

Before the Commissioner appointed by
the Selwyn District Council

Under the Resource Management Act 1991

In the matter of

Resource consent application for Foodstuffs (South Island)
Properties Limited to establish and operate a PAK'nSAVE
supermarket and associated access, loading, car parking,
signage, earthworks and landscaping at 157 Levi Road,
Rolleston (RC216016)

Statement of evidence of Fraser James Colegrave

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Qualifications and experience

- 1 My full name is Fraser James Colegrave. I am an economist and the managing director of Insight Economics, a consultancy based in Auckland. Prior to that, I was a founding director of another economics consultancy, Covec Limited, for 12 years.
- 2 I hold a Bachelor of Commerce (1st Class Honours) in Economics from the University of Auckland.
- 3 I have 22 years' consulting experience, during which I have successfully led and completed more than 550 projects across a broad range of sectors.
- 4 My main fields of expertise are land-use and property development. I have worked extensively in these areas for dozens of the largest developers in New Zealand. In addition, I regularly advise Local and Central Government on a range of associated policy matters.
- 5 Over the last 15 years, I have worked on numerous land use and property development projects across Greater Christchurch, including several in Selwyn. I am therefore familiar with the economic structure of the district, and its role in the Greater Christchurch sub-region.
- 6 I also regularly appear as an expert witness before Councils, Boards of Inquiry, Independent Hearing Panels, the Land Valuation Tribunal, the EPA, the Environment Court, the Family Court, and the High Court of New Zealand.
- 7 My role in relation to Foodstuffs (South Island) Properties Limited's (**Foodstuffs**) application to establish and operate a PAK'nSAVE supermarket and associated access, loading, car parking, signage, earthworks and landscaping at 157 Levi Road, Rolleston (**Application and Application Site**) has been to provide advice in relation to its economic effects. I drafted the economics report for the Assessment of Environment Effects (**AEE**) accompanying the Application, which appears at Appendix I of the AEE.
- 8 My assessment is based upon the proposal description attached to the evidence of Mr Mark Allan as **Appendix 1**.
- 9 In preparing this statement of evidence I have considered the following documents:
 - (a) the AEE accompanying the Application;
 - (b) submissions relevant to my area of expertise;
 - (c) the peer review by Tim Heath of Property Economics; and
 - (d) the section 42A report.

Code of Conduct for Expert Witnesses

- 10 While this is not a hearing before the Environment Court, I confirm that I have read the Code of Conduct for expert witnesses contained in the Environment Court of New Zealand Practice Note 2014 and that I have complied with it when preparing my evidence. Other than when I state I am relying on the advice of another person, this evidence is within my area of expertise. I have not omitted to consider material facts known to me that might alter or detract from the opinions that I express.

Scope of evidence

- 11 I have prepared evidence in relation to:
- (a) the existing environment of the Application Site;
 - (b) the key findings of my assessment of effects;
 - (c) the likely costs and benefits of the proposal relative to future residential uses of the Application Site;
 - (d) matters raised by submitters to the Application;
 - (e) matters raised in the Selwyn District Council's (**SDC**) report (report issued under s42A of the RMA); and
 - (f) the economic assessment peer review by Tim Heath of Property Economics.

The existing environment

- 12 The proposal is located at 157 Levi Road, approximately 600 metres southeast of the Rolleston Town Centre. It is bound by Levi Road to the north, rural land to the east, and Lincoln Rolleston Road to the southwest. The Application Site is relatively flat, triangular, and spans approximately 7.2 hectares. It currently contains a single residential property, and sheds used for agricultural activity.
- 13 The area north of Levi Road consists predominantly of single-storey, standalone housing. In contrast, the area southwest of the Application Site along Lincoln Rolleston Road contains 'lifestyle' blocks, as well as some vacant land (all of which is currently zoned for more intensive residential development, and will soon also be subject to Medium Density Residential Standards (**MDRS**) provisions). To the east, the subject land abuts the All-Stars Harness Racing Stable and is an area also subject to potential future residential development (pursuant to Plan Change 71).

Assessment of effects

- 14 I assessed the likely economic effects of the proposal to inform the AEE.

- 15 My assessment began by identifying the location of the Application Site and describing its existing/receiving environment, as outlined above. Then, it provided a brief overview of the food retailing sector, of which supermarkets form part, to provide context for the proposal. Amongst other things, I noted that supermarkets compete not only with other supermarkets, but also with other food retailers (such as bakers, butchers, and fishmongers). Consequently, the impacts of new supermarkets tend to be spread across a wide range of stores and thus are usually relatively diffuse.
- 16 I also identified the four most common types of food shopping trip made by New Zealanders, and noted that there is still a strong preference for in-store shopping despite a gradual shift towards click-and-collect or delivery recently. Then, I used electronic transaction data to show that about half of the District's food retail spending currently leaks out, mainly to Christchurch City, with a significant share representing large-basket shops at the closest PAK'nSAVE store in Hornby.
- 17 Next, I identified and briefly profiled the existing network of supermarkets and grocery stores located nearby before briefly profiling the District's demography and recent/projected future population growth. In short, Selwyn is projected to be New Zealand's fastest-growing territorial authority to 2048 under Statistics New Zealand's low, medium, and high scenarios. And, according to the latest population estimates, Selwyn is outperforming even the official high projection, which signals that strong population growth will continue well into the foreseeable future.
- 18 I also translated the District's projected future population into estimates of future food retailing demand and converted them to estimates of floorspace demand based on industry-standard ratios of sales per square metre.
- 19 Overall, my calculations indicate that growth in district food retailing demand could support an extra 26,000m² of GFA under the medium scenario, and 36,500m² under the high (with an average of about 31,000m²). These are significant increases, equating to around eight to ten additional supermarkets.
- 20 Having set the scene, I then explored the likely impacts of redeveloping the existing New World Rolleston site in the town centre to accommodate a PAK'nSAVE store (as already consented). As explained by Mr Burns in his urban design assessment, this option would likely conflict with the community's vision for a renewed people-focussed Rolleston town centre. From an economics perspective, it would also offer limited spill over benefits for other town centre businesses, while also limiting the new store's size and thus reduce the breadth and depth of its product ranges (relative to establishing on the Application Site).
- 21 I also summarise the economic rationale for the proposal, which includes:

- (a) Future demand growth – the proposal is a natural market response to strong recent – and projected future – growth in district supermarket demand, which could support 8 to 10 extra supermarkets over the next 25 years.
 - (b) Fit with location criteria – the Application Site is a good fit with Foodstuffs' exacting site and location criteria, which are critical for large-footplate, fast moving consumer goods businesses like supermarkets. There are also no in-centre locations currently available that meet all operational requirements, including the New World site. The Application Site, conversely, does.
 - (c) Customer proximity – this is essential because customers are generally attracted to the nearest store that meets their needs. To that end, the Application Site will be readily accessible by current and future residents across Rolleston, plus those living elsewhere in the District.
- 22 My assessment also included an analysis of the proposal's likely retail distribution effects, which were closely informed by a detailed examination of its likely trade impacts.
- 23 These trade impacts were derived by my firm's *Integrated Retail Model (IRM)* for Greater Christchurch, which 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, including Greater Christchurch.
- 24 Before running the model to estimate trade impacts, I first validated its results against the Marketview data presented earlier. Across three separate tests, the model's results achieved a 99.6% correlation with the actual values, which confirms that it correctly captures the flow of food retailing spending between customers and stores and hence provides a reliable basis for estimating likely trade impacts.
- 25 To formally estimate the proposal's trade impacts, the model is run twice. First, the proposal is excluded to estimate the baseline turnovers absent it. Then, the model is rerun including the proposal. By holding total sales constant between the two model runs, each dollar turned over at the new store represents a dollar diverted from elsewhere, thus revealing its trade impacts.
- 26 According to our analysis, and consistent with expectations, the proposed PAK'nSAVE will affect the turnover of food retailers across the sub-region 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 felt elsewhere.
- 27 Even still, the estimated post-entry turnovers of the two existing Rolleston supermarkets are 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.

- 28 Building on the trade impact assessment just summarised, I then performed an assessment of retail distribution effects. Due to its proximity and pre-eminence, this exercise was limited to only potential impacts on the Rolleston Town Centre, with all other centres – such as Lincoln – too distant to be materially affected.
- 29 I explained that retail distribution effects are not synonymous with trade impacts, and that only the former can be considered when assessing a proposed retail development.
- 30 Put simply, retail distribution effects may arise if trade impacts are so severe that they cause some competing stores to close, thereby undermining the roles and functions of their respective centres so significantly that the social and economic wellbeing of the community is seriously eroded.
- 31 For context, I used Core Logic's *Property Guru* tool to extract information on the properties that comprise the Rolleston Key Activity Centre (**KAC**), of which the town centre forms part. The results show that the Rolleston KAC is not just a shopping area, and instead is home to a wide range of tenants, including numerous commercial/professional services, various retail stores, the Selwyn District Council, education providers, 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.
- 32 I also instructed my Christchurch-based colleague – Billy Hansen – to visit the Rolleston town centre (on 25 November 2021) to assess its 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 has since opened), and will invariably be a strong drawcard for district residents and others located further afield. Accordingly, I consider the town centre to be in good health and well-placed to absorb the competitive effects of the proposal.
- 33 Importantly, the proposal will not significantly alter the role and function of the Rolleston Town Centre, nor create an alternative centre nearby. To help reach this finding, I reviewed the impacts of the recently-opened PAK'nSAVE Rangiora, which is close to the Rangiora town centre, just as the proposal is to Rolleston's. I found that the new store had no discernible impacts on the town centre's economic health and vitality, but triggered notable reductions in the value of district food retail spending leaking out to Christchurch City.

- 34 Having considered the likely impacts of the proposal in detail, I do not consider it to pose any risk of significant adverse retail distribution effects on the Rolleston Town Centre because:
- (a) It is the District's largest centre and therefore performs several roles and functions, nearly all of which will be wholly unaffected by the proposal.
 - (b) Its retail components are securely anchored by two existing supermarkets and a department store, with none of its specialty retailers being directly affected by the proposal.
 - (c) 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 currently occurring, the proposal represents an opportunity to help stem this flow and therefore increase the size of the District's "retail pie" without any adverse effect on other district retailers.
 - (d) The proposal's prominent and accessible location enable it to draw customers from a broad geographic catchment, thereby spreading the proposal's competitive effects across several stores/centres, not just the Rolleston Town Centre in isolation.
 - (e) The proposal will not include any comparison retail shopping or personal/commercial services. 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.
- 35 Finally, I considered the potential economic benefits of the proposal. These include:
- (a) Economic stimulus of store construction and operations. I estimated that 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.
 - (b) Support for a New Zealand owned and operated business.
 - (c) Customer net benefits - every customer that frequents the new store must perceive a benefit, otherwise they would not switch from their existing store.
 - (d) 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 overall.
- 36 Based on my detailed assessment, as summarised above, I support the proposal on economic grounds.

Costs and Benefits of the Proposal vs Residential Uses

- 37 Since completing my economic assessment, I have also considered – at a high level – the likely economic costs and benefits of the proposal relative to potential future uses of the site.
- 38 To begin, I note that the 4.2 hectares underlying the proposal could potentially accommodate about 60 dwellings at 15 dwellings per hectare. The economic impacts (in terms of GDP, jobs, and incomes) of constructing those dwellings would be similar to the impacts of developing the new PAK’nSAVE store. However, over the longer run, only the new store would generate meaningful economic impacts via the 260 employees required to run it.
- 39 To provide an overall assessment of the likely costs and benefits, the long-run economic benefits of operating the proposed new supermarket need to be pitted against the forfeiture of 60 dwellings. While that may seem like a substantial loss, and I acknowledge that it isn’t trivial, it represents less than 0.5% of the additional housing capacity enabled via the numerous private plan changes dotted in and around Rolleston and the district’s other main urban areas.
- 40 I also note that it is critical to ensure an ongoing balance between residential land and the various activities that support the daily needs of households, such as supermarkets. When these two interrelated land needs fall out of synch with one another, households are forced to travel further than they would do otherwise to meet daily needs, which adversely affects everyone via higher road congestion, the likely emission of harmful pollutants, higher crash risks, and so on.
- 41 Thus, overall, I consider the proposal to likely represent a better economic outcome for the Application Site.

Matters raised by submitters

- 42 Several submitters have identified economic benefits likely to arise from the proposal, such as increased supermarket competition, reduced costs of living, greater district employment, and the need to meet the future demands of the district’s population. I acknowledge and agree with these points.
- 43 Others submitters have raised economic concerns. For example, submitters 1, 14, 16, 18, 30, 46 and 49 consider the proposal inappropriately located, and should instead establish at Izone.
- 44 I disagree. The Application Site has been carefully selected after an exhaustive search by an experienced organisation already locally based with significant expertise in supermarket site selection. Consequently, and in my view, the

Application Site is an ideal location to service both existing and future residents of the District and beyond.

- 45 Conversely, I consider Izone an inferior location for two reasons. First, it is located north of State Highway 1 (SH1) across railway tracks, while more than 70% of the District's population in 2018 lived south of there. By 2043, 80% of the District's population will live south of SH1. As a result, I consider Izone to be a relatively inconvenient and inaccessible location versus the Application Site.
- 46 Second, because some retail store types are permitted activities in Izone, the establishment of a new PAK'nSAVE store there could inadvertently act as an anchor for the creation of an unforeseen, alternative town centre. Over time, this could challenge the role, function, and pre-eminence of the Rolleston Town Centre.
- 47 Other submitters believe that the district does not need another supermarket. However, as shown in my assessment, projected population growth alone can support an extra eight to ten supermarkets over the next 25 years.
- 48 Further, while I acknowledge that resource consent has been granted for a new Costco supermarket in Iport, there is no guarantee that it will proceed in a timely manner. In fact, a recent article¹ about a proposed development nearby noted that "Despite the Costco consent, the Carter Group would need to secure a deal with the American retail giant to go ahead with the project." In my experience, reaching such a deal could be a very tricky and time-consuming process.
- 49 Even if it did, there would still be a substantial need for additional supermarket supply to help stem current spending outflows, and to meet strong, ongoing growth in demand. I also note that some District residents may not want to pay for a Costco membership, which I understand is required to access its goods and services. Most importantly, ultimately the potential addition of a Costco just further enhances competition in the local supermarket sector for the benefit of households.
- 50 Another issue raised by submitters is that the proposed new PAK'nSAVE store could just locate at the New World site in the town centre, as already consented.
- 51 I acknowledge the existence and implications of that consent, but consider the site too small for a modern PAK'nSAVE store. The store's floorspace would be limited, thus undermining its ability to fully meet the needs of those currently travelling to the nearest current PAK'nSAVE store in Hornby. In addition, a PAK'nSAVE store in the town centre would be unlikely to generate many spill-over benefits for other

¹<https://www.stuff.co.nz/business/property/129246076/south-islands-biggest-bulk-retail-centre-planned-for-rolleston>

tenants, with most shoppers going straight home afterwards to put away perishables in the fridge/freezer.

52 The loss of residential land is another economic issue raised in submissions. I acknowledge this, but note that:

- (a) Numerous plan changes have recently been promulgated to bolster the District's residential land supply (potentially paving the way for over 6,000 new homes in Rolleston alone, if approved);
- (b) Greenfield residential development is anticipated within the Urban Growth Overlay identified in the proposed District Plan; and
- (c) I understand that the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act will enable the establishment of up to 3 residential units on an allotment, which will be particularly feasible in the new greenfield residential areas.

53 It is also critical to acknowledge that supermarkets fundamentally rely on easy accessibility. It therefore makes sense that a new store may best be placed nearby, or even nestled within, new and existing residential areas.

Matters raised by SDC staff report

54 I have read the relevant sections of the SDC Staff (section 42A) report published for this consent, plus the underlying economic peer review by Tim Heath of Property Economics. I note that Mr Heath and I are in close agreement about virtually every aspect of this proposal, and we both emphatically conclude that it will not have any material adverse effects on the health and vitality of the Rolleston Town Centre. I further note that this conclusion was accepted and adopted by the reporting officer in their section 42A report.

Conclusion

55 This evidence has considered the likely economic impacts of the proposed supermarket, including potential adverse effects on the Rolleston Town Centre. It has shown that the proposal will have a range of significant and enduring economic benefits, while avoiding any material adverse effects. Consequently, I continue to support it on economic grounds.

Fraser James Colegrave

Dated this 18th day of July 2022