiently accommodate traffic that would be generated from the proposed development. The site is

²³ For example, Mr Fuller's evidence contains some suggested proportionate sharing of road upgrade costs.

adjacent, and well connected to, the existing Lincoln urban area and therefore travel distances to key facilities (schools, retail facilities, employment centres, etc.) are likely to be similar to alternative residential development sites within the Selwyn District.

68 To the extent that Plan Change 69 leads to the transfer or delay of residential development which would have occurred elsewhere within Greater Christchurch (e.g. within Christchurch City of the Waimakariri District), additional transport externality costs will be limited in that:

68.1 Greater population growth within the Selwyn District, will itself create some additional local employment opportunities for local residents – e.g. in the provision of personal services and retail activities;

68.2 New residential development at Lincoln is likely to be as close, if not closer, than new residential development within the Waimakariri District²⁴;

68.3 There are proposals for increased employment opportunities to be provided within the Selwyn District – e.g. IPort Rolleston Holdings Limited's Plan Change 66 proposed at Maddisons Road is expected to generate an additional 90 to 120 jobs, whilst Two Chain Road Limited's Plan Change 80 proposed at Two Chain Road is expected to generate an additional 1,900 to 2,000 jobs; and

68.4 The provision of effective and efficient public transport services between the Selwyn District (including Lincoln) and Christchurch City is more likely with an increase in the population base of Selwyn District (including Lincoln).

RESPONSE TO SECTION 42A REPORT

69 I have reviewed the Section 42A main report²⁵ and note below a number of the report's conclusions which relate to economic matters:

69.1 At paragraph 191, the Section 42A report states: *"As various submitters have noted, the creation of such a large residential development without a corresponding increase in local employment and access to services, will result in a further increase in the existing pattern of commuter travel from Lincoln to other centres of employment (primarily being either*

²⁴ Google Maps indicates Springs Road, Lincoln is 19 kilometres (car travel time 21 minutes) from the Christchurch main city centre and Rangiora is 29 kilometres (car travel time 32 minutes) from the Christchurch main city centre – travel times taken at 8.00 a.m. on 20 October, 2021.

²⁵ Operative Selwyn District Plan Private Plan Change 69 by Rolleston Industrial Developments Ltd: 'Lincoln South' Section 42A Report Private Plan Change 69; Report Prepared by Nick Boyes, Consultant Planner; 28 October, 2021.

Rolleston or Christchurch). This has impacts in terms of climate change, the efficiency and end use of energy in addition to the traditionally considered impacts on the road network in terms of both amenity values and traffic safety and efficiency related effects." However, at paragraph 203 the report says: *"In my view if climate change were to be used as a reason to refuse growth in Lincoln then no growth anywhere in the Selwyn District would be appropriate for the same reason. The alternative being that growth should be accommodated as infill within Christchurch. This alternative assumes the markets for quite different locations and housing typologies are interchangeable, which based on the present market and demand for sections in the Selwyn District, does not appear to be the case."* I agree with the Section 42A report's conclusion at paragraph 203 and therefore that climate change and "the efficiency and end use of energy" should not be reasons to refuse Plan Change 69.

69.2 At paragraph 199, the report concludes: *"I consider that the proposal will enable a variety of homes to meet the needs of different households and will support the competitive operation of land and development markets."* Also at paragraph 225 the report states: *"In summary, I consider that the proposed development would add significantly to development capacity of greater Christchurch, that there is a potential risk of undersupply, and the effects resulting from such undersupply on the efficient functioning of the housing market outweigh the risks associated with over supply where that additional supply can be serviced."* I agree with this conclusion of the Section 42A report.

69.3 At paragraph 273 the report says: *"In considering the appropriateness of the proposal in achieving the purpose of the RMA, I consider that the location of the site outside areas identified for urban development in the CRPS and Our Space is relevant to consideration of whether the proposal results in an efficient use of natural and physical resources (s7(b)). Physical resources include various infrastructure, such as transport networks and the Lincoln Sewage Treatment Plant (LSTP). I consider PC69 can only meet the efficient use and development of natural and physical resources (s7(b)) on the basis that the 150m dwelling setback to the LSTP is maintained. In terms of the assessment undertaken by Mr Collins, I consider that the proposal only results in an efficient use of the transport network on the basis that certain upgrade works are brought forward, which at the present creates a funding issue for Council."* The dwelling setback to the LSTP issue is dealt with in the evidence of Ms Neiuwenhuijsen and Mr Van Kekem, whilst Mr Fuller's evidence addresses the need for, timing and financing of transport network upgrades. Also as covered

earlier in my evidence, the section 42A report itself at paragraph 98 states that there are mechanisms available to the Council to recoup proportional infrastructure upgrade costs from developer.

RESPONSE TO SUBMITTERS

Canterbury Regional Council

- 70 The submission from the Canterbury Regional Council (Environment Canterbury) (submission number PC69-0205) states at paragraph 23:

"The Economic Assessment appears to underplay the productive value of the subject land by describing it as relatively unproductive in agricultural terms. It also appears to be inconsistent, suggesting there would be a transfer of economic activity between other land zoned for residential development rather than a net loss in productive use. Elsewhere in the report the stated economic benefits of the plan change are presupposed on the basis that increased supply boosts competition, thereby reducing prices and stimulating additional demand (i.e. increased economic activity not a transfer of economic activity)."

- 71 The productive value of Plan Change 69 land is covered in the evidence of **Ms McCusker**. However, the key point from my discussion of alternative land uses for the site is that forgone net returns from agricultural or other uses are not economic externality costs for the community at large to bear, as these have been internalised into the cost structure of the developer, and ultimately the purchasers of the resulting sections to be built on the site. The market has decided that the most efficient use of the land is for residential development.
- 72 Economic benefits from increased competition (and choice) will occur whether or not there is increased economic activity. At least to some extent, I would expect the Plan Change to lead to the substitution of residential development elsewhere within Greater Christchurch. However, consumers will benefit from the actual and potential increase in competition as a result of the Plan Change. From the perspective of the Selwyn District, I would also expect increased levels of economic activity within the local economy.
- 73 At paragraphs 8 and 9 and elsewhere in its submission, Environment Canterbury argues that the Plan Change should not be accepted because it relies on proposed or potential future upgrades of the Selwyn District Council's reticulated services network. If the developer (and subsequently purchasers of the sections enabled by Plan Change 69) meets the costs of the upgrades necessitated by the Plan Change, then such costs are not economic externality costs to be borne by the wider community. The costs of limiting competition

(and choice) in residential land markets by planning restrictions should be given more weight than seeking to minimise infrastructure development costs which are met by the developer and ultimately the section purchasers.

Christchurch City Council

- 74 At paragraph 5, and elsewhere in its submission, Christchurch City Council argues for a minimum density of 15 households per hectare if proposed Plan Change 69 is accepted. An unintended consequence of such a requirement may be that it is a disincentive for residents in other parts of Greater Christchurch to relocate to lower density new dwellings within the Selwyn District and freeing up existing dwellings elsewhere in Greater Christchurch more suited to higher occupancy rates and/or the more intensive redevelopment of existing lower density sites.
- 75 At paragraphs 6 to 10 the Christchurch City Council's submission focuses on the NPS-UD's requirements for well-functioning urban environments and the Council's interpretation of what that entails. As an economist, I consider that the prevention of unnecessary constraints in residential and other land markets to encourage competition and choice is at least equally central to the NPS-UD.

CONCLUSIONS

- 76 RIDL's proposed Plan Change 69 enabling the rezoning of Rural Outer Plains land at Lincoln South to Residential land will provide for increased competition and choice in residential land markets and help address declining housing affordability. It may also increase levels of economic activity and population in Lincoln and the Selwyn District.
- 77 The proposed Plan Change is consistent with the Government's recently released National Policy Statement on Urban Development 2020 and its predecessor, the National Policy Statement on Urban Development Capacity 2016.
- 78 The Plan Change will not give rise to economic externality costs.
- 79 Plan Change 69 is consistent with:
- 79.1 Enabling "*people and communities to provide for their ... economic (and social) ... well being*"; and
- 79.2 Having regard to "*the efficient use and development of natural and physical resources*".
- 80 The Plan Change would add significantly to residential development capacity, both in the context of the existing scale of Lincoln and the Selwyn District, and for the future forecast growth of both areas.

Dated: 4 November, 2021

Michael Campbell Copeland

Appendix 1

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