

**APPLICATION FOR A PLAN CHANGE TO REZONE TWO CHAIN ROAD LIMITED'S SITE IN
TWO CHAIN ROAD TO A GENERAL BUSINESS 2A ZONING**

ASSESSMENT OF ECONOMIC IMPACTS

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1. INTRODUCTION

Background

- 1.1** Two Chain Road Limited (TCRL) have under contract the majority of the land at 7 to 183 Two Chain Road, adjacent to the Main South Rail Line and State Highway 1 at Rolleston and wishes to have the land rezoned from Rural – Inner Plains to General Business 2A (B2A). At this stage there are no particular activities identified to utilize the site, but rather TCRL wishes to create the opportunity for a range of industrial activities consistent with the provisions of the Selwyn District Council's B2A provisions which allow for a range of industrial activities, service stations and trade suppliers with limited residential and retail activity which is related to industrial uses. The site has a total area of 98.33 ha and it is proposed that the area covered by these types of activities will be approximately 73.75ha (removing approximately 24.58ha – 25% of land area for infrastructure requirements – roads, etc).
- 1.2** Because the site is adjacent to the Main South Rail Line one possibility is for the site to be developed as a rail hub for logistics/manufacturing/industrial-type businesses, providing opportunity for businesses locating on the site to directly access the South Island rail network via a number of proposed rail sidings to be constructed on the site.

Report Objective

- 1.3** The objective of this report is to assess the economic effects of TCRL's proposed Plan Change enabling a B2A zoning for its Two Chain Road site. The report will form part of the Assessment of Environmental Effects (AEE) to be lodged in relation to the application for the Plan Change.

Report Format

- 1.4** This report is divided into 5 parts (in addition to this introductory section). These are:
- (a) A consideration of the relevance of economic effects under the RMA;
 - (b) A description of the Selwyn District, and Canterbury regional economies;

- (c) The economic benefits from the proposed B2A zoning for TCRL's site in Two Chain Road;
- (d) A discussion of some potential economic costs from the proposed B2A zoning for TCRL's site in Two Chain Road; and
- (e) Some overall conclusions.

2. ECONOMICS AND THE RMA

Community Economic Wellbeing

- 2.1 Economic considerations are intertwined with the concept of the sustainable management of natural and physical resources, which is embodied in the RMA. In particular, Part 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.
- 2.2 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.
- 2.3 How the rezoning of TCRL's site in Two Chain Road to B2A will enable the residents and businesses of the Selwyn District, Christchurch City and the Canterbury region to provide for their social and economic wellbeing is discussed later in this report.

Economic Efficiency

- 2.4 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 efficiency¹. Economic efficiency can be defined as:

¹ 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.

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

2.5 More generally economic efficiency can be considered in terms of:

- Maximising the value of outputs divided by the cost of inputs;
- Maximising the value of outputs for a given cost of inputs;
- Minimising the cost of inputs for a given value of outputs;
- Improving the utilisation of existing assets; and
- Minimising waste.

2.6 The proposed Plan Change to rezone TCRL’s site in Two Chain Road to 2BA is consistent with the efficient use of resources, especially in regard to increasing competition in the market for industrial land in Selwyn and Greater Christchurch and providing industrial land users greater choice. These economic efficiency benefits are discussed later in this report.

Viewpoint

2.7 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.

2.8 TCRL’s Two Chain Road site is located in the Selwyn District, which is part of the Canterbury region. However, Christchurch City is also part of the local economy which will benefit from the rezoning since firstly, many of the staff likely to be employed at the site will reside in Christchurch (as well as Selwyn), and secondly, Christchurch businesses as well as Selwyn based businesses will provide goods and services to the activities occupying the site and their employees. Therefore, in

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

this report the economic effects are considered in relation to the local Selwyn District economy and also in relation to the broader Canterbury regional economy (incorporating Christchurch City effects).

- 2.9** 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 this report is therefore on the wider economic effects on parties other than TCRL, the eventual occupiers of the site and their customers. Economists refer to such effects as “externalities”³.

3. BACKGROUND TO SELWYN DISTRICT AND CANTERBURY REGION'S ECONOMIES⁴

Population

- 3.1** 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 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' population projections⁵ 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 Assessment⁶ 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.
- 3.2** Statistics New Zealand's June 2020 population estimate for the Canterbury region is 645,900 or 12.7% of New Zealand's total population. It is the second largest

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

⁴Data in this section from Statistics New Zealand and Infometrics Selwyn District Economic Profile (<https://ecoprofile.infometrics.co.nz/Selwyn+District>).

⁵Statistics 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.

⁶Greater Christchurch Partnership; 30 July, 2021 (see page 17).

region in New Zealand in terms of population. In 2001 population in the Region was estimated to be 496,700, implying an increase of 30.0% over the period 2001 to 2020. Statistics New Zealand's 'medium' population projections have the region's population increasing at an average rate of 0.7% per annum to 780,500 over the period 2020-48.

Employment

Selwyn District

3.3 Infometrics' Selwyn District Economic Profile provides the following data on historic employment trends for the District:

- (a) The District had 23,210 filled jobs in 2020. This was up 3.1% over the previous year, almost double national growth of only 1.6%.
- (b) The District's rate of employment growth over the period 2001 to 2020 has been consistently higher than the national rate each year except in 2006, when it was marginally below the national growth rate.
- (c) Over the period 2010 to 2020, employment in the District has grown by 57.8%, or at an average rate of 4.7% per annum. This compares with a national increase in employment of 20.8%, or an average rate of 1.9% per annum.
- (d) Total employment in the District over the period 2010-20 increased by 8,503 jobs with the most significant growth sectors being manufacturing (1,653 additional jobs), construction (1,627 additional jobs), retail trade (767 additional jobs), professional, scientific and technical services (671 additional jobs) and education and training (589 additional jobs).
- (e) In 2020 the most important sectors in the District in terms of employment were agriculture, forestry and fishing⁷ (15.9% of total jobs in the District), manufacturing (13.3%), construction (11.2%), education and training (9.9%), professional, scientific and technical services (8.4%), public administration and safety (7.7%), retail trade (6.4%) and accommodation and food services (5.0%).

⁷ Principally agriculture.

- (f) Whilst agriculture remains the most significant employment sector in the District, manufacturing employment (including that involved with the processing of agricultural products) has increased its comparative share. In 2010 manufacturing's share was only 9.7% (behind agriculture, forestry and fishing (22.0%), public administration and safety (15.2%) and educational and training (12.0%)). It is now the second most significant employment sector at 13.3%. Agriculture and manufacturing are the key economic drivers of the District with employment in other sectors to a large extent "driven" by these key sectors.

3.4 Future employment trends are necessarily speculative. In the short term Covid-19 effects will not diminish the importance of the agriculture and manufacturing sectors for the District and New Zealand generally. In the medium to longer term international tourism (including international education) are likely to return as major contributor to the New Zealand economy. This is less the case at the District level – tourism provided only 4.5% of jobs in 2019 and 4.4% in 2020 as compared to 9.0% in 2019 and 8.7% in 2020 at the national level. At a District level therefore, it is likely that the growth in the demand for industrial land will continue to increase as a consequence of the District's:

- (a) Continued rapid growth in expected population (see above) and overall employment;
- (b) Increased comparative significance of manufacturing and related industries employment. The three industry groups usually associated with the demand for industrial land are manufacturing, construction, and transport, postal and warehousing. Employment in the first two of these industry groups – manufacturing and construction – has grown at comparably faster rates than other industry groups and they have been the two largest contributors to employment growth over the period 2010-20. Transport, postal and warehousing employment over the period 2010-20 has grown from 546 to 846, an increase of 54.9%. Its share of total employment has fallen marginally from 3.7% to 3.6%;
- (c) Continued increased demand for industrial land from non-labour intensive industries such as transport and logistics (e.g. inland ports and related activities such as the packing and unpacking of containers); and

- (d) Trends towards “live, work, play” solutions in the face of rapid population growth within the District and a goal to reduce commuting longer distances (e.g. to Christchurch City) for employment.

Canterbury Region

- 3.5** Statistics New Zealand estimates total employment in the Canterbury region in February 2020 at 307,500 which represents 13.3% of the total persons employed in New Zealand.⁸ The agriculture, forestry and fishing industry group employed 16,200 persons (5.3% of the region’s total jobs) of which most (14,906) were engaged in agriculture.⁹ Other significant sectors are manufacturing employing 36,300 or 11.8% of the region’s total jobs (of which the most significant subsectors are food products manufacturing (13,400 jobs), machinery and equipment manufacturing (5,300 jobs), fabricated metal products manufacturing (3,650 jobs) and transport equipment manufacturing (2,900 jobs)), health care and social assistance (34,900 jobs or 11.3% of total jobs), retail trade (31,300 jobs or 10.2% of total jobs), construction (29,300 jobs or 9.5% of total jobs), education and training (24,300 jobs or 7.9% of total jobs), professional, scientific and technical services (23,900 jobs or 7.8% of total jobs) and accommodation and food services (21,500 jobs or 7.0% of total jobs).
- 3.6** The key drivers of the Canterbury economy remain largely agriculture, manufacturing, and tourism, the last of which includes parts of the retail trade, accommodation and food services and education and training sectors. Employment in other sectors is to a large extent driven by the demand for goods and services by these industries and their employees with the so called “multiplier” effects creating additional jobs for the region’s economy.
- 3.7** The agriculture, forestry and fishing industries and the manufacturing industry together generate an estimated 52,500 jobs or 17.1% of total employment in the Canterbury region and underpin much of the economic activity of Greater Christchurch and the wider Canterbury region.

Gross Domestic Product (GDP)

- 3.8** 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%),

⁸Statistics NZ, NZ Stat, Business Demography Statistics; Geographic Units by Industry and Statistical Area.

⁹ Including agriculture’s proportionate share of agriculture, forestry and fishing support services.

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%).

- 3.9** For the Canterbury region GDP in 2019 was \$37,509 million. The four main contributors by sector were agriculture, manufacturing, construction and professional, scientific and technical services. Over the last 10 years (2009-2019), the region's GDP has grown by \$14,229 million (i.e. growth of 61.1%).¹⁰

4. ECONOMIC BENEFITS OF PROPOSED PLAN CHANGE

Additional Employment, Incomes and Expenditure

- 4.1** Although there is as yet no specific tenants committed for the site, the proposed Plan Change rezoning is expected to attract industrial activities to the site. If these activities would otherwise have been located within the Selwyn District, then from a District (and Regional) perspective the Plan Change will not create additional employment, incomes and expenditure for the local economy. However, there will be efficiency benefits (e.g. direct access to the South Island rail network, proximity to other related businesses and price of the land compared to other available sites) for such businesses reflecting the choice of this site over other alternative sites within the District. Also, the rezoning will lead to increased competition in the market for the provision of industrial land within the District and Greater Christchurch.
- 4.2** If the rezoning attracts activities, which would not otherwise have located within the Selwyn District, there will be additional employment, incomes and expenditure generated for the local District economy. This will be in relation to the activities themselves – i.e. the direct economic impacts – and the indirect or “multiplier” impacts as a result of:

¹⁰ Source: Statistics New Zealand Infoshare: <https://www.stats.govt.nz/tools/stats-infoshare>. Note: 2020 data not yet available.

- (a) The effects on suppliers of goods and services provided to the site from within the District (i.e. the “forward and backward linkage” effects); and
- (b) The supply of goods and services to employees at the site and to those engaged in supplying goods and services to the site (i.e. the “induced” effects). For example, there will be additional jobs and incomes for employees of supermarkets, restaurants, and bars as a consequence of the additional expenditure by employees living within the Selwyn District.

4.3 The Applicant has advised that a possible range for employment numbers on the area of land covered by the proposed Plan Change could potentially reach 1,900-2,000 at full development. This would represent between 8.1-8.6% of the current Selwyn District workforce. Applying a multiplier of 1.5¹¹ to account for other jobs generated in the District lifts this to 2,850-3,000 employees or 12.3-12.9% of the District’s current workforce.

4.4 Infometrics provides an average productivity figure (GDP/employee) in 2020 for the Selwyn District of \$123,468.¹² This implies an estimate for the GDP generated on the land covered by the proposed Plan Change (including multiplier effects) in the range of \$352 million - \$370 million per annum or 12.3-12.9% of the District’s current GDP.

4.5 These estimates of additional employment and GDP generated by the proposed Plan Change from industrial uses on the land are necessarily speculative in the absence of knowledge about specific developments that might occur. Also, in terms of additional employment and GDP for the District, the estimates are inflated to the extent some development attracted to the site may have instead occurred elsewhere within the District. However, there are economic efficiency benefits from having greater choice and competition within industrial (and other) land markets – see for example many of the provisions contained within the National Policy Statement on Urban Development 2020 (NPS-UD) and its predecessor, the National Policy Statement on Urban Development Capacity 2016. For example:

- (a) The NPS-UD’s Policy 1 requires councils to:

¹¹ Regional and district multipliers typically fall within the range of 1.5 to 2.0 depending upon the level of self-sufficiency of an area and its proximity to other major centres. 1.5 has been chosen here for the Selwyn District given its proximity to Christchurch City and to be conservative.

¹² The figure for manufacturing is \$108,010. However, the land may be used for industrial purposes other than manufacturing. Also new development may be more productive than existing development.

- i. *“have or enable a variety of sites that are suitable for different business sectors in terms of location and site size” (Policy 1(b)); and*
 - ii. *“support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets (Policy 1(d));*
- (b) Policy 2 of the NPS-UD, 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.

4.6 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:

- (a) unanticipated by RMA planning documents; or*
- (b) out-of-sequence with planned land release.”*

- 4.7** At section 3.3, the NPS-UD requires councils to provide **at least** (emphasis added) sufficient development capacity to meet the demand for business land; and
- 4.8** 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.
- 4.9** No attempt has been made to estimate the GDP generated by agricultural activities on the land since lost employment, wages and salaries, rents and return on capital investment (i.e. the components of GDP) would in comparison be insignificant – e.g. there would be only a very limited number of fulltime equivalent employees engaged on the land, and rental income and return on investment would be comparatively very low. The technical report assessing the potential loss of productive land lists the current land uses as (i) low stocking rate grazing for dairy cows or yearling steers and bulls on winter feed, oats and grass or kale; (ii) a

horse training establishment; and (iii) sheep and small livestock grazing on some of the lifestyle blocks.¹³Also, if the Two Chain Road land is developed in advance of other land zoned for industrial land, this other land will generally¹⁴ not be taken out of alternative productive use, so there is a transfer of economic activity rather than a net loss in productive use.

4.10 As indicators of levels of economic activity, economic impacts in terms of increased employment and GDP within the local and regional economies 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. These relate to one or more of:

- (a) 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;
- (b) 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;
- (c) Reduced unemployment and underemployment¹⁵ 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 unemployed or underemployed; and
- (d) 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

¹³ 7-183 Two Chain Road – Assessment of Potential Loss of Productive Land; Victor Mthamo, Reefside; 25 August, 2021.

¹⁴ In some cases partial development of an area may preclude alternative productive use or reduce the productivity of the land not yet developed.

¹⁵ 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.

services in a community can be increased if increased economic activity maintains or enhances population levels.

- 4.11** Although the additional economic activity likely to be generated by the rezoning proposed for the Two Chain Road site will be relatively small, such activity that will be generated by the site will contribute to these types of economic benefits for the Selwyn District economy.
- 4.12** Also, to the extent that the Two Chain Road site's rezoning generates additional employment opportunities for the Selwyn District, it will reduce the reliance of local residents on employment opportunities in Christchurch City and therefore potentially reduce their commuting transport costs.¹⁶

Other Efficiency Benefits and the Demand for Additional Industrial Activity on the Proposed Plan Change Site

- 4.13** Locating industrial activities on the site will provide agglomeration economies¹⁷ in that the site is in close proximity to other industrial activities located in Rolleston (most notably IZone and IPort). Also, the site has good access to both rail and road networks.
- 4.14** In 2019, I gave evidence¹⁸ on behalf of Rolleston Industrial Developments Limited in relation to Our Space 2018-2048 Greater Christchurch Settlement Pattern Update. This was in response to a Business Development Capacity Assessment Report (BDAC Report)¹⁹, which based industrial land future demand on forecast growth in employment in the manufacturing, transport, postal and warehousing and construction sectors and the historic relationship prior to 2016 between employment and land use in these sectors.²⁰ The report concluded that the demand for industrial land in Selwyn will not increase significantly reflecting *“the ending of the earthquake rebuild and the reduction in demands for inputs to the*

¹⁶ There may be additional commuting costs for Christchurch residents attracted to jobs at the Two Chain Road site, depending on their place of residence and the location of alternative employment for them.

¹⁷ Agglomeration economies or agglomeration effects are cost savings or revenue increases which occur as a result of firms locating near to each other in industrial clusters.

¹⁸ Before the Future Development Strategy Hearing Panel in the matter of Our Space 2018-2048 – Greater Christchurch Settlement Pattern Update; Evidence of Michael Copeland; 15 February, 2019.

¹⁹ Business Development Capacity Assessment Report; Greater Christchurch Partnership TeTiraTuTahi One Group Standing Together; March, 2018.

²⁰ See BDCA Report Figure 2, page 16, pages 28-38 and pages 59-60.

*rebuild efforts, which has flow on impacts to sectors that tend to locate in industrial zones”.*²¹

4.15 However, my evidence stated that there is additional demand for industrial land in the Selwyn District and at Rolleston in particular because:

- (a) The demand for industrial land at Rolleston will be primarily driven not by future industrial employment in Selwyn but the demand for freight logistics space at this location. The IZone and IPort Industrial Parks at Rolleston have two inland ports located on them. These have considerable potential for growth given:
 - (i) the growing importance of Port Lyttelton for not just Greater Christchurch but the whole of the Canterbury region and the South Island exports and imports; and
 - (ii) greater use of inland ports.

Between 2010 and 2020 Selwyn's population, employment and GDP have grown by 70%, 57.8% and 72.5% respectively. Over the same period, containers handled by LPC have grown by 188.5%. By 2045, LPC expect to handle over 1 million containers, up from 446,101 containers in 2020, i.e. growth of over 124.2%. Over the same period Selwyn's population, although expected to grow at more than twice the rate for Canterbury and New Zealand, is forecast to grow only by 45.0% assuming Statistics New Zealand's "medium" population projection rate and 72.2% assuming Statistics New Zealand's "high" projection rate;²²²³

- (b) There is demand for industrial land from freight transport and handling activities near to these inland ports, especially given their proximity to key transport routes handling exports and imports through Lyttelton Port

²¹ BDCA Report page 60.

²² Data from Statistics New Zealand, Infometrics' Selwyn District Economic Profile and LPC Annual Reports.

²³ See also Greater Christchurch Freight Demand Statement; Aurecon; July 2014 for further evidence of forecasts for LPC container freight movements far exceeding those for population and employment. This study forecasts Greater Christchurch container trade growth of at least 169.7% over the period 2015-41, as compared to population growth of 26.4% and employment growth of 22.0%.

i.e. the Main South Road (SH1 south), the Midland Rail Line and the Main South Rail Line.²⁴ The site itself is also adjacent to SH1 south and the South Island rail network;

- (c) The predicted future growth in containers handled through the Port of Lyttelton reflect export and import growth projections and particularly the greater use of larger container ships on New Zealand's trade routes with these ships calling at fewer New Zealand ports. Limited land available at the Port of Lyttelton has seen LPC and shippers of freight making greater use of inland port facilities for the aggregation and breaking down of container freight and greater use of rail to transport containers to and from the Port of Lyttelton;
- (d) Population is expected to continue growing in the District at high comparative rates (see Section 3 of this report) providing an impetus to other industries including the construction industry;
- (e) The demand for "live, work, play" solutions to reduce the need for Selwyn residents to commute in and out of Christchurch City for employment;
- (f) Industrial land being frequently used for non-industrial purposes reducing any perceived surplus in industrial land capacity supply; and
- (g) There are economic benefits from encouraging greater choice and competition in industrial (and other) land supply markets. Therefore, there are economic benefits from providing surplus land capacity for industrial development.

4.16 TCRL's Two Chain Road site is located adjacent to the Main South Rail Line and TCRL is proposing to potentially establish a rail business park, with businesses locating at the park able to directly access the South Island rail network via a number of proposed rail sidings. This will provide opportunities for greater use of rail transport, reducing costs for both shippers of freight and other road users.

5. POTENTIAL ECONOMIC COSTS OF PROPOSED PLAN CHANGE

²⁴ These three routes are estimated to carry by volume 73.0% of all exports and 26.3% of all imports through Lyttelton Port (Source: Figure 24 (page 68) and Figure 26 (page 70) of Greater Christchurch Freight Infrastructure Statement; Aurecon; July, 2014.)

Lost Agricultural Production

- 5.1** The Two Chain Road site is zoned “Rural Inner Plains” and is used for pastoral grazing over one 77 ha block and 5 lifestyle blocks ranging in size from 3.77 ha to 4.59ha. However, any lost agricultural production is not an external cost of using the site for industrial activities. 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 TCRL in purchasing the land has paid a price reflective of future net returns from alternative uses for the land. Such costs are not costs to be borne by the wider community. In any case, the land in agricultural terms is relatively unproductive.²⁵ Also zoning land in excess of projected demand will mean that if the Two Chain Road land is developed in advance of other land zoned for industrial development, this other land will generally²⁶ not be taken out of alternative productive use, so there is a transfer of economic activity rather than a net loss in productive use.

Utilities

- 5.2** 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. In the case of the proposed Two Chain Road site rezoning no such externality costs arise.
- 5.3** The infrastructure technical report²⁷ concludes that the plan change can be supported by either the extension of existing infrastructure from neighbouring subdivisions or the provision of new water supply and wastewater infrastructure to serve the development areas. TCRL and any subsequent occupiers of the site will meet the capital costs of infrastructure connections and new infrastructure required for the site’s development. The payment by the site’s owners/occupiers of rates, user charges, petrol taxes and road user charges will meet the ongoing operation and maintenance costs of infrastructure. Therefore, other Selwyn District ratepayers, residents and businesses will not be required to cross-

²⁵ See: 7-183 Two Chain Road – Assessment of Potential Loss of Productive Land; Victor Mthamo, Reefside; 25 August, 2021.

²⁶ In some cases partial development of an area zoned for industrial use may preclude alternative productive use or reduce the productivity of the land not yet developed.

²⁷ Infrastructure Report Two Chain Road Industrial Park Plan Change; 14 September, 2021.

subsidise the proposed rezoning and subsequent development of industrial activities on the site.

Transport Costs

- 5.4** 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 industrial development on the Two Chain Road land, the Integrated Transport Assessment Report²⁸ concludes that the traffic effects of the Plan Change will be acceptable, given development on the site will not occur until a number of proposed local road upgrades are completed. Also, to the extent that the proposed development of a rail business park on the site reduces the use of road transport, the Plan Change will have positive effects in terms of reducing road transport externality costs.

6. CONCLUSIONS

- 6.1** TCRL's proposed Plan Change enabling the rezoning of its Two Chain Road site at Rolleston will provide for the efficient development of industrial activities on the site.
- 6.2** If the rezoning attracts industrial activities which would not otherwise be located within the Selwyn District, the Plan Change will contribute to the economic well-being of the Selwyn District by:
- (i) Providing employment and incomes for local residents and businesses; and
 - (ii) Providing the local economy with greater diversity and resilience;
- 6.3** It will also maintain and improve resource use efficiency by:
- (i) Increasing economic activity and population in the Selwyn District, enabling increased economies of scale in the local provision of goods and services;
 - (ii) Increased competition and choice in the industrial land market;

²⁸ Novo Group; September, 2021.

- (iii) Reducing commuting costs for local residents; and
- (iv) Providing the potential for agglomeration economies to occur.

6.4 The Plan Change will not give rise to economic externality costs.