

# Appendix I

## Economic Assessment



Final Report: 16 December 2021

## Economic Assessment of Proposed New PAK'nSAVE Store in Rolleston

Prepared for:  
**Foodstuffs South Island**

**Authorship**

This document was written by Fraser Colegrave, Danielle Chaumeil, and Billy Hansen.

**Contact Details**

For further information about this document, please contact us at the details below:

Phone: +64 21 346 553

Email: [fraser@ieco.co.nz](mailto:fraser@ieco.co.nz)

Web: [www.insighteconomics.co.nz](http://www.insighteconomics.co.nz)

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# 1. Executive Summary

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Foodstuffs South Island (Foodstuffs) operates the Four Square, New World, and PAK'nSAVE supermarket chains in the South Island, and has been investigating options to establish a PAK'nSAVE store in Selwyn for more than a decade. Recently, it was granted resource consent to replace its New World store in the Rolleston Town centre with a PAK'nSAVE store. Subsequently, Foodstuffs identified a more appropriate location for the new PAK'nSAVE store nearby and, if approved, will surrender its existing Rolleston Town centre PAK'nSAVE store resource consent. This report assesses the likely economic effects of the proposed PAK'nSAVE store relative to the consented baseline, including potential effects on the Rolleston Town Centre.

The analysis begins by identifying the site's location, and describing its zoning, and receiving environment. Then, it describes the nature of food retailing in New Zealand and identifies four common food shopping trips. It notes that, while supermarkets are defined separately from other types of food retailers, it effectively competes with them all due to its broad product range. Next, we briefly profile district food retailing patterns. We show that, between 2015 and 2019, district food retail expenditure grew rapidly, with an increasing share also captured by district stores. By 2019, half of district food spending occurred locally, with the rest leaking out, mainly to Hornby (where the closest existing PAK'nSAVE store is located).

Next, we identify and briefly profile the network of nearby supermarket and grocery stores, before discussing the district's high (recent and projected future) population growth and its implications for supermarket demand. We show that projected growth in district food retail spending over the next 25 years could support an additional eight to ten full-size supermarkets.

Having set the scene, we then explore the likely impacts of redeveloping the New World Rolleston site to accommodate a PAK'nSAVE store (as consented). We show that this would likely conflict with the community's vision for a renewed Rolleston town centre, while also offering limited spill over benefits for other town centre businesses. In addition, the site would likely limit the size of the PAK'nSAVE store and hence reduce the breadth and depth of its future product ranges.

To ensure that the new store meets the community's future needs, Foodstuffs have identified an alternative location nearby on Levi Road. We explain the economic rationale for this, which includes:

- Future demand growth – the proposal is natural market response to strong recent – and projected future – growth in district supermarket demand. As noted above, projected future growth in district food retail spending could support 8 to 10 extra supermarkets over the next 25 years.
- Fit with location criteria – the site is a good fit with Foodstuffs' exacting site and location criteria, which are critical for fast moving consumer goods businesses like supermarkets.

There are no in-centre locations currently available that meet all operational requirements. The subject site, conversely, does.

- Customer proximity – this is essential because customers are generally attracted to the nearest store that meets their needs. The subject site will be readily accessible by current and future residents across Rolleston, plus those living elsewhere in the district.

Next, we estimate the likely trade impacts of the consented baseline and the proposed new store relative to the status quo using our *Integrated Retail Model*. This model integrates real-world data from a range of sources, and has been gradually developed over the last 10 years. It has accurately predicted real world transactions worth billions of dollars across most urban areas of New Zealand.

The model's results confirm that the proposed new PAK'nSAVE store will affect the turnover of food retailers across the district to varying degrees (in direct proportion to their proximity). The greatest impacts will be felt by Countdown Rolleston and New World Rolleston, with lower impacts arising elsewhere. However, we explain that the model does not distinguish different types of supermarket, and hence that the results systematically overstate impacts on the two nearby supermarkets while understating the true competitive impacts on PAK'nSAVE Hornby. Even still, we show that the estimated post-entry turnovers of the two Rolleston supermarkets will be sufficient to remain viable, so there is little (if any) risk of stores closing as a result. This, in turn, significantly reduces the likelihood of adverse retail distribution effects arising.

Next, we perform our assessment of retail distribution effects, which, due to its proximity and pre-eminence, we limit to the Rolleston Town Centre. We profile the centre's current and expected future roles and functions, and conclude that it is much more than just a shopping destination. Then, we assess its current health and vitality, and find that it appears to be doing well, with no current vacancies, relatively high footfall, and new developments occurring. We also explain that the proposed development will not significantly alter the role and function of the Rolleston Town Centre, nor create an alternative centre nearby. Finally, we cite the impacts of the recent opening of Rangiora PAK'nSAVE as a case study to confirm that the proposal will not affect the Rolleston Town centre, particularly since it only provides for one store type occurring there – supermarkets.

Having considered the likely impacts of the proposal in detail, we do not consider it to pose a risk of significant adverse retail distribution effects on the Rolleston Town Centre because:

- The Rolleston KAC is the district's largest centre and therefore performs several roles and functions, nearly all of which will be wholly unaffected by the proposal.
- Its retail components are securely anchored by two supermarkets and a department store, with none of its specialty retailers being directly affected by the proposed development.
- District retail demand is forecast to grow very rapidly, so any trade impacts will be both minor and short-lived. Moreover, with significant retail leakage out currently occurring,

the proposal represents an opportunity to help stem this flow and therefore increase the size of the district retail pie without any adverse effect on other district retailers.

- The proposal's highly-visible and accessible location means that it will draw customers from a wide catchment, thus spreading any competitive effects across several other centres, rather than just being shouldered by the Rolleston Town Centre.
- The proposal will not include any comparison retail shopping. Thus, people who previously shopped at comparison retail stores in Rolleston will return there even if they also frequent the proposal, because those specialty retailers remain the best way to meet those specific retail needs.

Finally, we considered the potential economic benefits of the proposal. These include:

- Economic benefits of store construction and operations. We estimate that store construction will create full-time employment for 100 people for 2 years and generate just over \$10 million in household incomes. Once operational, the new store will employ approximately 260 people permanently.
- Support for a New Zealand owned and operated business.
- Customer net benefits - every customer that frequents the new store must perceive a benefit from doing so, otherwise they would not switch from their existing store.
- Benefits of increased competition - In addition to generating benefits for its own customers, the new store will also benefit the rest of the community by increasing supermarket competition. Given the high share of groceries in the weekly household budget, even a small reduction in average prices will have significant benefits.

Based on our detailed assessment, as summarised above, we support the proposed development on economic grounds.



## 2. Introduction

### 2.1. Context and Purpose of Report

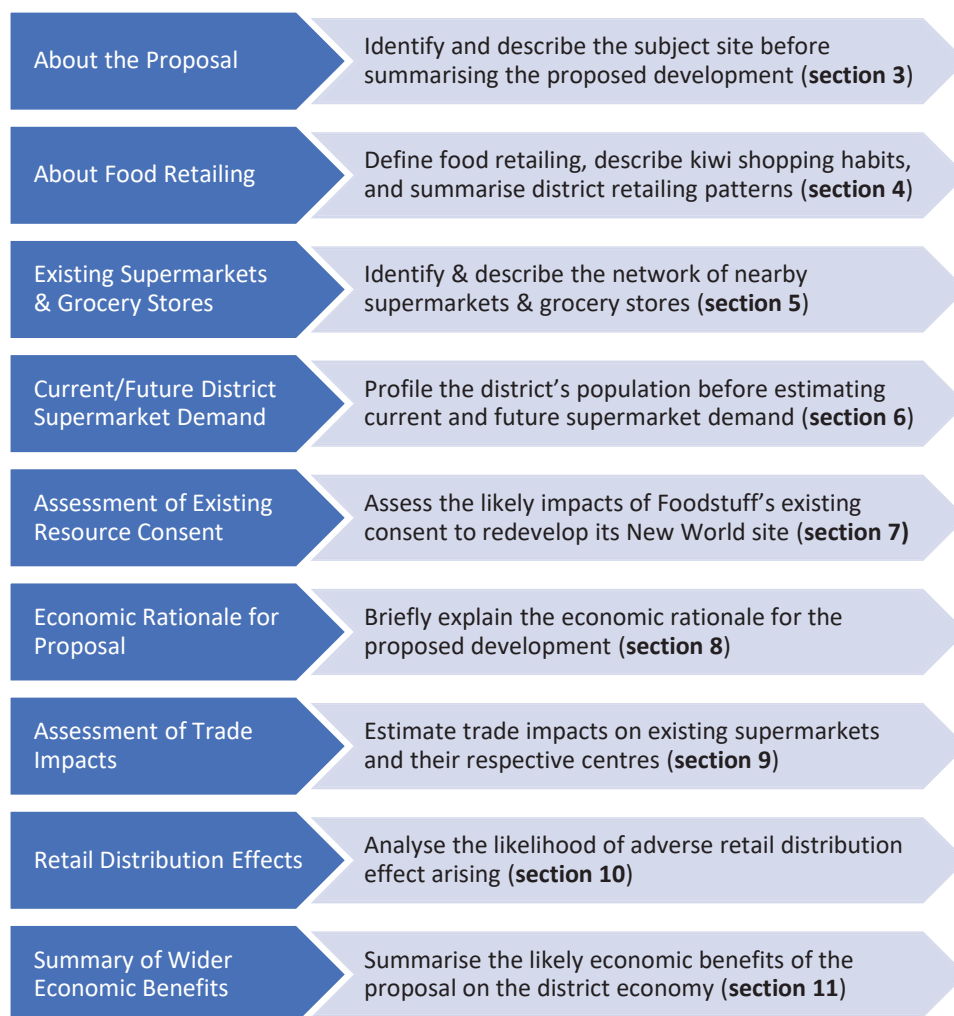
Foodstuffs South Island (Foodstuffs) operates the Four Square, New World, and PAK'nSAVE brands across the South Island, plus a range of other wholesale/speciality brands. Since 2010, it has been investigating options to establishing a PAK'nSAVE store in the Selwyn District.

Recently, Foodstuffs was granted resource consent to replace its New World store in the Rolleston Town centre with a PAK'nSAVE store. Subsequently, Foodstuffs have identified a more appropriate location for the new PAK'nSAVE store nearby and, if resource consent is approved for this location, it intends to surrender its existing Rolleston Town centre PAK'nSAVE store resource consent. This report assesses the likely economic effects of the proposed PAK'nSAVE store relative to the consented baseline, including potential effects on the Rolleston Town Centre.

### 2.2. Steps in Assessment & Structure of Report

Figure 1 shows the steps in our assessment and identifies the sections in which each is addressed.

Figure 1: Key Steps in Analysis & Corresponding Report Sections



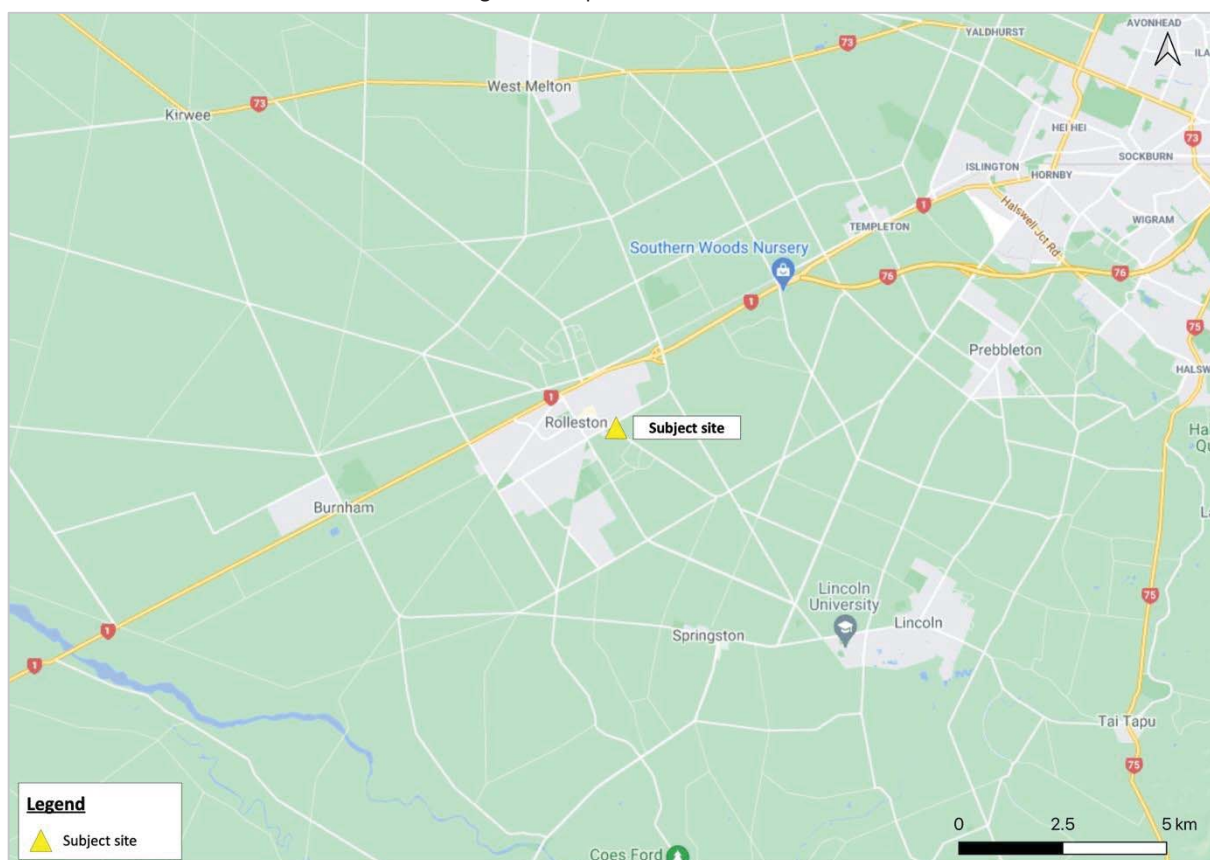
### 3. About the Proposal

This section identifies the location of the proposed new store, then summarises its receiving environment and zoning under both the operative and proposed district plans.

#### 3.1. Site Location & Description

The subject site is located at 157 Levi Road, as indicated by the yellow marker in the map below. It is bound by Levi Road to the north, rural land to the east, and Lincoln Rolleston Road to the southwest. The site itself is relatively flat, triangular, and spans approximately 7.2 hectares. It currently contains a single residential property, and sheds associated with agricultural activity.

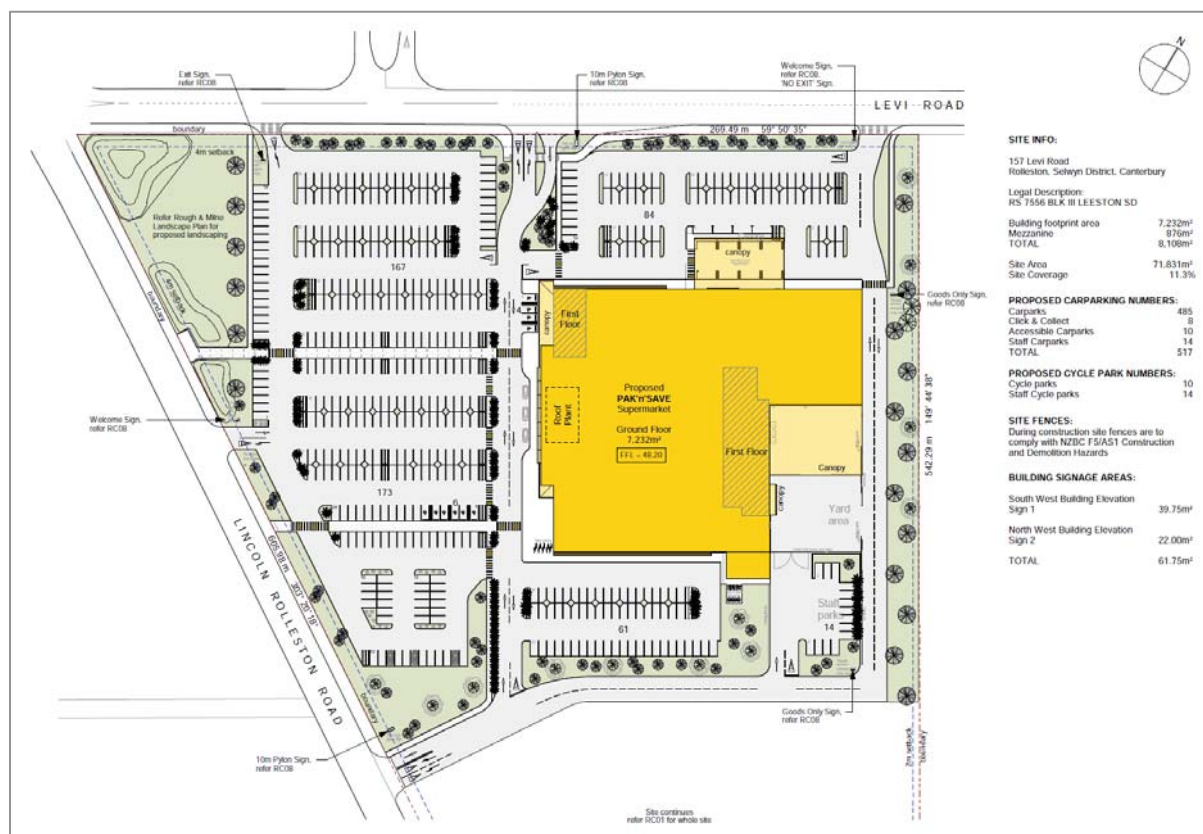
Figure 2: Map of Site Location



#### 3.2. Summary of Proposed Development

The proposed new PAK'nSAVE supermarket will have an estimated Gross Floor Area (GFA) of just over 7,100 square metres. An indicative site layout is shown below.

Figure 3: Indicative Bulk and Location Diagram



### 3.3. Receiving Environment

The area north of Levi Road consists predominantly of single-storey, standalone housing. In contrast, the area southwest of the subject site along Lincoln Rolleston Road contains larger lot residential, or 'lifestyle' blocks, as well as some vacant land. To the east, the subject land abuts the All Stars Harness Racing Stable, as illustrated in Figure 6 below.



Figure 4: Receiving Environment

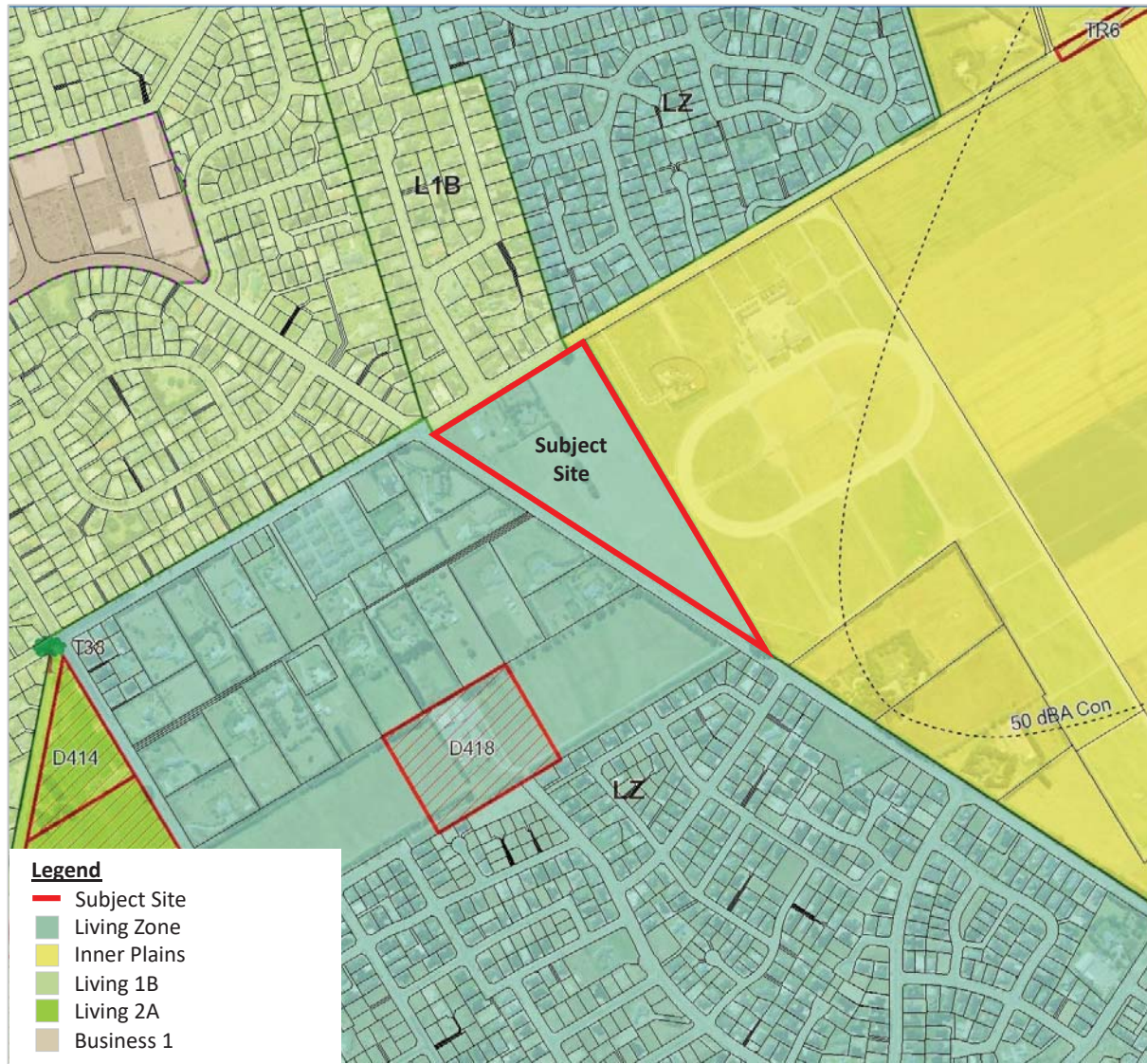


### 3.4. Current and Proposed Zoning

Under the Operative Selwyn District Plan (OSDP), the site is zoned “Living Z,” a designation reserved for new urban growth areas within or adjacent to existing townships. These areas are subject to an Outline Development Plan (ODP) – in this case ODP Area 4. These ODPs ensure that appropriate standards of urban design and connectivity are maintained with existing townships as rural sites are developed for urban uses over time. The site’s current zoning is shown in Figure 5 below.

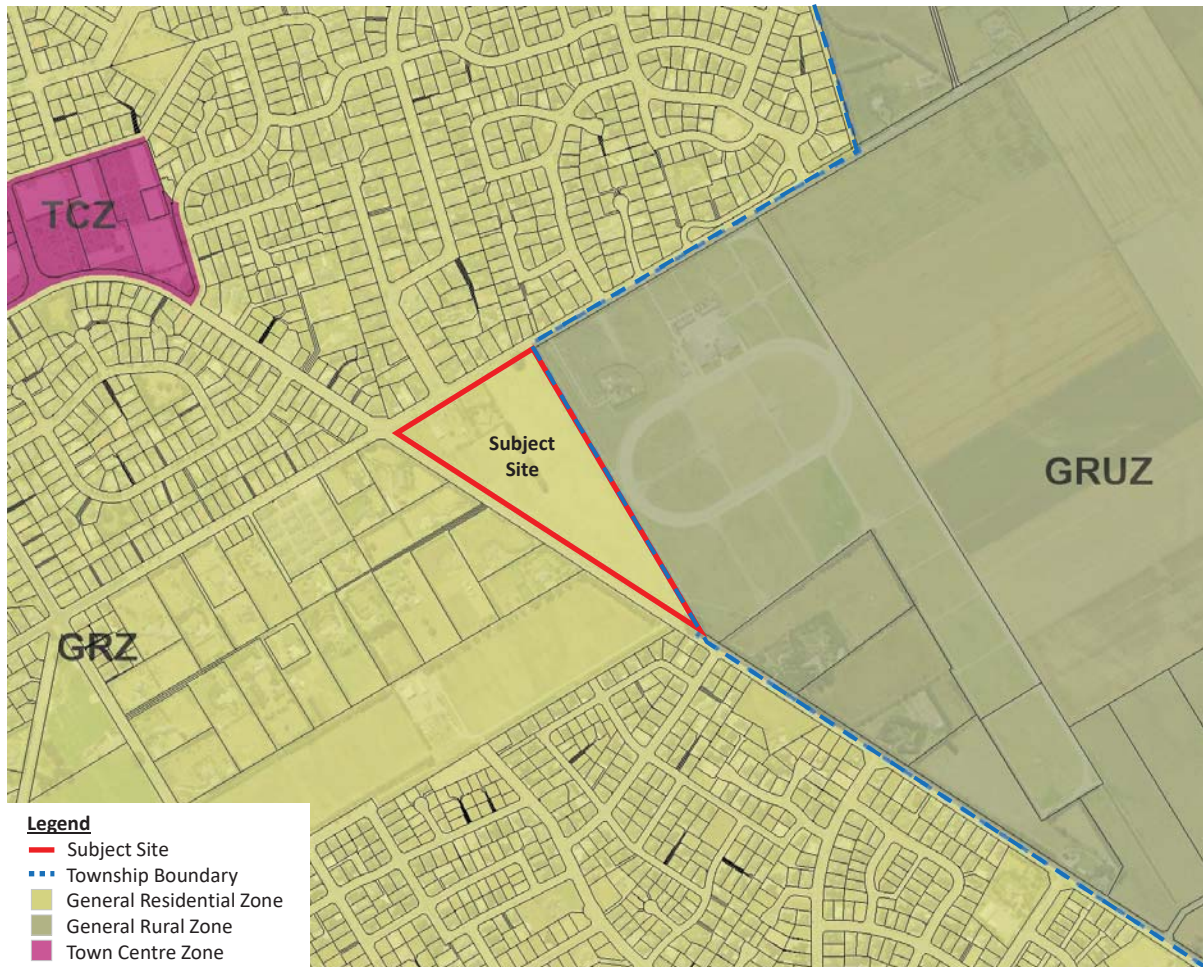


Figure 5: Site Zoning Under Operative Selwyn District Plan (OSDP)



Under the Proposed Selwyn District Plan (PSDP), the site falls within a General Residential zone, which enables higher density residential living than elsewhere in the district. The development of General Residential zoned land is to occur in a coordinated and integrated manner. Accordingly, many areas are identified as Development Areas, where an ODP has been developed to guide future land use and development. The site is the subject of Development Area Rolleston 1. The site's proposed zoning under the PSDP is illustrated below.

Figure 6: Site Zoning under Proposed Selwyn District Plan (PSDP)



### 3.5. RMA Status of the Proposal

Because supermarkets are not a permitted activity under the OSDP, resource consent is required - in this circumstance as a discretionary activity in the Living Z Zone. Accordingly, the remainder of this report assesses the likely economic effects of the proposed new supermarket, with a focus on the potential adverse effects on the Rolleston Town Centre, which is the district's primary commercial area, and is also a Key Activity Centre (KAC) under the Canterbury Regional Policy Statement (CRPS).

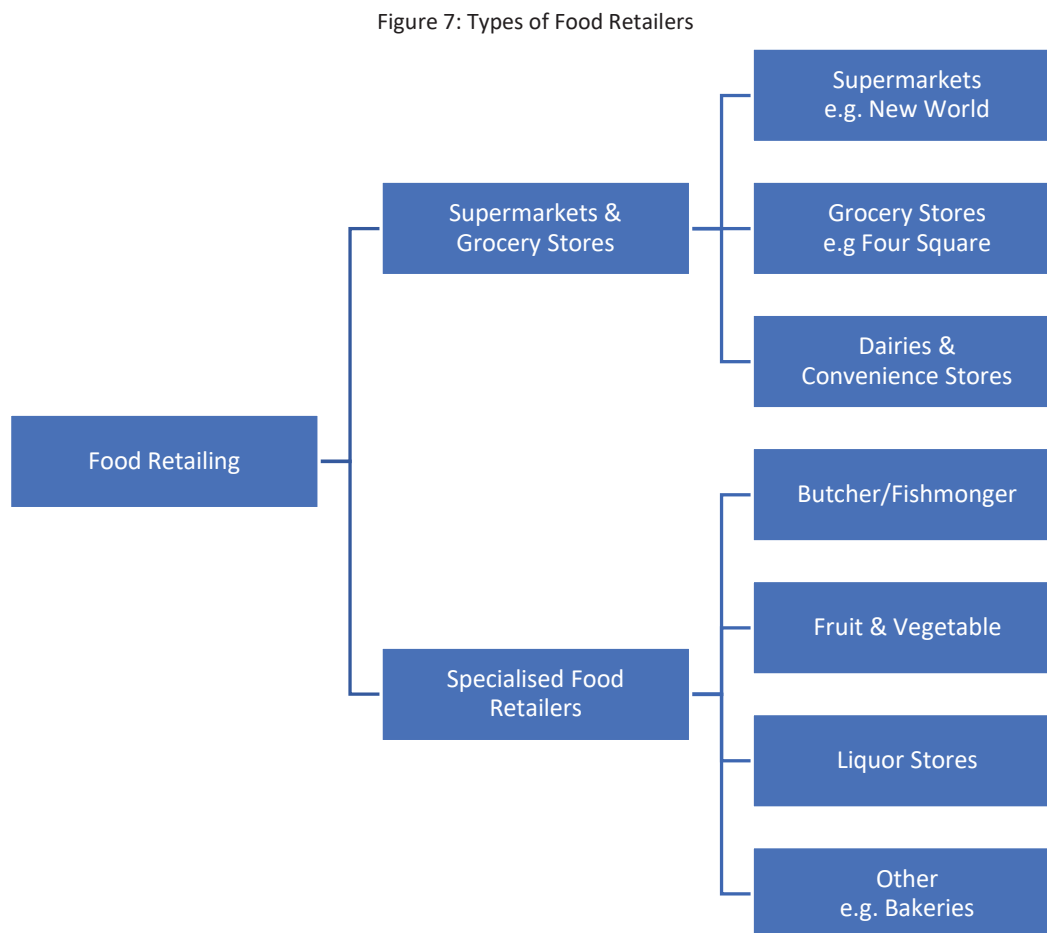


## 4. About Food Retailing

This section briefly describes the food retailing sector to provide context for the proposal.

### 4.1. Types of Food Retailers

Food retailing accounts for about one-third of retail spending by New Zealand households. It is a broad retail category that comprises a wide range of stores, as represented in the figure below.



It is important to note that, while supermarkets are classified separately from specialised food retailers in the figure above, they still compete with them. This is because supermarkets sell a broad range of items, including those sold by most specialised food retailers. Consequently, while supermarkets compete more directly with other supermarkets, they also compete with nearby specialised food retailers too. As a result, the impacts of new supermarkets tend to be spread across a wide range of stores and thus are often relatively diffuse.

Furthermore, while supermarkets appear as just one category in the figure above, they span several types. For example, PAK’nSAVE is a discount grocery warehouse, while other brands (such as Countdown and New World) are so-called “full service supermarkets”, which aim to strike a careful balance between competitive prices and high levels of customer service.

## 4.2. Kiwi Food Shopping Habits

There are four key types of grocery shopping trip.

- The **main-order shop** – The largest shopping trip, typically at the same store each week, and virtually always at a supermarket for price and convenience (one-stop shop) reasons.
- The **secondary shop** – The next largest shop, done for specific items, such as meat or vegetables, and often from specialised food retailers such as bakeries, fishmongers, fruit and vegetable shops, and butchers.
- The **top-up shop** – A quick shop for a small number of items, which can occur across a wide range of food retailing stores.
- **Click and collect** – an online order collected from the store, instead of delivered.

While top up shops are becoming more popular, main order shops still account for the bulk of most household's annual food expenditures. Further, while some kiwis embraced online food shopping and/or meal kits during the 2020 Covid-19 lockdowns, pre-pandemic shopping patterns quickly re-emerged soon after. This, in turn, reflects a range of factors, namely:

- Habit and the desire to personally select specific products;
- The cost and inconvenience of delivery;
- Concerns about perishable food being left outside if not home at the time of delivery; and
- The ability to easily compare product costs and attributes in-store.

In short, given the overwhelming preference for in-store purchases, supermarkets will remain a key element of the New Zealand retail landscape.

## 4.3. District Food Shopping Patterns

We used detailed Marketview data provided by Waimakariri District Council on a separate matter to analyse Selwyn district food retailing habits. To begin, Table 1 summarises changes in Selwyn District resident food retail spending by destination from 2015 to 2019.

Table 1: Selwyn District Resident Food Retail Spend by Destination 2015 to 2019

Spend Destination	2015	2016	2017	2018	2019
Selwyn District	\$93	\$95	\$104	\$115	\$125
Christchurch City	\$89	\$93	\$97	\$97	\$98
Waimakariri District	\$2	\$3	\$3	\$3	\$3
Rest of Canterbury	\$7	\$7	\$7	\$8	\$8
Rest of New Zealand	\$14	\$15	\$16	\$16	\$16
<b>Total</b>	<b>\$205</b>	<b>\$212</b>	<b>\$227</b>	<b>\$238</b>	<b>\$251</b>
District Spend Retention	45%	45%	46%	48%	50%
<b>Leakage Out</b>	<b>55%</b>	<b>55%</b>	<b>54%</b>	<b>52%</b>	<b>50%</b>



Table 1 shows that district resident food retail spend has increased significantly over time, from \$205 million in 2015 to \$251 in 2019, which is a compound annual growth rate of 5.2%. In addition, it shows that the share of district food retail spending leaking out to other areas has gradually decreased from 55% in 2015 to 50% in 2019. Despite these reductions in leakage over time, there are still ample opportunities to improve retention further via greater local supply.

To better understand the nature of district resident food retail spending, we drilled down to look at the destination of this spending across the Christchurch and Selwyn sub-region in 2019.<sup>1</sup> Table 2 presents the results.

Table 2: Selwyn Resident Food Retailing by Sub-Regional Destination in 2019

<b>Selwyn</b>	<b>Spend \$000s</b>	<b>Spend Shares</b>	<b>Trans. Shares</b>	<b>Average Spend</b>
Darfield	\$8,400	4%	7%	\$26
Lincoln	\$34,140	15%	14%	\$51
Rolleston	\$65,250	29%	26%	\$51
West Melton	\$1,420	1%	1%	\$30
Rest of District	\$15,790	7%	11%	\$29
<b>District Total</b>	<b>\$125,000</b>	<b>56%</b>	<b>58%</b>	<b>\$44</b>
<b>Christchurch City</b>	<b>Spend \$000s</b>	<b>Spend Shares</b>	<b>Trans. Shares</b>	<b>Average Spend</b>
Airport	\$2,550	1%	1%	\$49
Bush Inn/Church Corner	\$3,030	1%	1%	\$60
Four Aves	\$8,140	4%	4%	\$42
Hornby	\$33,620	15%	8%	\$87
Papanui	\$1,620	1%	1%	\$48
Riccarton	\$7,030	3%	3%	\$48
Rest of City	\$42,300	19%	24%	\$36
<b>City Total</b>	<b>\$98,290</b>	<b>44%</b>	<b>42%</b>	<b>\$48</b>
<b>Sub Regional Total</b>	<b>\$223,290</b>	<b>100%</b>	<b>100%</b>	<b>\$45</b>

According to Table 2, in 2019:

- 40% of transactions by district residents were made in Lincoln or Rolleston, with an average basket size of \$51, which represented 44% of sub-regional spending.
- 19% of transactions were made across the rest of the district, with a much smaller basket size of about \$25 to \$30, thus accounting for only 12% of spend.
- 8% of transactions were made in Hornby – where the closest existing PAK’nSAVE is located – with an average basket size of \$87 - capturing 15% of sub-regional spend.

These data confirm that larger shopping trips are typically made at supermarkets (i.e. the existing ones in Lincoln and Rolleston), with only smaller top-up shops typically made elsewhere. In addition, these data show that PAK’nSAVE tends to attract larger main-order shops, with the closest one at Hornby currently attracting a notable share of current district food retail spending.

<sup>1</sup> These two areas attracted nearly 90% of district resident food retailing spend in 2019.

## 5. Existing Supermarkets & Grocery Stores

This section identifies the network of existing supermarkets and grocery stores within about a 12 km radius of the subject site.

### 5.1. Map of Nearby Supermarkets & Grocery Stores

Figure 8 identifies the network of existing supermarkets and grocery stores near the subject site, while Table 3 summarises their addresses and gross floor areas.

Figure 8: Existing Network of Supermarkets and Grocery Stores

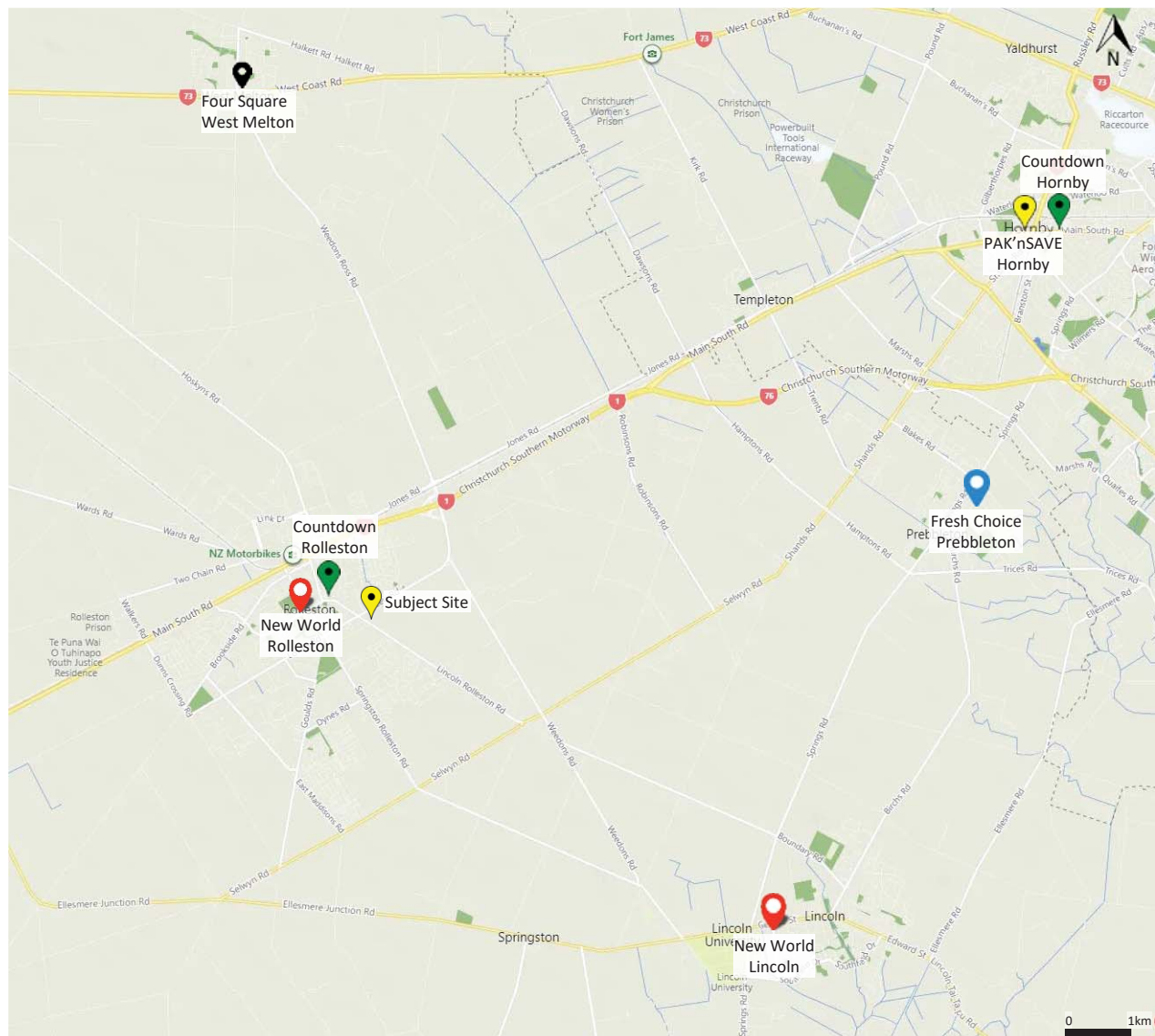


Table 3: Existing Supermarket and Grocery Stores Near the Proposal

Store Name	Address	Estimated GFA (m²)
New World Rolleston	92 Rolleston Drive, Rolleston	3,200
Countdown Rolleston	5 Masefield Drive, Rolleston	3,900
Four Square West Melton	1/736 Weedons Ross Road, West Melton	850
New World Lincoln	77 Gerald Street, Lincoln	2,600
FreshChoice Prebbleton	9 Tosswill Road, Prebbleton	1,750
PAK'nSAVE Hornby	The Hub, 418 Main South Road, Hornby	5,500
Countdown Hornby	17 Chappie Place, Hornby	4,200
<b>Total</b>		<b>22,000</b>

## 5.2. Roles and Functions of Existing Stores

Figure 8 shows that there are seven existing supermarkets and grocery stores in the vicinity of the proposal. These include a Four Square at West Melton and a Fresh Choice in Prebbleton, both of which are smaller than full-service supermarkets and thus mainly cater for small or medium-sized top-up shops. Accordingly, they compete not only with full-service supermarkets (like the proposal) but also with dairies and superettes.

The local area also has five supermarkets, namely:

- New World Rolleston and Countdown Rolleston, both of which are located within the Rolleston Key Activity Centre (KAC);
- New World Lincoln, which is located within the Lincoln KAC; and
- Countdown Hornby and PAK'nSAVE Hornby, which are located across the district border in Christchurch City in the Hornby KAC.

All five supermarkets cater not only for top-up shops, but also for larger yet more infrequent trips, known as 'main-order' shops. This is particularly true for PAK'nSAVE, whose business model and lower average prices attract a much higher proportion of main-order shopping trips than any other supermarket format in New Zealand.

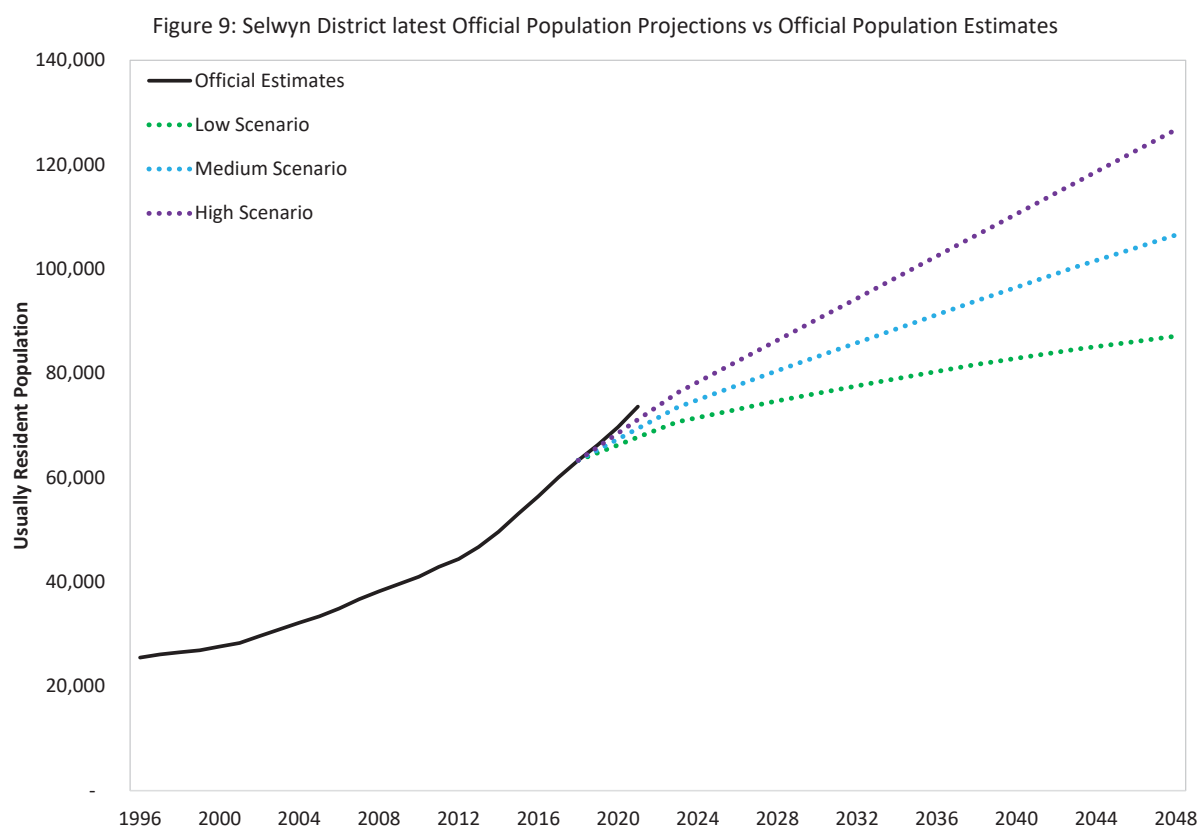
## 6. District Supermarket Demand

This section describes the district's projected population growth and demography before estimating current and future food retailing demand (including supermarkets).

### 6.1. Population Growth

Selwyn is one of New Zealand's fastest growing areas. Its population grew by 5.4% per annum over the last 10 years, which was second only to Queenstown (5.6%), and nearly 3.5 times the national average growth rate of 1.6% per annum.

According to official projections, this rapid growth will continue, with Statistics New Zealand's latest projections picking Selwyn to have the fastest population growth rate of all territorial authorities to 2048 under its low, medium, and high scenarios. And, according to the latest population estimates to June 2021, Selwyn is on track to exceed even Statistics New Zealand's latest high population growth scenario. This is illustrated in the chart below, which overlays the latest population projections (to 2048) with official population estimates to 31 June 2021.



### 6.2. District Demography

Not only is the district's population growing faster than virtually anywhere else in New Zealand, but its residents also have different demographics to the rest of the region. Specifically, compared to the regional average, Selwyn residents:

- Live in larger households (average of 2.94 vs 2.66);
- Are more likely to be partnered (72% vs 62%);
- Are more likely to be in the labour force (75% vs 66%);
- Are more likely to work as managers (23% vs 18%);
- Are more likely to own their homes (80% vs 68%);
- Have much higher median household incomes (\$103k vs \$75k).

### 6.3. Recent Growth in District Retail Spending

The combination of larger household sizes and higher household incomes identified above mean that district residents have relatively high spending power. In addition, the district's high population growth has caused significant uplifts in district retail sales. This is illustrated in the table below, which shows that retail spending in Selwyn increased by more than 10% per annum between 2015 and 2019, compared to a regional average of only 3.6%.

Table 4: Annual Growth in Core Retail Sales 2015 to 2019

Retail Market	CAGR
Selwyn District	10.5%
Waimakariri District	6.1%
Christchurch City	2.8%
Rest of Region	4.6%
<b>Region Total</b>	<b>3.6%</b>

### 6.4. Current and Future Food Retail Demand

We ran our *Integrated Retail Model* for the Canterbury Region to estimate current and future food retail demand originating in the district. Table 5 presents the results for Statistics New Zealand's medium and high population projections, plus the average of the two. These figures are expressed in 2020 dollars, and include spending by households, businesses, and visitors. They also assume that inflation-adjusted spend per household will increase by 1% per annum, but that tourism and business spend remain constant per employee/visitor over time.

Table 5: Projected Growth in District Food Retail Demand (\$ millions)

Year	Medium	High	Average
2018	\$240	\$255	\$248
2023	\$295	\$325	\$310
2028	\$340	\$390	\$365
2033	\$390	\$460	\$425
2038	\$445	\$535	\$490
2043	\$500	\$620	\$560
<b>Change</b>	<b>\$260</b>	<b>\$365</b>	<b>\$313</b>
Sales per m <sup>2</sup>	\$10,000	\$10,000	\$10,000
<b>Extra GFA Supported</b>	<b>26,000 m<sup>2</sup></b>	<b>36,500 m<sup>2</sup></b>	<b>31,300 m<sup>2</sup></b>

Table 5 shows that district food retail demand – including supermarkets – is projected to increase by \$260 million between 2018 and 2043 under the Stats NZ medium population projection, and \$365 million under the high, giving an average of \$313 million.

Assuming an industry standard sales rate of \$10,000 per square metre, this projected growth in district demand can support an additional 26,000m<sup>2</sup> of food retail GFA under the medium scenario, and 36,500m<sup>2</sup> under the high (with an average of just over 31,000m<sup>2</sup>). These are significant projected increases, which equate to about eight additional supermarkets under the medium scenario, ten under the high, and nine for the average.

In addition, we note that the assumed sales rate of \$10,000 per square metre is a national average, which is skewed towards the higher sales performance of stores in our major cities. Accordingly, this figure may overstate the sustainable sales rates applying to supermarkets in smaller areas, such as Selwyn, where rents are significantly cheaper and hence lower sales rates can be sustained while remaining economically viable. If so, the number of additional supermarkets that can be supported by projected demand growth will exceed our estimated range of 8 to 10 over the next 25 years.



## 7. Assessment of New World Redevelopment

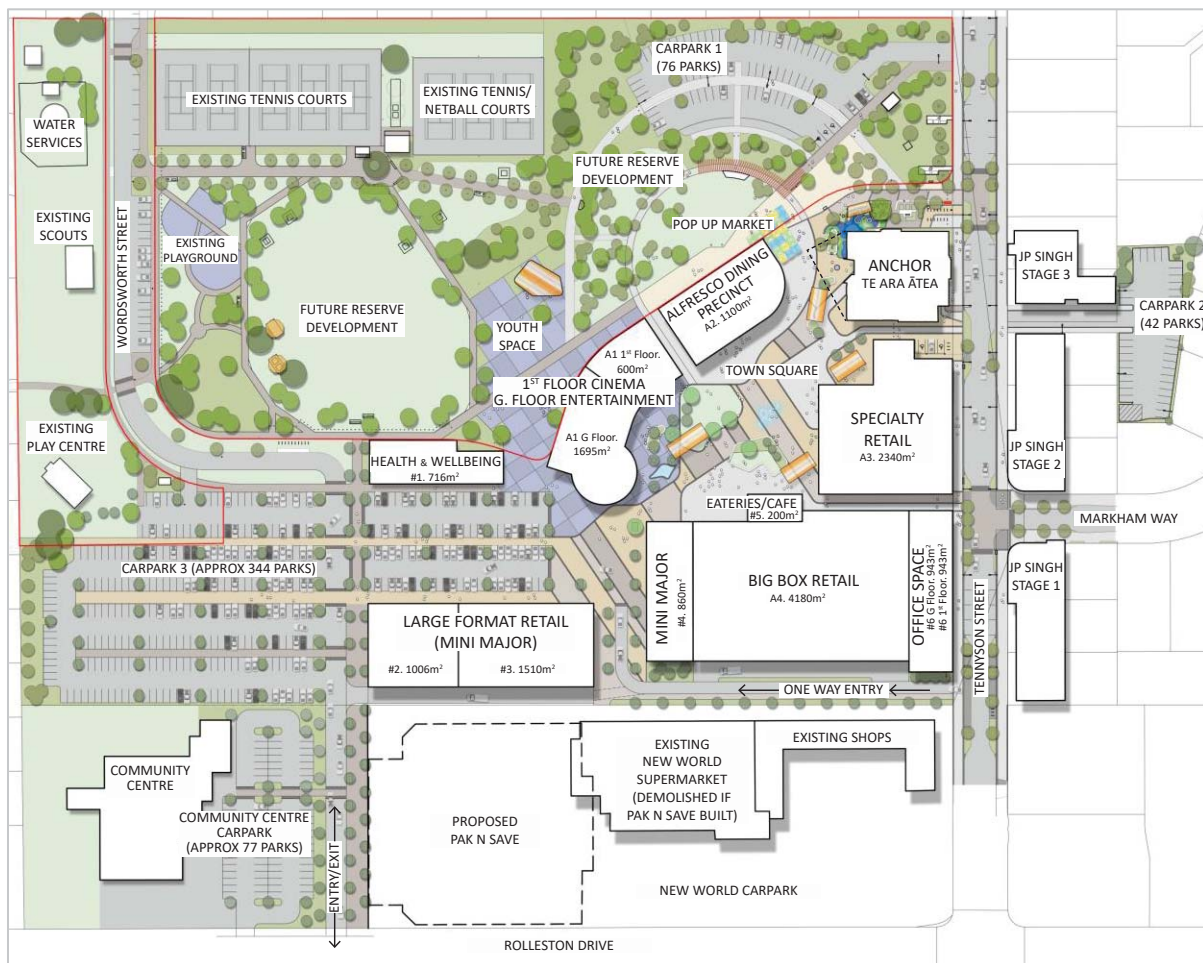
This section assesses the likely impacts on the Rolleston Town Centre of redeveloping the New World site to accommodate a new PAK'nSAVE store (as already enabled by resource consent).

### 7.1. Vision for Renewed Rolleston Town Centre

Over the last few years, the Selwyn district community has progressively worked on plans for a renewed Rolleston Town Centre. According to the latest iteration, it will be a comprehensive, integrated social space with a wide range of shops, entertainment, and recreation options, plus a new library and community centre.

Future activity will be concentrated on the people-focussed elements of the new town centre, including the town square, youth space, pop-up market, and al-fresco dining precinct. These will be complemented by surrounding future businesses, with buildings kept to a human scale and pedestrian routes created. Car parking will be centralised, which will reduce the need for individual store parking. As a result, the new town centre will be family friendly, locally distinctive, and environmentally sustainable. Figure 10 shows the preferred concept masterplan.

Figure 10: Rolleston Town Centre Preferred Concept Master Plan



## 7.2. Likely Impacts of New World Redevelopment

While redeveloping the New World site to fit a PAK'nSAVE store may seem like a good idea, we believe that it will undermine the community's vision for a renewed Rolleston Town Centre. There are several reasons.

First, people tend to do much larger (i.e. main-order) shopping trips at PAK'nSAVE stores. This is illustrated in the graph below, which compares the average amount spent by Selwyn residents at PAK'nSAVE Hornby, Countdown Rolleston, and New World Rolleston in 2019.

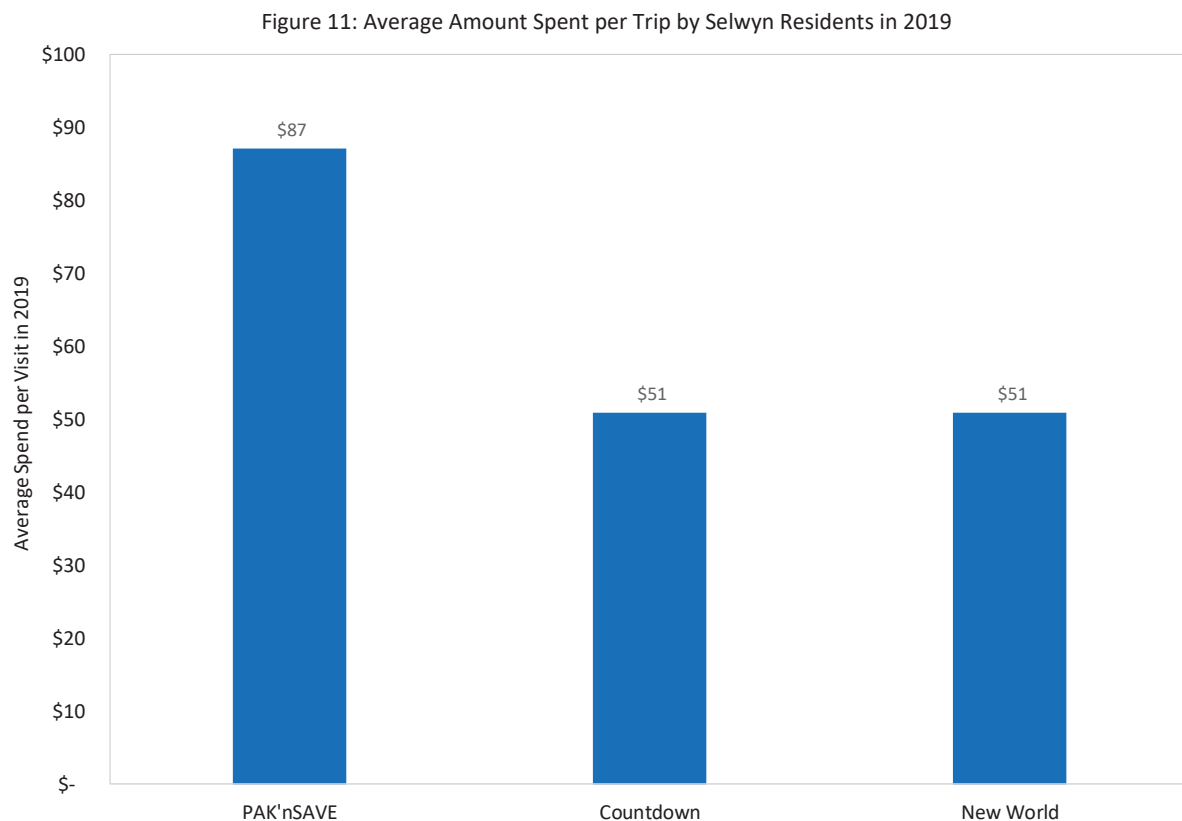


Figure 11 confirms that Selwyn residents, like all other New Zealanders, tend to do larger shops at PAK'nSAVE stores. Such trips are considered basic necessities, and are seldom combined with other activities, particularly when perishable items need to be refrigerated promptly. As a result, a future PAK'nSAVE store in the town centre also wouldn't generate much spill-over activity for other town centre tenants. Instead, it would operate largely in a stand-alone manner.

Second, on average, PAK'nSAVE stores are much bigger than Countdown and New World stores, because they rely on high levels of turnover to offset their low prices (and hence slimmer margins). As a result, PAK'nSAVE stores are generally located on larger lots. While a PAK'nSAVE store could fit on the New World site, the resulting store size would likely be smaller than optimal. This smaller size would limit the store's product range and undermine its ability to provide a direct alternative/substitute for the closest existing PAK'nSAVE store at Hornby.



### **7.3. Summary**

Rolleston town centre is the wrong location for a new PAK'nSAVE store, from an economic perspective. A new PAK'nSAVE store in the future town centre wouldn't generate much spill-over activity for the benefit of other tenants, because most large (main order) supermarket shops are typically undertaken as a single-purpose trip, rather than being bundled together with visits to other places. As a result, there would be very little pay-off to other town centre tenants from having a PAK'nSAVE store nearby.

At the same time, the urban design assessment undertaken by McIndoe Urban has identified that a potential new PAK'nSAVE store replacing the existing New World Rolleston would undermine the community's town centre vision for a human-scaled built form that prioritises people over cars, and it would also generate excessive amounts of traffic.

However, because Foodstuffs is committed to providing a PAK'nSAVE store in the district to serve locals, it has identified a nearby location that it considers a much better option for all stakeholders. We identify and discuss that location further in the next section.

## 8. Economic Rationale for the Proposal

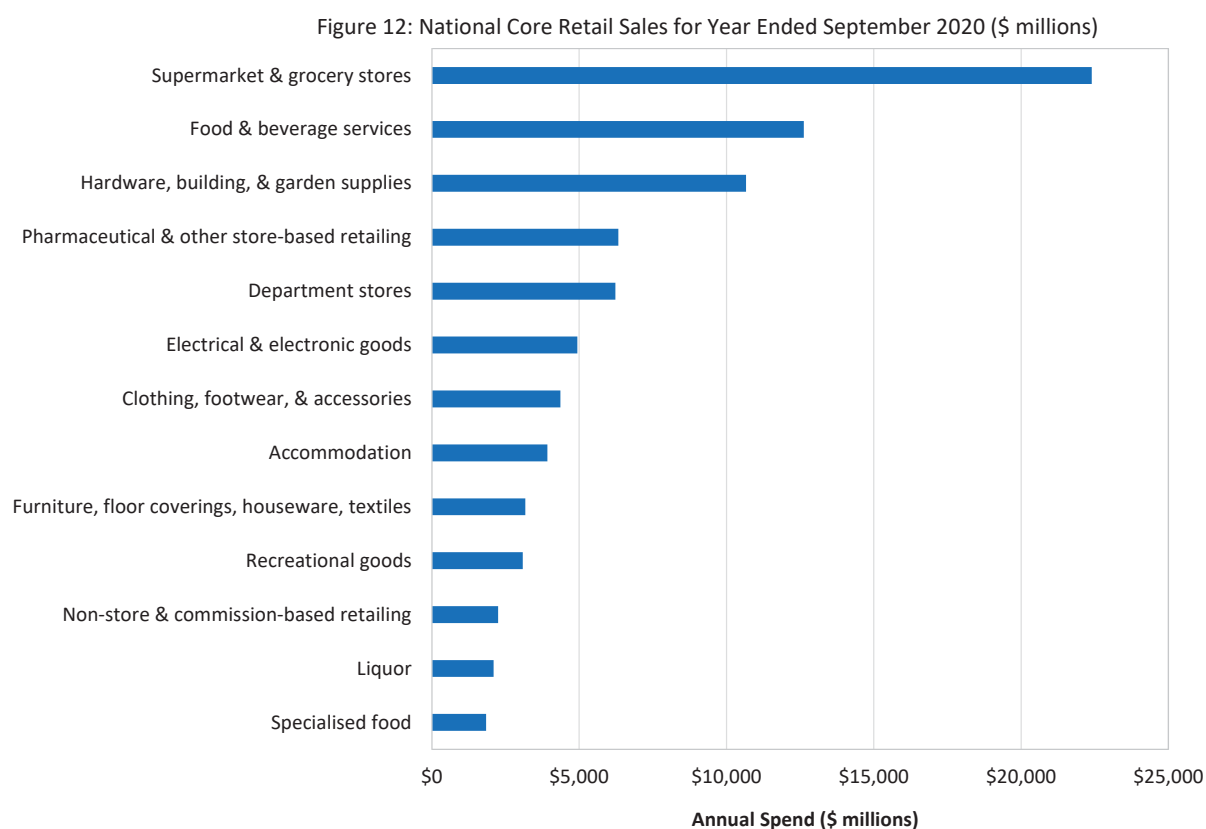
This section briefly explains the economic rationale for the proposal.

### 8.1. Helps Meet Recent and Projected Future Demand Growth

In section 5, we estimated that district retail demand growth from 2018 to 2043 could support an extra eight to ten full-service supermarkets. In addition, Table 1 showed that district food retail spending increased by \$46 million between 2015 and 2019. Despite this rapid growth in demand, however, there has been only one minor increase in supermarket floorspace in recent years (via the 2020 opening of Fresh Choice Prebbleton, which added 1,750m<sup>2</sup> of GFA). Thus, not only will future growth support up to 10 additional supermarkets across the district over time, but there is likely to also be pent-up demand for additional supply based on recent, rapid growth in district demand. The proposal acknowledges and responds to this market opportunity.

### 8.2. Fit with Exacting Site and Location Criteria

Another reason for the proposal is that the subject site is a close fit with supermarket operational requirements, which are unique for several reasons. First, supermarkets are an essential service that account for a large chunk of retail trade. This is illustrated in Figure 12, which shows the composition of core retail sales for the year ended 30 June 2021. Clearly, supermarkets dominate.



Second, supermarkets are the only type of large format retail (LFR) store that provides “convenience” retailing, rather than comparison shopping. This combination of LFR store format

and high transaction frequency means that supermarkets generate an inordinately high number of annual visits, most of which are made by car.

For example, according to the Marketview data first presented in section 4.3, Selwyn district residents made nearly 5.7 million food retailing transactions in 2019, which translates to more than 15,500 transactions per day (365 days per year). As a result, supermarkets must be in convenient and easily accessible locations to minimise travel times/costs, plus they need significant at-grade parking to facilitate safe and efficient customer movements. In addition, as identified in the ITA assessment, supermarkets require sufficient circulation space in and around the store to enable regular deliveries from suppliers too.

In addition to meeting demanding parking and circulation criteria, the subject site also meets all the applicant's other site and location criteria. These include (but are not limited to):

- Location characteristics
  - Visibility from the street
  - Proximity to competing/complementary stores
  - Proximity to customers
- Site characteristics
  - Shape, size, and topography
  - Freedom from contamination
  - Development feasibility
- Traffic flow and accessibility
  - Ease of access
  - Proximity to main roads/highways
  - Lack of congestion
  - Degree of vehicular traffic

As noted by Foodstuffs in a recent submission on the proposed Selwyn District Plan, a new PAK'nSAVE requires a site of about 2 hectares, which is difficult to find (particularly since it must also meet the various criteria noted above). As a result, Foodstuffs have been investigating suitable sites for a new PAK'nSAVE store in the district for more than a decade, but without success until recently. As an experienced operator, Foodstuffs has extensive knowledge of the locational and functional attributes of successful supermarkets, and considers the subject site an ideal fit.

### **8.3. Customer Proximity & Accessibility**

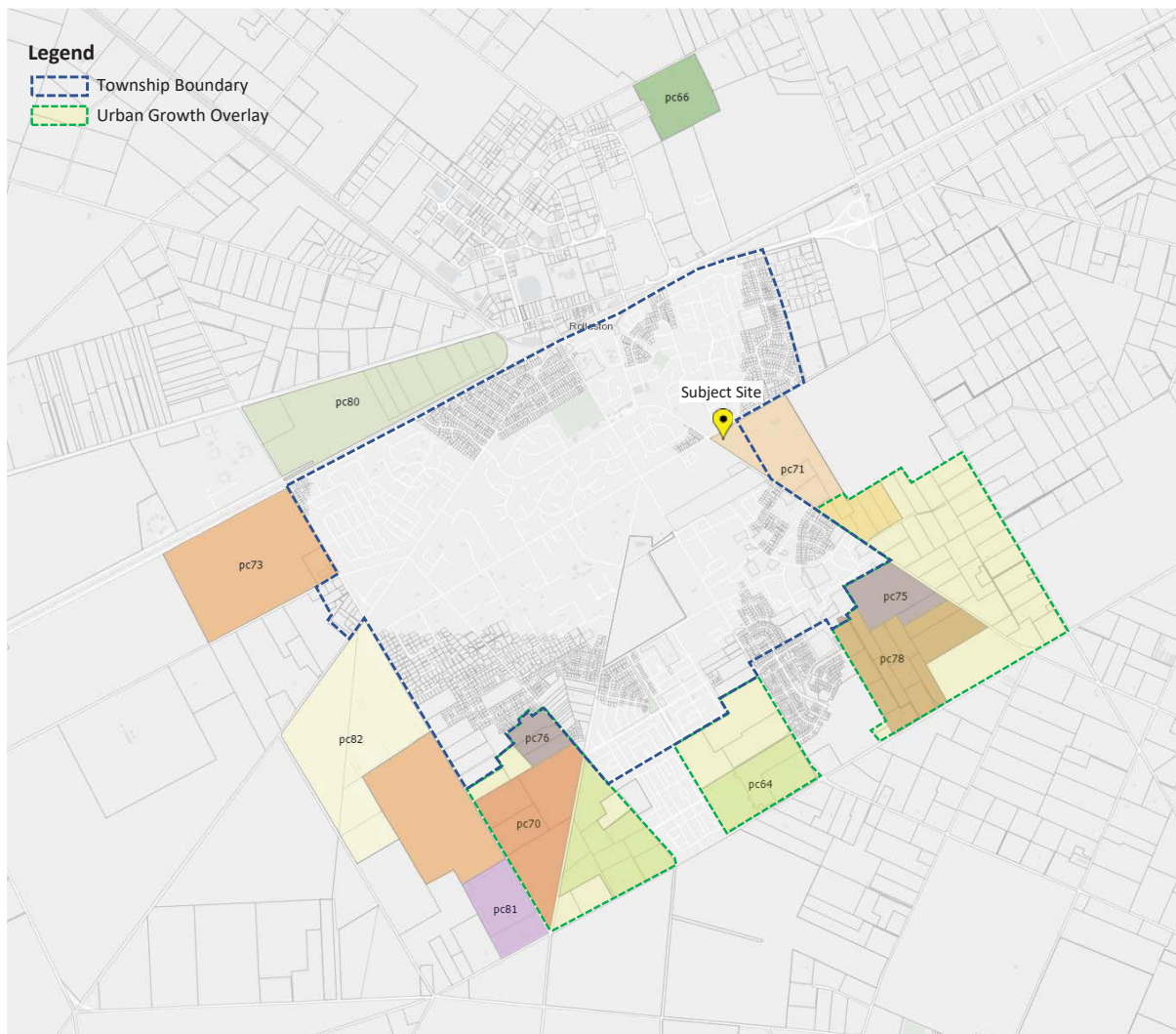
As just discussed, the subject site meets various location criteria, including proximity to customers. For fast-moving consumer goods (FMCG) businesses like supermarkets, this is critical because customers are generally attracted to the nearest store that meets their needs. In other words, people seldom travel further than needed to buy groceries, so being in the right location is essential.

While there has always been an imperative for supermarkets to locate near their customers, this has been elevated in recent times in reflection of the changing nature of supermarket shopping

trips. Specifically, while most supermarket trips 30 years ago were large, main-order trips undertaken weekly or fortnightly, many shopping trips now are smaller, top-up shops. As a result, the number of annual supermarket trips per household has increased over time which, in turn, has placed even greater emphasis on customer proximity.

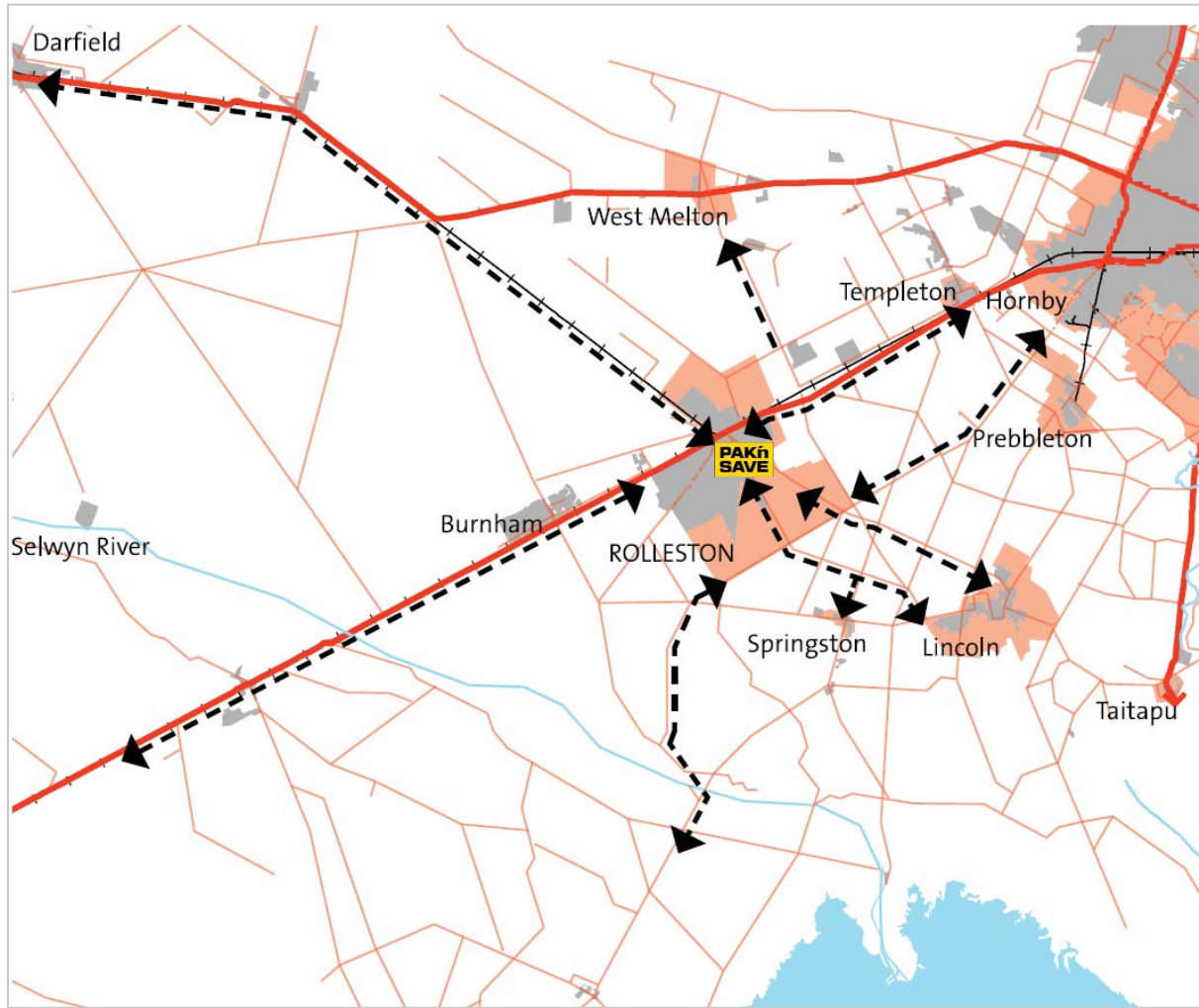
Bearing those points in mind, the following map shows the location of the proposal relative to the existing urban area of Rolleston, plus the numerous new residential growth areas for which rezonings are currently being sought. It shows that the subject site falls within the area associated with proposed Plan Change 71 to the OSDP, and will be readily accessible by current and future residents across Rolleston.

Figure 13: Proximity of Proposed Store to Rolleston Customers



More generally, the subject site is also readily-accessible to residents that live elsewhere in the district and who may currently travel to Hornby to access the closest PAK'nSAVE Store. This broader accessibility of the site is demonstrated in the map below.

Figure 14: Accessibility of the Proposed Store from The Rest of the District





## 9. Assessment of Likely Trade Impacts

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This section estimates the likely trade impacts of the proposed new PAK'nSAVE store relative to the consented baseline.

### 9.1. Steps in the Analysis

Following are the key steps in our analysis of trade impacts:

1. Delineate a study area;
2. Design, build and test a model to estimate trade impacts;
3. Estimate baseline turnovers for the existing network of food retail stores;
4. Rerun the model including the consented PAK'nSAVE development on the existing Rolleston New World site to estimate the impacts of the consented baseline on other stores (while holding total sales constant);
5. Rerun the model a third time including the proposed PAK'nSAVE development on Levi road to estimate its impacts on other stores.
6. Compare the three sets of sales estimates to determine the incremental and cumulative impacts of the proposal relative to the status quo and consented baseline.

We now work through each step.

### 9.2. Study Area

The district's retail market does not operate in isolation and instead forms part of a broader, regional market. Thus, while most of the proposed new store's sales will originate in the district, a small but material share will leak in from elsewhere. This is confirmed in Marketview data for 2018, which showed that a notable share of district retail sales originate elsewhere (particularly Christchurch City).

Bearing that in mind, we set our study area equal to the Canterbury region. This ensures that our analysis accurately captures the spatial market interactions between customers and stores across the geographic market in which district retailers operate. Thus, while we acknowledge that most of the new store's sales will originate within the district, it is important to consider effects across the wider study area to ensure an accurate and comprehensive assessment.

### 9.3. Model to Estimate Trade Impacts

The trade impact modelling presented here was conducted using our *Integrated Retail Model*, which was also used to estimate current and future retail demand earlier. It has accurately predicted real world transactions worth billions of dollars across all major urban areas of New Zealand.

The model's high predictive power is achieved by emulating the predictable nature of shopping behaviour, wherein shoppers are typically attracted to stores that are large and/or nearby. Leveraging these basic principles and integrating real world data from various sources, the model provides a reliable basis upon which to estimate the impacts of retail developments.

To formally estimate trade impacts for a given scenario, the model is run twice. First, the proposed development is excluded to estimate the baseline turnovers without it. Then, the model is rerun including the proposed development. By holding total sales constant between runs, each dollar turned over at the new development represents a dollar diverted from elsewhere, which indicate the proposal's trade impacts. This is the approach used in this report.

## 9.4. Model Validation

Before running the model to estimate trade impacts, we first validated its results against the Marketview data presented earlier. First, we compared the model's estimates of district food retailing retention/leakage to the actual values in 2019. These are shown in Table 6, and reveal a high degree of consistency. For example, the model estimated that 49.7% of district food retailing would be retained in the district, versus an actual value of 51.7%. This translates to a correlation coefficient of 99.6%.<sup>2</sup>

Table 6: District Food Retail Spend Retention/Leakage in 2019

Spend Destination	Actual	Estimated
Selwyn	51.7%	49.7%
Christchurch City	43.5%	45.7%
Rest of Region	4.8%	4.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Next, we compared the model's estimates of the origin of district food retail sales to the actual values in 2019. Table 7 presents the results which, again, reveal a high degree of consistency. In fact, the correlation coefficient was 99.7%.

Table 7: Origin of District Food Retail Sales in 2019

Spend Origin	Actual	Estimated
Selwyn	81.5%	83.8%
Christchurch City	14.5%	10.4%
Rest of Region	4.0%	5.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Finally, we reconciled the model's estimates of the total sales of Foodstuffs' district stores with the actual values in 2019. The estimates were within 1% of the actual values, which strongly suggests that it is accurately modelling district food retail spending patterns, and therefore provides a reliable basis for estimating trade impacts.

## 9.5. Status Quo Turnovers in 2023

Given that it is late 2021, and since the proposed new store is unlikely to be operational for at least two years, we estimated status quo turnovers for existing stores in 2023. This is the closest 5-year period available in the model. For the record, though, we note that selecting a later timeframe

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<sup>2</sup> The correlation coefficient measures the strength of linear relationships between two (or more) sets of numbers. Its values are bound by 0 and 1. A value of zero means that there is no linear relationship, while a value of 1 indicates a perfect linear relationship.

(such as 2028) would not alter the conclusions of the modelling. The percentage trade impacts would be largely (if not virtually) the same because the assumed store network would be the same in both timeframes. Further, while the estimated first-year sales of the proposed PAK'nSAVE would be higher if modelled in 2028, so too would the sales of all competing stores, with the percentage trade impacts essentially mirroring the 2023 model run. Accordingly, we opted to use the closest 5-year period and analyse the proposal's estimated impacts at that point in time. To that end, Table 8 presents our estimates of the sales of existing nearby stores in 2023 absent both the consented New World redevelopment and the proposed new store on Levi Road.

Table 8: Status Quo Sales in 2023 \$millions

Nearby Stores	Sales \$m
New World Rolleston	\$58.7
Countdown Rolleston	\$55.1
New World Lincoln	\$54.3
Fresh Choice Prebbleton	\$13.3
Four Square West Melton	\$9.0
PAK'nSAVE & Countdown Hornby	\$146.4
<b>Total for Nearby Stores</b>	<b>\$336.7</b>

Table 8 indicates that the sales of nearby stores are estimated to exceed \$336 million in 2023 under the status quo. The highest sales are for the two supermarkets at Hornby, followed by New World Rolleston and Countdown Rolleston, which are both estimated to turn over more than \$50 million per annum by 2023.

## 9.6. Incorporating the Two PAK'nSAVE scenarios

The next step in the assessment is to incorporate the consented and proposed developments into the model to estimate future turnovers for all district retailers including them. The spatial-interaction module of our *Integrated Retail Model*, which is used to estimate trade impacts, estimates the 'attractiveness' of each retail location based on the number of stores of each type, plus their employment counts. For existing stores, that information is sourced from Statistics New Zealand's business demography data. However, for new stores, future employment levels must be estimated.

After reviewing the GFA and employment levels of other PAK'nSAVE supermarkets, we estimated that the new PAK'nSAVE stores (in both locations) would likely employ 260 people across its various shifts. Consequently, the model was populated with an employment estimate of 260 supermarket employees for the NW site and subject site to enable the second and third model runs to be undertaken. No other changes were made.

## 9.7. Impacts of Consented Baseline

Next, we reran the model including the consented PAK'nSAVE development on the New World Rolleston site to assess its impacts relative to the status quo. The results are tabulated below, including impacts relative to the status quo.



Table 9: Impacts of Consented Baseline relative to Status Quo in 2023 (\$ millions)

Nearby Stores	Status Quo	Consented	Impacts
New World Rolleston	\$58.7	n/a	n/a
Countdown Rolleston	\$55.1	\$49.7	-10%
New World Lincoln	\$54.3	\$53.2	-2%
Fresh Choice Prebbleton	\$13.3	\$13.1	-1%
Four Square West Melton	\$9.0	\$8.7	-3%
PAK'nSAVE & Countdown Hornby	\$146.4	\$145.2	-1%
PAK'nSAVE Rolleston (NW site)	n/a	\$77.2	n/a
<b>Total for Nearby Stores</b>	<b>\$336.7</b>	<b>\$347.2</b>	<b>3%</b>

Table 9 shows that the consented baseline will (naturally) impact the turnover of existing stores, particularly the nearby Countdown, with its turnover expected to fall by about 10%. At the same time, the aggregate turnover of nearby stores is expected to increase by more than \$10 million, which means that new store's turnover would also affect stores further afield, not just those nearby.

## 9.8. Incremental Impacts of Proposal

Finally, we reran the model assuming that the proposed new store at Levi Road is built instead of the consented redevelopment of the New World site. Table 10 presents the proposal's impacts relative to the consented baseline above.

Table 10: Impacts of Consented Baseline relative to Status Quo in 2023 (\$ millions)

Nearby Stores	Consented	Proposal	Impacts
New World Rolleston	n/a	\$43.3	n/a
Countdown Rolleston	\$49.7	\$38.7	-22%
New World Lincoln	\$53.2	\$50.9	-4%
Fresh Choice Prebbleton	\$13.1	\$12.8	-3%
Four Square West Melton	\$8.7	\$8.1	-6%
PAK'nSAVE & Countdown Hornby	\$145.2	\$142.7	-2%
PAK'nSAVE Rolleston (NW site)	\$77.2	\$0.0	n/a
PAK'nSAVE Rolleston (Levi Road)	\$0.0	\$72.9	n/a
<b>Total for Nearby Stores</b>	<b>\$347.2</b>	<b>\$369.4</b>	<b>6%</b>

Table 10 shows that the proposed new store will reduce the turnover of new stores to varying degrees based on their relative proximity. For example, the greatest trade impact (-22%) will be felt by Countdown Rolleston due to its proximity, followed by West Melton (-6%). The estimated trade impacts for all remaining nearby stores are between -2% and -4%.

While the relative magnitudes of these estimated trade impacts logically reflect differing proximities to the subject site, they are likely to be overstating the true impacts on Countdown Rolleston, while understating the impacts on Hornby. This is because the model does not differentiate PAK'nSAVE from other supermarkets (such as Countdown and New World), and instead treats them all as being the same. In practice, however, the proposed new PAK'nSAVE will compete more directly with PAK'nSAVE Hornby than the model's results suggest – because it is the closest existing PAK'nSAVE – and less so with the two existing Rolleston supermarkets. Consequently, the estimated trade impacts on PAK'nSAVE Hornby should be interpreted as a best-case scenario, and those on Rolleston the worst-case scenario.

## 9.9. Likelihood of Store Closures

As we discuss further in the next section, the probability of adverse retail distribution effects arising largely depend on the likelihood of one or more supermarkets closing. Thus, the less likely that a supermarket closes because of the proposal, the less likely that adverse flow-on effects will arise.

In our view, it is highly unlikely that the proposal would cause any competing stores to close. There has been rapid growth in the district's population (and hence supermarket spending) over the last five to 10 years, but with only two small stores opening during that time.<sup>3</sup> Consequently, existing supermarkets are likely to be achieving high sales productivity rates and therefore capable of sustaining material reductions in trade while remaining viable. To illustrate this important point, we calculated the sales productivity rates of the two nearest supermarkets in 2023 under all three scenarios as illustrated in Table 11 below.<sup>4</sup>

Table 11: Estimated Sales Productivity in 2023 (\$/m<sup>2</sup> of GFA)

<b>Rolleston Stores</b>	<b>Status Quo</b>	<b>Consented</b>	<b>Proposal</b>
New World Rolleston	\$18,300	n/a	\$13,500
Countdown Rolleston	\$14,100	\$12,700	\$9,900

Table 11 shows that the sales of both Rolleston supermarkets are estimated to remain at or above about \$10,000 per square metre following entry of the proposed new PAK'nSAVE store, which indicates that they will both remain viable and therefore are at no material risk of closing. In addition, we note that this Countdown store is the only one in the district, so it would be extremely unlikely for its owners to cede market share by closing it and effectively handing a quasi-monopoly to Foodstuffs. As a result, we conclude that the proposal causes no risk of store closure, and hence that the risk of retail distribution effects arising is significantly lowered as a result.

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<sup>3</sup> Namely, Four Square West Melton and Fresh Choice Prebbleton.

<sup>4</sup> The significantly higher estimated sales productivity of New World reflects its higher employment density. In 2019, it had 200 staff, compared to only 160 at the Countdown. In addition, the New World store is better located to service Rolleston households, which are currently clustered more towards the west (where New World is located).

## 10. Retail Distribution Effects

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This section considers potential adverse flow-on effects of the proposal on the health, vitality, role, and function the Rolleston Town Centre, which are commonly known as retail distribution effects.

### 10.1. Steps in the Analysis

Following are the key steps in our assessment:

1. Define retail distribution effects and distinguish them from trade competition effects;
2. Identify the current roles and functions of the Rolleston Town Centre;
3. Assess its health and vitality;
4. Consider likely incremental effects of the proposal (over and above the consented baseline) on Rolleston's future roles and functions;
5. Examine the possibility of an alternative town centre being created by the proposal;
6. Consider a recent, relevant case study to better understand likely effects; and
7. Assess the overall likelihood of retail distribution effects arising.

### 10.2. Definition of Retail Distribution Effects

Under the Resource Management Act 1991 (RMA), decision makers must ignore effects that are ordinarily associated with trade competition when evaluating proposed developments. Instead, they may only consider possible flow-on effects arising from trade competition, which are also known as retail distribution effects.

Put simply, retail distribution effects *may* occur if a new development reduces the patronage of competing stores so acutely that it causes some to close, thereby causing the roles and functions of their respective centres to decline so significantly that the social and economic wellbeing of their communities is undermined.

A strong body of case law confirms that trade impacts must be very high to go beyond effects that are ordinarily associated with trade competition, and that impacts on individual stores are irrelevant because they amount to pure trade competition. With that definition in mind, we now consider the likelihood of significant retail distribution effects arising due to the proposal.

### 10.3. Rolleston Current & Future Roles and Functions

The Rolleston Town Centre forms part of a broader area known as the Rolleston Key Activity Centre (KAC). There are fifteen KACs across greater Christchurch, whose purpose is to act as focal points for community, commercial, and transport activities. As a result, the Rolleston Town Centre is not only the district's largest shopping area, but also its civic and commercial heart. This is reflected in its tenant composition, which includes both education and health providers, the Selwyn District Council, community facilities, offices, and a broad range of retail and commercial/professional services. The following table shows the composition of the town centre as at November 2021, according to Property Guru.

Table 12: Town Centre Land Uses (25 November 2021)

<b>Commercial Activities</b>	<b>Land Area m<sup>2</sup></b>	<b>GFA m<sup>2</sup></b>
Liquor Stores	2,103	570
Multiple Use	10,816	3,975
Office-Based Activities	34,390	4,449
Retail & Services	92,736	30,897
Service Station	6,729	300
Other	21,769	747
<b>Other</b>		
Assembly (halls, etc)	10,296	1,808
Dwellings	2,380	539
Education	3,824	942
Health	851	3,731
Industrial	18,300	640
Passive Reserve	86,355	320
<b>Centre Totals</b>	<b>290,549</b>	<b>48,918</b>

Table 12 confirms that the Rolleston KAC fulfils a wide range of roles and functions, including numerous commercial/professional services, various retail stores, the Selwyn District Council, education, and assorted food and beverage services. Thus, while retail is an integral component of the KAC, it is much more than just a shopping destination.

In future, the town centre (and associated KAC) will continue to fulfil the same broad roles and functions. However, these will also expand to reflect the new people-oriented focus of the future town centre. For example, soon people will come to Rolleston to visit Te Ara Ātea – the new library and community centre. And, as the new town centre is developed, friends and family will start to gather there to meet and socialise. While people will still also come to the town centre for shopping, that will be only one of many things that people come to the town centre for. In summary, the current and future Rolleston Town Centres will be much more than just a shopping destination and instead will form the commercial heart of the overall district.

#### 10.4. Centre Health and Vitality

Our Christchurch-based analyst, Billy Hansen, visited the town centre on 25 November to assess its current health and vitality. He reported that there were no vacant tenancies, and that footfall was strong and well distributed across the commercial elements of the centre. He also noted that there have been some recent developments along Tennyson Street, which appear to be giving effect to the new town centre masterplan. Finally, Billy noted that Te Ara Ātea was close to opening, and will invariably be a strong drawcard for district residents and others located further afield. Accordingly, we consider the town centre to be in good health and well-placed to absorb the competitive effects of the proposed development.

#### 10.5. Impacts of Proposal on Town Centre Roles and Functions

Because PAK'nSAVE is a discount supermarket that only sells food items and other household essentials, it will have very little impact on the town centre's various roles and functions (as

identified above). As a result, it will have little impact on the town centre overall. For example, PAK'nSAVE will have no impact on the community centre or library, banks, hairdressers, travel agent, real estate agent, playgrounds, cafés, restaurants, bars, takeaway outlets, florists, or laundromats. It will, however, affect the two supermarkets in the town centre, one of which is owned by Foodstuffs. Overall, though, the proposal will have no apparent impact on the town centre's various roles and function, either now or in the distant future.

## **10.6. Will the Proposal Create an Alternative Town Centre?**

In addition to considering whether the proposal might undermine the future roles and functions of the town centre, we also considered a related concern, specifically whether the proposal will create an alternative town centre? In the short, the answer is “no.”

First, the proposal is only for one new supermarket. There are no plans to enable any other non-residential developments on the balance of the site, and the Living Z zoning, or whatever zoning transpires from the PSDP process, provides the appropriate mechanism to assess and control any further development. As a result, there is no real chance of a second town centre emerging over time.

Second, not only will additional stores be excluded from the proposed development, but very few people would want to visit them after completing a grocery shop. Instead, after people finish grocery shopping, they normally drive straight home to put perishable items away. This is particularly true for large ‘main order’ shops, which are commonly done at PAK'nSAVE stores. Because of this, it is uncommon for PAK'nSAVE customers to do other types of shopping in the same trip, or to even want to in the first place.

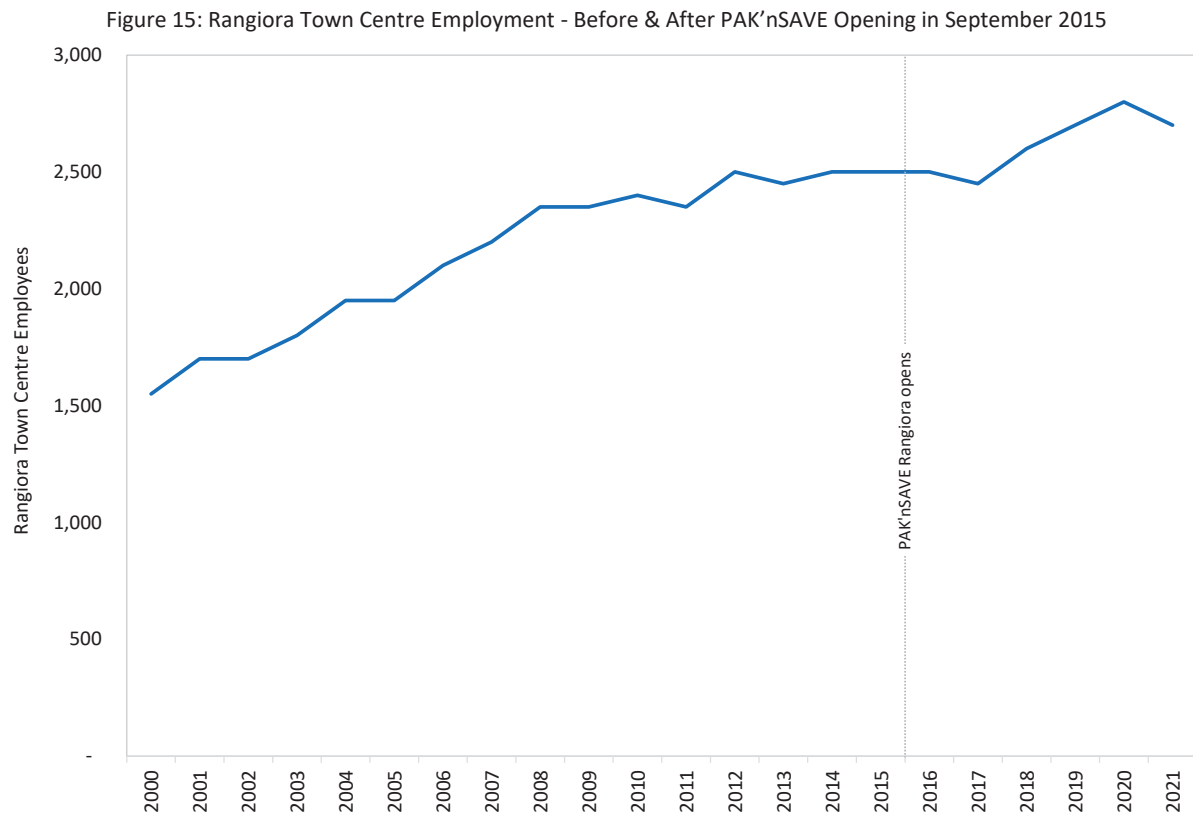
Third, grocery shopping is usually undertaken as a single-purpose visit and is seldom (if ever) done for recreation or leisure purposes. This distinguishes it from recreational shopping visits for pleasure, such as purchasing a new TV or pair of shoes. In retail economic terms, grocery shopping is sometimes referred to as ‘doing the shopping’, while recreational shopping is known as ‘going shopping.’ These are entirely different types of shopping trip. In fact, most people grocery shop alone or with their immediate family, while shopping for other items such as clothes is often done with friends as part of a social outing. Because of these key differences, there is little risk that the proposal will negatively affect the Town Centre. People ‘going shopping’ will continue to do so in the Town Centre. People ‘doing the shopping’ will either go to their usual supermarket or to the new PAK'nSAVE.

For these reasons, we consider that the Foodstuffs' proposal cannot – and will not – create an alternative town centre.

## **10.7. Case Study – PAK'nSAVE Rangiora**

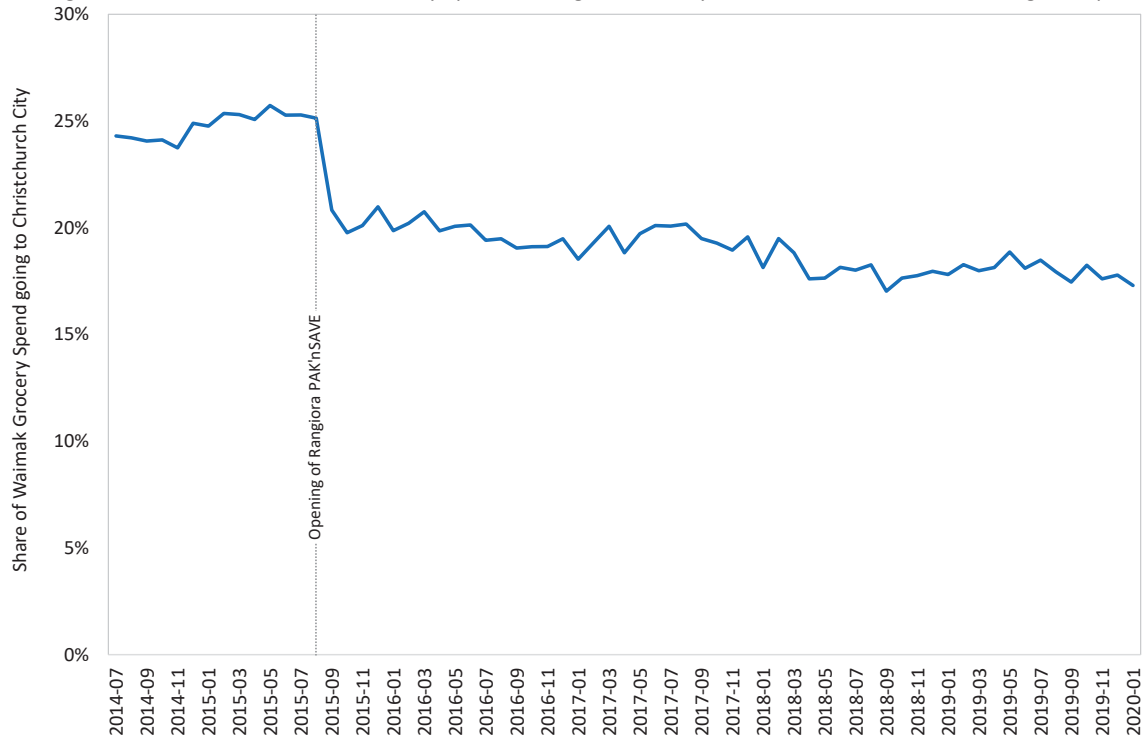
In September 2015, PAK'nSAVE Rangiora opened in Southbrook, which is about 2 km from the Rangiora Town Centre. Because that store is in a neighbouring district and is also located on a gateway/entrance to the township, it makes a good case study. So, what happened to the Rangiora Town Centre when the new PAK'nSAVE store opened a short distance away?

First, Figure 15 plots the impact of the new PAK'nSAVE on total employment in the Rangiora Town centre. As we can see, town centre employment had already begun to level out prior to the new supermarket opening a short distance away, and it remained that way for the next year or two. However, from 2018 onwards, town centre employment has begun to rise again. Overall, there are no obvious impacts of the new PAK'nSAVE on town centre employment levels.



At the same time, the new store has caused a notable reduction in the share of Waimakariri resident grocery spend that leaks out of the district and into the city. In other words, it has made the district more self-sufficient. This is illustrated in the following figure, which plots the proportion of total Waimakariri resident grocery spending that leaked into the city between 2014 and 2019.

Figure 16: Share of Waimakariri Grocery Spend Leaking into the City - Before & After PAK'nSAVE Rangiora Opening



## 10.8. Overall Conclusion on Retail Distribution Effects

Having considered the likely impacts of the proposal in detail, we do not consider it to pose any material risk of adverse effects on the Rolleston KAC because:

- The Rolleston KAC is the district's largest centre and therefore performs several roles and functions, nearly all of which will be wholly unaffected by the proposal.
- Its retail components are securely anchored by two supermarkets and a department store, with none of its specialty retailers being directly affected by the proposed development.
- District retail demand is forecast to grow very rapidly, so any trade impacts will be both minor and short-lived. Moreover, with significant retail leakage out currently occurring, the proposal represents an opportunity to help stem this flow and therefore increase the size of the district retail pie without any adverse effect on other district retailers.
- The proposal's highly-visible and accessible location means that it will draw customers from a wide catchment, thus spreading any competitive effects across several other centres, rather than just being shouldered by the Rolleston KAC.
- The proposal will not include any comparison retail shopping. Thus, people who previously shopped at comparison retail stores in Rolleston will return there even if they also frequent the proposal, because those specialty retailers remain the best way to meet those specific retail needs.

## 11. Economic Benefits of Proposal

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Having established that the proposal will not have any adverse retail distribution effects, we finally consider a range of benefits.

### 11.1. Economic Benefits of Store Construction and Operations

The process of planning for, designing, constructing, and stocking the proposed new PAK'nSAVE store will take at least two years and provide significant and sustained stimulus to help reset the district economy following the crushing effects of the global pandemic. The process will draw in workers from a diverse range of fields and hence create hundreds of (temporary) jobs for many district workers while also lifting household incomes. For example, the following workers would be required to complete the project, many of which would be sourced from the district.

- Architects
- Planners
- Lawyers
- Quantity surveyors
- Civil and structural engineers
- Site preparation workers
- Building contractors and sub-contractors
- Plumbers
- Electricians
- Glaziers, and so on.

To quantify the regional benefits associated with this boost in local economic activity, we used a special type of economic analysis called multiplier analysis to translate future store construction into corresponding gains in district incomes and employment.

Multiplier analyses are used around the world to capture both the direct economic effects of projects, plus their flow-on effects. These flow-on effects occur when the organisations directly involved with the project source goods and services from their own suppliers to complete the job. Multiplier analyses trace these “supply chain effects” throughout the economy to calculate both the direct and flow-on effects of new projects.

We used the latest regional multiplier tables for Canterbury to translate the expected cost of constructing the new supermarket (about \$30 million) into estimates of future incomes and employment. In short, our calculations suggest that the future construction of PAK'nSAVE Rolleston would create full-time employment for 100 people for two years and generate just over \$10 million in household incomes.



In addition, once built, the new supermarket will employ more than 260 people permanently and generate millions of dollars of household incomes each year, making it one of the largest employers in the district.

## **11.2. Support for a New Zealand Owned & Operated Businesses**

The New Zealand supermarket sector is dominated by two large organisations – Foodstuffs and Woolworths. Woolworths is an Australian-owned company, which operates the Countdown, SuperValue, and FreshChoice brands in New Zealand.

Foodstuffs, on the other hand, is New Zealand-owned. It operates the PAK’nSAVE, New World, and Four Square brands (amongst others). Unlike Woolworths, Foodstuffs is collectively owned by its various store owner/operators, and is therefore New Zealand’s only kiwi owned and operated supermarket chain. This means that all the profits earned, and taxes paid, by Foodstuffs supermarkets stay in New Zealand. Accordingly, by enabling Foodstuffs to establish at the proposed site, the community will be directly supporting New Zealand businesses.

## **11.3. Customer Net Benefits**

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

- More competitive pricing;
- Reduced travel time and cost because the new store will be closer or more conveniently accessed for many prospective customers;
- The ability to visit a new store that incorporates the latest design, and;
- Access to a wider range of fresh produce, meat, beer and wine

## **11.4. Benefits of Increased Competition**

In addition to generating a range of benefits for its own customers, the new store will also benefit the rest of the wider community by increasing the level of supermarket competition. Indeed, increased competition is a cornerstone of economic efficiency, both in the retail sector and beyond. It creates incentives for competing stores to “lift their game”, to invest wisely, to innovate, and to refine their offerings. In doing so, the efficiency of the wider sector improves.<sup>5</sup>

Given the high cost of groceries in the weekly household budget, even a small reduction in average prices will have significant benefits. And these benefits will accrue to all locals, whether they frequent the proposed new supermarket or not. Thus, the consumer benefits of increased competition stimulated by the proposed new development will be both enduring and far-reaching.

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<sup>5</sup> Indeed, these competitive benefits are precisely why most developed countries have competition authorities and/or antitrust agencies to foster competition, like New Zealand’s Commerce Commission.