**BEFORE THE INDEPENDENT HEARINGS PANEL APPOINTED BY THE WESTERN BAY OF PLENTY DISTRICT COUNCIL**

**IN THE MATTER** of the Resource Management Act 1991 (**RMA**)

**AND**

**IN THE MATTER** of Proposed Private Plan Change 95 to the Western Bay of Plenty District Plan First Review – Pencarrow Estate, Pongakawa

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# SUMMARY STATEMENT OF EVIDENCE OF FRASER COLEGRAVE ON BEHALF OF WESTERN BAY OF PLENTY DISTRICT COUNCIL - (ECONOMIC ASSESSMENT)

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## INTRODUCTION

1. My full name is Fraser James Colegrave.

2. I am the Founder and Managing Director of Insight Economics. Prior to that, I was a founding director of another economics consultancy – Covec Limited – for 12 years.

3. I hold a first-class honours degree in economics from the University of Auckland (1996).

4. I have 27 years commercial experience, the last 24 of which I have worked as an economics consultant. During that time, I have successfully led and completed more than 600 consulting projects.

5. My main fields of expertise are land-use, property development, and local infrastructure funding. I have worked extensively in these areas for many of the largest companies in New Zealand. In addition, I regularly advise local and central Government on a range of associated policy matters, and therefore understand the issues from multiple perspectives.

6. Current and recent clients include: Auckland Airport, Argosy Property, Christchurch City Council, Crown Infrastructure Partners, Foodstuffs, Fulton Hogan, Kiwirail, Kiwi Property, New Zealand Productivity Commission, Ngai Tahu, Sanderson, and Tauranga City Council.

7. Over the last 15 years, I have helped clients secure plan changes and/or resource consents for projects providing more than 40,000 new residential dwellings, including major brownfield and greenfield projects.

8. Since 2014, I have performed numerous forensic examinations of the housing and business capacity assessments completed for or by Councils under the auspices of the National Policy Statement on Urban Development 2020 (**NPSUD**), so I am highly conversant with the concepts and language used therein. In addition, I have completed numerous detailed assessments under the National Policy Statement for Highly Productive Land (**NPS HPL**), so an intimately familiar with that too.

9. I am also widely recognised as one of New Zealand's leading economic experts on local infrastructure funding, including the design and use of development contributions and financial contributions policies. I have

worked on more than 100 local infrastructure funding projects for numerous public and private sector clients across New Zealand, so intimately understand their real-world applications.

10. More generally, I have provided expert evidence on a range of economic matters at more than 120 hearings before Councils, Independent Hearing Panels, the Environment Court, Boards of Inquiry, the Family Court, and the High Court of New Zealand.

11. I have read the Expert Witness Code of Conduct set out in the Environment Court's Practice Note 2023 and I agree to comply with it. I confirm that the issues addressed in this statement of evidence are within my area of expertise, except where I state I am relying on the specified evidence of another person. I have not omitted to consider material facts known to me that might alter or detract from my expressed opinion.

**SCOPE & STRUCTURE OF STATEMENT**

12. I have prepared two peer review reports in relation to Private Plan Change 95 (**PPC95**) which were attached to the Section 42A Report as Attachments 7 and 8. I have read the Statement of Evidence of Kevin Counsell dated 24 October 2024.

13. Mr Counsell's evidence provides several responses to issues raised in my two previous memos.

14. This statement responds to various issues arising from the economic evidence of Kevin Counsell for the applicant. It is structured as follows:

    (a) Need for the proposal

    (b) Locality and market

    (c) Other feasible options

    (d) Costs and benefits

15. I confirm that none of my opinions have changed as a result.

16. If anything, Mr Counsell's evidence may even elevate some of my concerns, particularly given new data on housing and employment and its implications for the proposal, as briefly discussed below.

## NEED FOR THE PROPOSAL

17. Mr Counsell's evidence states that the proposal is a direct response to growth in intensive horticulture and the establishment of the Rangiuru business park.[1]

18. It converts Statistics New Zealand's high-scenario population projection for the Pongakawa SA2 into household growth based on an assumed average household size of 2.8 people. Adding NPSUD competitiveness margins, this yields projected demand for an extra:

    (a) 266 dwellings over the next 10 years, and

    (b) 583 dwellings over the next 30 years

19. Notwithstanding my ongoing concern that this SA2 is huge with growth historically concentrated in/around Paengaroa (i.e. not providing any evidence of demand for the subject site itself), the link between population and dwelling growth posited by Mr Counsell may not apply here. e.g. due to onsite worker accommodation and other types of "atypical" residences seldom found in urban environments.

20. The table of 2023 Census data below provides further details and shows that the number of residents has grown far quicker than the number of occupied dwellings, leading to significant and sustained increases in average household size. This, in turn, offsets the impacts of population growth on dwelling demand.

Table 1: 2023 Census Data for Pongakawa SA2

| **Variables** | **2013** | **2018** | **2023** |
|---|---|---|---|
| Census usually resident population count | 2,673 | 3,081 | 3,261 |
| Census night population count | 2,670 | 3,048 | 3,258 |
| Total households in occupied private dwellings | 990 | 1,080 | 1,026 |
| Average household size | 2.70 | 2.82 | 3.18 |

21. Within the SA1 containing the PC95 site, which is a subset of the Pongakawa SA2, the number of occupied dwellings **fell** from 60 in 2013, to 57 in 2018, and 48 in 2023 (i.e. a 20% reduction over the last 10 years).

22. Building consents tell a similar story with only 7 new dwellings consented annually across the entire Pongakawa SA2 over the last 5 years.

[1] See, for example, para 25 and Table 2 on page 19 to 21.

23. By contrast, Mr Counsell projects demand for 26.6 dwellings per annum over the 10-year medium term, including NPSUD margins, with demand for at least 130 dwellings projected on the subject site over time.

24. I do not consider these projections reliable or fit-for-purpose.

25. I also query Mr Counsell's reliance on supposed growth in local horticulture to justify the proposal. Not only are the homes proposed unlikely to be affordable for most seasonal horticulture workers, but newly released employment data shows that the Pongakawa workforce has shrunk recently, including within the agricultural/horticulture sector.

26. Table 2 elaborates by showing employment in the Pongakawa SA2 for:

    (a) Fruit and tree nut growing, which includes kiwifruit;

    (b) All other agriculture, horticulture, forestry, and fishing; and

    (c) All other industries (i.e. all industries except agriculture etc).

Table 2: Employment Counts for the Pongakawa SA2 (Stats NZ Business Demography)

| Year | Fruit and Tree Nut Growing | All Other Agriculture, Horticulture | All Other Industries | Total for All Industries |
|---|---|---|---|---|
| 2000 | 75 | 265 | 260 | 600 |
| 2001 | 65 | 225 | 260 | 550 |
| 2002 | 60 | 290 | 290 | 640 |
| 2003 | 80 | 310 | 290 | 680 |
| 2004 | 80 | 370 | 230 | 680 |
| 2005 | 80 | 320 | 300 | 700 |
| 2006 | 120 | 300 | 330 | 750 |
| 2007 | 160 | 280 | 330 | 770 |
| 2008 | 240 | 320 | 340 | 900 |
| 2009 | 120 | 440 | 330 | 890 |
| 2010 | 120 | 430 | 350 | 900 |
| 2011 | 120 | 470 | 370 | 960 |
| 2012 | 90 | 350 | 360 | 800 |
| 2013 | 140 | 340 | 370 | 850 |
| 2014 | 130 | 370 | 430 | 930 |
| 2015 | 160 | 490 | 450 | 1,100 |
| 2016 | 140 | 380 | 460 | 980 |
| 2017 | 140 | 400 | 430 | 970 |
| 2018 | 160 | 360 | 440 | 960 |
| 2019 | 240 | 450 | 460 | 1,150 |
| 2020 | 350 | 430 | 470 | 1,250 |
| 2021 | 410 | 340 | 500 | 1,250 |
| 2022 | 450 | 300 | 450 | 1,200 |
| 2023 | 390 | 310 | 500 | 1,200 |
| 2024 | 310 | 390 | 500 | 1,200 |

27. Table 2 shows that the total number of employees in the Pongakawa SA2 remained flat at 1,200 over the last three years, falling from a high of 1,250 in 2020 and 2021.

28. For fruit and tree nut growing, the number of employees has fallen sharply over the last two years from 450 in 2022 to 310 in 2024, a 37% decline.

29. Employment across all other agricultural and horticultural industries in Pongakawa remains 20% below historic highs despite recent growth.

30. In addition, as I set out in my earlier memos (attached to the Section 42A Report), the Rangiuru Business Park is currently vacant and will take decades to fully develop and provide the employment base upon which PPC95 supposedly relies. This raises further questions about the need for the proposal.

31. In my view, the applicant has not provided any compelling economic evidence of a need for PPC95.

**LOCALITY AND MARKET**

32. Mr Counsell disagrees with my most recent memo (Attachment 8 to the Section 42A Report), which concluded that Pongakawa and Te Puke and Pongakawa comprise different "localities and markets" for the purposes of the NPS HPL.

33. Mr Counsell goes to some effort (unsuccessfully, in my view) to show that the subject site forms part of the same locality and market as Te Puke. However, elsewhere, he frequently states that Pongakawa is a "distinct" housing market that will be specifically addressed by the proposal, instead of diverting growth from elsewhere.[2]

34. Both statements cannot be true.

35. Internal inconsistencies aside, I am also surprised by Mr Counsell's statement that house prices across different parts of New Zealand are not influenced by the same macroeconomic factors – like interest rates and

[2] See paras 54, 55, 69, 78, and Table 2 on page 20.

economic cycles – which I showed in my last memo by comparing price trends in two completely disparate housing markets: Auckland and Gore.

36. Mr Counsell considers that the very high correlation revealed between house prices in those two areas was "spurious" because a specific statistical test (for cointegration) was not conducted. In lay terms, Mr Counsell is arguing that that the very high correlation I showed between house prices in Auckland and Gore was just a pure fluke with no meaningful interpretation.

37. That is objectively wrong. House prices in nearly every part of New Zealand follow very similar trajectories, particularly over the longer term, due to the profound impacts of macroeconomic factors like business cycles, interest rates, unemployment, consumer confidence, and so on. Accordingly, it is wrong to argue that two areas serve the same housing just because their prices are correlated (as Mr Counsell claims).

38. To further demonstrate this point, I used house price data published under the NPSUD to test the degree of correlation between house prices across all 66 Territorial Authorities (**TAs**) in NZ over the last 30 years.

39. As expected, they are all very highly correlated with one another, because they are all shaped by the same broad factors.

40. In fact, the average degree of correlation between TA houses prices over the last 30 years was 96.4% (vs a perfect linear correlation of 100%). The median value was even higher at 97.1%.

41. I also strongly disagree with Mr Counsell's claims at para 43 that "price levels do not have to be similar for products to be substitutes" and his related insinuation that people would happily pay a lot more (approx. $250 to $300k more) to live in Pongakawa than in Te Puke.

42. Core Logic data show that it already takes many years just to save the deposit on a modest house for most kiwi families, so this is fanciful in my opinion (particularly given the varying demography and incomes of the two areas). I also doubt the willingness and ability of households to extend borrowing limits to supposedly make this happen in the first place.

43. Finally, I note that Nera's first report also concluded that Pongakawa and Te Puke formed different localities and markets, with para 11 stating:

> *"while there may be some new supply in areas further away (such as the Te Mania development in Te Puke), these areas are unlikely to cover off the demand specific to Pongakawa"*

44. In summary, from my perspective, Mr Counsell's evidence does not prove that Pongakawa and Te Puke form the same locality and market. Accordingly, my views remain unchanged that Pongakawa and Te Puke do not form the same locality and market (in terms of clause 3.6(1)(b) of the NPS-HPL) because of fundamental differences in:

    (a) The nature of the surrounding/receiving environments, with one being highly urbanised and the other rural (as confirmed by Statistics New Zealand's urban rural classifications);

    (b) The demography, occupations, and work locations of residents;

    (c) The types, sizes, and prices of dwellings;

    (d) Access to retail goods & services (without the need to drive);

    (e) Access to schooling, as determined by school zone boundaries;

    (f) Exposure to noise and air pollution from rural production; and

    (g) Proximity to Tauranga City

45. By logical extension, I consider that Pongakawa and Te Puke also do not comprise the same housing and labour market in NPSUD terms.

**OTHER FEASIBLE OPTIONS**

46. Paras 57 to 61 of Mr Counsell's evidence address other feasible and practicable options for providing the same development capacity as the proposal (in terms of clause 3.6(1)(b) of the NPS-HPL).

47. Without any analysis of other obvious options for providing capacity, such as expansion on the edges of Paengaroa and/or Te Puke.

48. In my view, those locations are far superior, particularly in terms of fostering and supporting well -functioning urban environments.

49. I also disagree with Mr Counsell's comments at para 79, where he casts doubts over the potential realization of intensification capacity across the sub region due to an alleged potential lack of demand.

50. In my experience, the recent uptake of intensification opportunities has been strong across most major urban areas of NZ, including Tauranga City, so I do not understand the basis for this comment.

**COSTS & BENEFITS**

51. Paras 62 to 71 of Mr Counsell's evidence seek to quantify the costs and benefits of the proposal compared to future rural production on the subject site, as required by clause 3.6(1)(c) of the NPS HPL.

52. I acknowledge the effort taken here, but consider the figures produced to be unreliable and/or to mask significant distributional impacts.

53. For example, according to my calculations, the $8 million benefit estimated for new housing on the PPC95 site seems to implicitly assume that the proposal will tank local house prices by nearly $200,000.

54. I consider that to be an extremely unlikely outcome.

55. However, if it did happen, it would wipe more than $250 million of value from the existing housing stock in Pongakawa, and therefore impose extraordinarily high costs on the community, which are not acknowledged.

56. In addition, the analysis systematically underestimates the value of rural production by only considering profits instead of GDP (which also captures other forms of value generated, like wages, taxes, and so on). When these are included, the opportunity cost of foregone production will increase.

57. In summary, in my opinion Mr Counsell's evidence does not conclusively demonstrate that the proposal will deliver net economic benefits over and above rural production.

**Fraser James Colegrave**
**13 November 2024**