

Before the Selwyn District Council

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*under:* the Resource Management Act 1991

*in the matter of:* Proposed Private Plan Change 73 to the Operative  
District Plan: Rolleston

*and:* **Rolleston West Residential Limited**  
*Applicant*

Statement of Evidence of Michael Campbell Copeland (Economics)

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## STATEMENT OF EVIDENCE OF MICHAEL CAMPBELL COPELAND

### INTRODUCTION

- 1 My full name is Michael Campbell Copeland. 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.
- 2 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 A**.
- 3 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.
- 4 In November, 2020 I prepared a report<sup>1</sup> assessing the economic effects of proposed Plan Change 73. The report was attached as Appendix G to the proposed Plan Change application. Subsequently in response to a Clause 23 request for additional information from the Selwyn District Council in January, 2021 I prepared supplementary information relating to:
  - (i) population and household estimates and forecasts for Rolleston and the Selwyn District; and
  - (ii) housing demand and supply forecasts for Rolleston and the Selwyn District.
- 5 In my evidence, material is used from these sources, but updated where more recent data is now available.

### CODE OF CONDUCT

- 6 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.

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<sup>1</sup> Rolleston West Residential Ltd Application for Rolleston West Plan Change; Assessment of Economic Effects; Mike Copeland, Brown, Copeland & Co Ltd; 12 November, 2020.

## **SCOPE OF EVIDENCE**

- 7 My evidence assesses the economic effects of proposed Plan Change 73. Following a brief summary, my evidence addresses the following:
  - (i) Background to the proposed Plan Change;
  - (ii) A consideration of the relevance of economic effects under the Resource Management Act (*RMA*);
  - (iii) A description of recent population, employment and economic growth within the Selwyn District, and Greater Christchurch (i.e. Selwyn District, Christchurch City and Waimakiriri District);
  - (iv) Identification of the economic benefits from proposed Plan Change 73;
  - (v) A discussion of some potential economic costs from proposed Plan Change 73;
  - (vi) Consideration of the development capacity significance of proposed Plan Change 73;
  - (vii) Responses to the Section 42A Report; and
  - (i) Some overall conclusions.
- 8 In preparing my evidence, I have reviewed the following:
  - (i) The Section 42A Report prepared by the Council; and
  - (ii) Growth Planning in Selwyn District (report attached to Section 42A Report); Ben Baird, Policy Analyst; 19 August 2021.

## **SUMMARY OF EVIDENCE**

- 9 The economic wellbeing of people and communities and the efficient development and use of resources are relevant considerations under the RMA.
- 10 Consistent with seeking to maximize competition and economic efficiency, the RMA specifically excludes consideration being given to trade competition effects on individual competitors. The proposed Plan Change will increase the level of competition in the market for residential sections, at Rolleston, within the Selwyn District and within Greater Christchurch.
- 11 Over the period 2001 to 2020, the Selwyn District's population has grown nearly 5 times faster than for New Zealand as a whole, more than 8 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 2.2% per annum, as compared to 0.7% per annum for New Zealand as a

whole, 0.6% per annum for Christchurch City and 0.9% per annum for the Waimakariri District.

- 12 The Selwyn District has also had comparatively high rates of growth in employment and gross domestic product (GDP). For example over the last 10 years (2010-2020), the Selwyn District's GDP has grown by 72.5%, compared to GDP for New Zealand growing by 31.4%.
- 13 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. However the extent to which the proposed rezoning will generate additional expenditure, incomes and employment for the Selwyn District and Greater Christchurch will be limited to the extent that the rezoning results in greater overall residential development within the Selwyn District and Greater Christchurch.
- 14 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.
- 15 There are economic benefits from encouraging greater choice and competition in residential (and other) land supply markets. Therefore there are economic benefits from providing additional land capacity for residential development. 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.
- 16 In addition to the economic benefits from proposed Plan Change 73, there will be social benefits from increased housing affordability.
- 17 The Plan Change will not give rise to economic externality costs.
- 18 The additional housing development capacity that would be enabled by proposed Plan Change 73 will be significant, whether considered in the context of Greater Christchurch, Rolleston or at a wider Selwyn District level. The proposed development of up to 2,100 dwellings represents up to around 8% of the existing dwellings in the District and up to around 27% of the existing dwellings in Rolleston.
- 19 RWRL expects that once the Plan Change is approved (assumed to be sometime in 2021), development of the up to 2,100 dwellings (950 for Skellerup and 1,150 for Holmes) will approximately occur over an 8 year period for the Skellerup Block (148 in total through until the end of 2024, then 160 per year from 2025-2029 inclusive) and approximately over a 7 year period for the Holmes Block (164 per year from 2025-2031 inclusive) dependent on the market environment. The Housing and Business

Development Capacity Assessment Update (2020) report<sup>2</sup> in section 4.1 identifies additional housing demand of 7,127 during 2020-2030 and 8,690 between 2030 and 2050. Therefore the proposed development of up to 2,100 dwellings represents around 7% of dwellings in the District in 2030 (when most of the development will have been brought to market) and 5% in 2050.

- 20 Within the context of Rolleston itself the development capacity enabled by the proposed Rolleston West Plan Change is even more significant. The up to 2,100 additional dwellings of the proposed Plan Change therefore represents up to 27% of existing dwellings in Rolleston. The Capacity Assessment Update report does not give additional housing demand estimates for Rolleston. However, implying the same percentage increases as for the District implies that the proposed development of up to 2,100 dwellings represents around 21% of dwellings in Rolleston in 2030 (when most of the development will have been brought to market) and 16% in 2050.
- 21 The Housing and Business Development Capacity Assessment Update (2020) report in the Executive Summary of Appendix 1 identifies Selwyn District sufficiency of housing capacity of +2,543 in the short term (2020-2023), -2,737 in the medium term (2020-2030) and -18,337 in the long term (2020-2050). Plan Change requests currently (January 2021) lodged with the Selwyn District Council provide for a total of 10,567 additional dwellings.<sup>3</sup> This includes the up to 2,100 additional dwellings to be developed under proposed Plan Change 73. However in this regard:
  - (i) 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;
  - (ii) 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 competition or “contestability” in the Selwyn District and Greater Christchurch housing markets; and
  - (iii) 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.
- 22 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 73**

- 23 Rolleston West Residential Ltd (RWRL) controls two blocks of land on the western outskirts of Rolleston – one block on Burnham School Road and

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<sup>2</sup> Prepared for Selwyn District Council meeting of 25 November, 2020 by Ben Baird, Policy Analyst; 25 November, 2020.

<sup>3</sup> Source: Email from Jocelyn Lewes, Selwyn District Council, to Jeremy Phillips, dated 27 January, 2021.

Dunns Crossing Road known as the Holmes Block and the other on Dunns Crossing Road known as the Skellerup Block. RWRL proposes a Plan Change, (proposed Plan Change 73), which will rezone these two blocks of land from Rural Residential to Residential (Living Z). The proposed Plan Change will allow for up to 1,150 new lots on the 87.53 hectare Holmes Block and up to 950 lots on the 72.69 hectare Skellerup Block; i.e. a maximum of 2,100 lots at an average density of up to 13.1 households per hectare across the total area of 160.22 hectares covered by the Plan Change. Included will be provision for two small 'local centres' (Business 1 zoning) - one within each of the rezoned blocks of land to meet the convenience shopping needs of the developments' residents.

## **ECONOMICS AND THE RMA**

### **Community Economic Wellbeing**

- 24 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 a part of the meaning of "*sustainable management*", the promotion of which is the purpose of the RMA.
- 25 As well as indicating the relevance of economic effects in considerations under the RMA, this section also refers to "*people and communities*" (emphasis added), which highlights that in assessing the impacts of a proposal it is the impacts on the community and not just the applicant 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.
- 26 How proposed Plan Change 73 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**

- 27 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 include the economic concept of efficiency<sup>4</sup>. 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"*<sup>5</sup>.
- 28 More generally economic efficiency can be considered in terms of:

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<sup>4</sup> See, 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.

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

- (i) Maximising the value of outputs divided by the cost of inputs;
  - (ii) Maximising the value of outputs for a given cost of inputs;
  - (iii) Minimising the cost of inputs for a given value of outputs;
  - (iv) Improving the utilisation of existing assets; and
  - (v) Minimising waste.
- 29 Proposed Plan Change 73 is consistent with the efficient use of resources, especially in regard to increasing competition in the market for residential land in Rolleston, Selwyn and Greater Christchurch and providing greater choice. These economic efficiency benefits are discussed later in my evidence.

### **Viewpoint**

- 30 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.
- 31 The two blocks of land RWRL control and to be covered by the proposed Plan Change are located within the Selwyn District, but residential sections resulting from the proposed rezoning and development 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.
- 32 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 RWRL. Economists refer to such effects as “externalities”<sup>6</sup>.

### **Trade Competition**

- 33 Consistent with seeking to maximize competition and economic efficiency, the RMA specifically excludes consideration being given to trade competition effects on individual competitors. Importantly, the proposed Plan Change will increase the level of competition in the market for residential sections, at Rolleston, within the Selwyn District and within Greater Christchurch.

### **Intangible Costs and Benefits**

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<sup>6</sup> Defined 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.

- 34 My evidence addresses the economic effects<sup>7</sup> of RWRL's proposed Plan Change 73. 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.
- 35 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.
- 36 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.
- 37 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**

- 38 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".
- 39 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

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



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.

- 40 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.
- 41 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 additional development to occur at a particular location (e.g. Rolleston West) and these need to be taken into account.
- 42 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. 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. 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. 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.

## **BACKGROUND TO SELWYN DISTRICT AND GREATER CHRISTCHURCH ECONOMIES<sup>8</sup>**

### **Population**

- 43 Statistics New Zealand's June 2020 population estimate for the Selwyn District is 69,700 or 1.4% of New Zealand's population. This is 5.1% higher than in 2019. New Zealand's population in 2020 was 2.1% higher than in 2019. In 2001 the population in the District was estimated to be 28,000, implying an increase of 148.9% over the period 2001 to 2020, as compared to only 31.0% for New Zealand as whole. Statistics New Zealand's 'medium'

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

population projections<sup>9</sup> have the Selwyn District's population increasing to 106,500 in 2048 – i.e. an average rate of increase of 1.5% per annum over the period 2020-48, compared to an average rate of growth for New Zealand of 0.7% per annum. The Greater Christchurch Housing Development Capacity Assessment<sup>10</sup> 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 2.2% per annum, more than 3 times the average rate of growth for New Zealand as a whole.

- 44 Christchurch City's population has grown from 335,300 in 2001 to 394,700 in 2020 – i.e. growth of 17.7%. It is forecast to grow to 463,500 in 2043 at an average rate of growth 0.6% per annum. Waimakariri District's population has grown from 37,900 in 2001 to 64,700 in 2020 – i.e. growth of 70.7%. It is forecast to grow to 83,000 in 2048 at an average rate of growth 0.9% per annum. The Christchurch earthquakes have contributed to faster population within the Selwyn District, and to a lesser extent the Waimakariri District, than for Christchurch City. However this faster population growth within the Selwyn District is forecast to continue.

### **Employment**

- 45 Employment within the Selwyn District has grown from 9,400 in 2001 to 19,100 in 2020 – i.e. growth of 103.2%, compared to national growth of 42.5%. For Christchurch City, employment has grown from 165,200 in 2001 to 218,200 in 2020 implying growth of 32.1%. For the Waimakariri District, employment has grown from 7,700 in 2001 to 15,700 in 2020, implying growth of 104.0%. Whilst the Selwyn District remains principally a "dormitory area" for Christchurch City, the District has exhibited much higher growth in employment over the 2001-20 period than for Christchurch City and for New Zealand as a whole.

### **Gross Domestic Product (GDP)**

- 46 The Selwyn District's GDP in 2020 was \$2,866 million. The four main contributors by sectors 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%).

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<sup>9</sup> Statistics 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.

<sup>10</sup> Greater Christchurch Partnership; 30 July, 2021 (see page 17).

## 47 **ECONOMIC BENEFITS OF PROPOSED PLAN CHANGE 73**

### **Additional Employment, Incomes and Expenditure**

- 48 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.
- 49 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:
- (i) 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;
  - (ii) 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;
  - (iii) Reduced unemployment and underemployment<sup>11</sup> 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
  - (iv) 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.
- 50 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.

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<sup>11</sup> Underemployment differs from unemployment in that resources are employed but not at their maximum worth; e.g. in the case of labour, it can be employed at a higher skill and/or productivity level, reflected in higher wage rates.

- 51 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.<sup>12</sup>

### **Increased Competition and Choice in Residential Housing Markets**

- 52 As covered earlier in my evidence discussing 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 activity. The National Policy Statement on Urban Development Capacity 2016 (NPS-UDC) states<sup>13</sup>:

*"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."*

- 53 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."*

- 42 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

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<sup>12</sup> There may be additional commuting costs for Christchurch residents attracted to jobs at the Rolleston West development site, depending on their place of residence and the location of alternative employment for them.

<sup>13</sup> At page 4.

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 PA1<sup>14</sup>, 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)

- 54 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.
- 55 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.
- 56 Objective 2 of the NPS-UD states:  
  
*"Planning decisions improve housing affordability by supporting competitive land and development markets."*
- 57 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.
- 58 RWRL'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.

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<sup>14</sup> Policy 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.

- 59 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)).*

- 60 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.

- 61 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."*

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

## **POTENTIAL ECONOMIC COSTS OF PROPOSED ROLLESTON WEST PLAN CHANGE**

### **Lost Agricultural Production**

- 63 The areas to be covered by the proposed Plan Change are zoned "Rural Residential" and are currently used for mostly cropping and some 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 RWRL 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.<sup>15</sup> Also if the Rolleston West land is developed in advance of

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<sup>15</sup> Noting that the soils are not considered versatile soils as they do not contain Class 1, 2 or 3 soils under the Land Use Capability system, and the land is otherwise already zoned for a residential use.

other land zoned for residential development, this other land will generally<sup>16</sup> not be taken out of alternative productive use, so there is a transfer of economic activity rather than a net loss in productive use.

### **Retail Effects**

- 64 The retail centres proposed to be developed within each of the Holmes and Skellerup Blocks are intended only to meet the convenience needs of the local residents and will be governed as to scope and scale by the controls for Neighbourhood Shopping Centres contained within the Selwyn District Plan. There will be no provision for supermarkets and the centres will not undermine the viability, vibrancy and amenity values of existing larger centres within Rolleston or elsewhere within the Selwyn District, noting that retail activity will be limited in each centre to a total floor area of 450m<sup>2</sup>, and individual tenancies will not exceed 350m<sup>2</sup>. To the extent that the Plan Change increases the extent of residential development in Rolleston and the District, the proposed Plan Change will increase the viability, vibrancy and amenity values of larger centres in Rolleston and the District.

### **Utilities**

- 65 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 RWRL's Rolleston West sites 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. In addition petrol taxes, road user charges, and roading costs payable as part of annual rates, will meet the costs for local roads and state highways. 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. These issues are addressed in the technical reports of the Plan Change application and the relevant technical experts' evidence, and particularly the evidence of Mr McLeod and Mr England for the Council which conclude that the proposed development on each of the blocks of land can be fully serviced from existing or development related upgrades to the infrastructure capacity within the infrastructure networks.
- 66 Therefore other Selwyn District ratepayers, residents and businesses will not be required to cross-subsidise the proposed rezoning and subsequent development of residential development on the sites.

### **Transport Costs**

- 67 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

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<sup>16</sup> 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.

additional transport costs are internalised to owners (or renters) of the newly developed properties.

- 68 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 Rolleston West Holmes and Skellerup Blocks, the traffic evidence of Mr Fuller has concluded that the local road network can safely and efficiently accommodate the traffic that would be generated from their proposed development. Also the site is adjacent, and well connected to, the existing Rolleston 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.

### **DEVELOPMENT CAPACITY SIGNIFICANCE OF PROPOSED ROLLESTON WEST PLAN CHANGE**

- 69 The additional housing development capacity that would be enabled by the proposed Rolleston West Plan Change would be significant, whether in the context of Rolleston or at a wider Selwyn District level.
- 70 Selwyn District has a current population of 69,700 implying around 24,890 households, assuming an average of 2.8 persons per household<sup>17</sup>. Therefore the proposed development of up to 2,100 dwellings represents around 8% of the existing dwellings in the District. RWRL expects that once the Plan Change is approved (assumed to be sometime in 2021), development of the up to 2,100 dwellings (950 for Skellerup and 1,150 for Holmes) will approximately occur over an 8 year period for the Skellerup Block (148 in total through until the end of 2024, then 160 per year from 2025-2029 inclusive) and approximately over a 7 year period for the Holmes Block (164 per year from 2025-2031 inclusive) dependent on the market environment. The Housing and Business Development Capacity Assessment Update (2020) report<sup>18</sup> in section 4.1 identifies additional housing demand of 7,127 during 2020-2030 and 8,690 between 2030 and 2050. Whilst the much slower assumed growth rate between 2030 and 2050 is questionable, these figures imply total households (i.e. existing plus growth) of 32,017 in 2030 and 40,707 in 2050. Therefore the proposed development of up to 2,100 dwellings represents around 7% of dwellings in the District in 2030 (when most of the development will have been brought to market) and 5% in 2050.
- 71 Within the context of Rolleston the development capacity enabled by the proposed Rolleston West Plan Change is even more significant. The current estimated population of Rolleston is 21,910<sup>19</sup> or 7,825 households assuming an average of 2.8 persons per household. The up to 2,100 additional

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<sup>17</sup> This is the average size of household assumed by Statistics New Zealand in their medium growth forecasts over the next decade.

<sup>18</sup> Prepared for Selwyn District Council meeting of 25 November, 2020 by Ben Baird, Policy Analyst; 25 November, 2020.

<sup>19</sup> Source: Statistics New Zealand NZStat. Subnational population estimates (RC, SA2) by age and sex at 30 June 1996-2020 (2020 boundaries). Equal to the sum of Rolleston Izone, Rolleston North-west, Rolleston Central, Rolleston North-east, Rolleston South-west and Rolleston South-east statistical areas.



dwellings of the proposed Plan Change therefore represents up to 27% of the existing dwellings. The Capacity Assessment Update report does not give additional housing demand estimates for Rolleston. However, implying the same percentage increases as for the District implies total households of 10,066 in 2030 and 12,798 in 2050. Therefore the proposed development of up to 2,100 dwellings represents around 21% of dwellings in Rolleston in 2030 (when most of the development will have been brought to market) and 16% in 2050.

- 72 The Housing and Business Development Capacity Assessment Update (2020) report in the Executive Summary of Appendix 1 identifies Selwyn District sufficiency of housing capacity of +2,543 in the short term (2020-2023), -2,737 in the medium term (2020-2030) and -18,337 in the long term (2020-2050).<sup>20</sup> Plan Change requests currently (January 2021) lodged with the Selwyn District Council provide for a total of 10,567 additional dwellings.<sup>21</sup> This includes the up to 2,100 additional dwellings to be developed under proposed Plan Change 73. However in this regard:

- (i) 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;
- (ii) 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 competition or “contestability” in the Selwyn District and Greater Christchurch housing markets.
- (iii) 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.

## **RESPONSE TO SECTION 42A REPORT AND SUBMISSIONS**

- 73 I have reviewed the Section 42A main report<sup>22</sup>. It does not have a section specifically addressing economic effects, but I note in the body of the report the following conclusions are reached:

- (i) PC73 will enable a variety of homes to meet the needs of different households and will support the competitive operation of land and development markets (paragraph 162);

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<sup>20</sup> These forecasts have been updated in 2021 to -2,089 in the medium term and -13,130 in the long term – see Growth Planning in Selwyn District (part of PC73 s42A officers’ reports); Ben Baird, Policy Analyst; 19 August 2021; (Table 4, paragraph 56).

<sup>21</sup> Source: Email from Jocelyn Lewes, Selwyn District Council, to Jeremy Phillips, dated 27 January, 2021. This figure has been updated to 10,230 – see Growth Planning in Selwyn District (part of PC73 s42A officers’ reports); Ben Baird, Policy Analyst; 19 August 2021; (Table 7, paragraph 61).

<sup>22</sup> Selwyn District Plan Section 42A Report Private Plan Change 73; Report Prepared by Liz White, Consultant Planner; 6 September, 2021.

- (ii) The development enabled by PC73 is significant in the context of Rolleston, Selwyn District and Greater Christchurch (paragraph 173); and
- (iii) PC73 is consistent with the efficient use of resources in respect of the transport network and other infrastructure services, but there remains a need to be satisfied that it will not result in conflict and/or reverse sensitivity effects arising in relation to the efficient use and development of the nearby Pines Wastewater Treatment Plant and the Rolleston Resources Recovery Park (paragraph 200).

## CONCLUSIONS

- 74 RWRL's proposed Plan Change 73 enabling the rezoning of Rural Residential land at Rolleston West 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 Rolleston and the Selwyn District.
- 75 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.
- 76 The Plan Change will not give rise to economic externality costs.
- 77 The Rolleston West Plan Change is consistent with:
 

*Enabling "people and communities to provide for their ... economic (and social) ... well being"; and*

*Having regard to "the efficient use and development of natural and physical resources".*
- 78 The Plan Change would add significantly to residential development capacity both in the context of the existing scale of Rolleston and the Selwyn District, and for the future forecast growth of both areas.

Dated: 13 September 2021

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Michael Campbell Copeland

## Appendix A

### 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