

**Before the Hearing Panel
Appointed by the Gore District Council**

In the Matter of

The Resource Management Act
1991 (**Act**)

And

In the Matter of

the Proposed Gore District Plan

**Statement of Evidence of
Fraser James Colgrave
for McNab Management Limited**

Dated: 7 October 2024

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lane neave.

INTRODUCTION

Qualifications and Experience

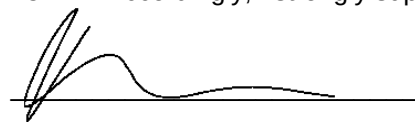
1. My full name is Fraser James Colegrave.
2. I am the managing director of Insight Economics, a boutique economics consultancy based in Auckland. Prior to that, I was the founding director of another economics consultancy, Covec Limited, for 12 years.
3. I hold a Bachelor of Commerce (first-class honours) in economics from the University of Auckland.
4. I have 27 years' commercial experience, the last 24 of which I have worked as an economics consultant. I have successfully completed more than 600 projects across a wide range of sectors and helped gain planning permission for various projects and developments worth more than \$30 billion.
5. My main areas of expertise are property development, land-use, market supply and demand, and local infrastructure funding. I have undertaken extensive work in these areas for dozens of New Zealand's largest public and private sector organisations.
6. Current and recent clients include Argosy Property, Calder Stewart, Fletcher Building, Foodstuffs South Island, Fulton Hogan, Harvey Norman, Infinity Group, Kāinga Ora, Kiwi Property, Mike Greer Homes, Millbrook, Neil Group, Ngai Tahu Property, Sanderson, Skyline, Templeton Group, Tramco, Universal Homes, and Woolworths NZ.
7. More generally, I have presented expert economic evidence at more than 120 hearings before Councils, Boards of Inquiry, Independent Hearing Panels, the Land Valuation Tribunal, the Environmental Protection Agency, the Environment Court, the Family Court and the High Court.

Code of Conduct

8. Whilst this is not an Environment Court hearing I have read and agree to comply with the Code of Conduct for Expert Witnesses in the Environment Court Practice Note 2023. This evidence is within my area of expertise, except where I state that I am relying on material produced by another person. I have not omitted to consider material facts known to me that might alter or detract from the opinions that I express.

EVIDENCE

9. I have been asked by McNab Management Limited (**McNab**) to prepare an economics assessment of the proposed rezoning that it seeks in relation to its land at 10 McKinnon Road. I have prepared an economic assessment assessing the enablement of the rezoning relief sought by McNab at **Annexure A** which forms part of my evidence.
10. My assessment focusses on the likely economic costs and benefits of enabling a small number of targeted non-residential activities to gradually establish over time.
11. The assessment first describes the economic context for the proposal before assessing its likely economic impacts.
12. The key findings of my assessment are that:
 - (a) Agriculture, and the various industries that support it, is vital to the Gore district economy.
 - (b) In the year ended March 2023, it accounted for nearly a quarter of district GDP, compared to only 5% nationally.
 - (c) However, currently, there is a notable lack of district industrial land available, including land needed to accommodate ongoing growth in associated rural industrial activity.
 - (d) In fact, the Matura Milk Valley Plant opposite the subject site consumed the last developable industrial land in the district, with recent work completed for the District Plan review indicating that 100 to 172 hectares of additional land will be needed to meet future growth.
 - (e) The proposal seeks to address this acute shortage by providing a material boost in rural industrial land supply, including the provision of larger lots generally not available elsewhere.
 - (f) This will generate many economic benefits for the district while avoiding any material economic costs.
13. Accordingly, I strongly support the proposal on economic grounds.



Fraser James Colegrave

7 October 2024

ANNEXURE A



7 October 2024

Brief Economic Assessment of Proposed Rezoning in the Gore District

Prepared for: McKinnon Property Limited Partnership

Authorship

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1. Introduction

1.1 Context & Purpose of Report

McKinnon Property Limited Partnership (**McKinnon**) owns land at 10 McKinnon Road, Gore (the **subject site**), which it wishes to rezone for various future uses, including Papakāinga, rural industry, and a small number of light industrial activities. To assist, this report briefly considers the economic costs and benefits of enabling some non-residential activities to gradually establish over time.

1.2 Summary of Key Findings

Our assessment shows that:

- Agriculture, and the various industries that support it, is vital to the Gore district economy.
- In the year ended March 2023, it accounted for nearly a quarter of district GDP, compared to only 5% nationally.
- However, currently, there is a notable lack of district industrial land available, including land needed to accommodate ongoing growth in associated rural industrial activity.
- In fact, the Matura Milk Valley Plant opposite the subject site consumed the last developable industrial land in the district, with recent work completed for the District Plan review indicating that 100 to 172 hectares of additional land will be needed to meet future growth.
- The proposal seeks to address this acute shortage by providing a material boost in rural industrial land supply, including the provision of larger lots generally not available elsewhere.
- This will generate many economic benefits for the district while avoiding any material economic costs. Accordingly, we strongly support the proposal on economic grounds.

1.3 Structure of Report

The remainder of this report is structured as follows:

- **Section 3** describes the subject site and its proposed rezoning, then zooms in to identify the most relevant parts to analyse, which are the various non-residential activities enabled;
- **Section 4** describes the district economic context for the proposal;
- **Section 5** profiles the current uses of industrial land and considers the likely need for more over time to keep pace with projected demand;
- **Section 6** explains the economic rationale for the proposal;
- **Section 7** considers any likely wider economic effects of the proposal; and
- **Section 8** summarises the proposal's overall costs and benefits to reach a conclusion.

2. About the Proposal

2.1 Site Location and Description

The subject site is located at 10 McKinnon Road, in the McNab area of Gore. It spans nearly 100 hectares of land across spread three contiguous parcels. It is situated approximately 2km northeast of the Gore township, as per the green dot in the map below. The site is bound by a mix of rural and rural lifestyle land to the north, east, and west, with Waipahi Highway (State Highway 1) and a meat processing plant to the south.

Figure 1: Subject Site Location



2.2 Operative & Proposed Zoning

The subject site is zoned Rural under the Operative District Plan (ODP), with the Proposed District Plan (PDP) imposing a slit zoning comprising General Rural Zone and Rural Lifestyle Zone. Importantly, the site, and other adjacent land, is identified for future industrial growth in the Gore District Spatial Plan.¹

2.3 Receiving Environment

The surrounding environment mainly comprises rural, rural lifestyle, and industrial activities, including a small assembly hall/Marae near the intersection of SH1 and McKinnon Road. Directly across SH1 is the Mataura Valley Milk Plant and Ravensdown Agricultural Cooperative. Figure 2 provides an aerial photograph of the site and other nearby land uses.

¹ See Figure 6: Outcomes sought for Gore, including the areas defined for future growth of the Gore District Spatial Plan.

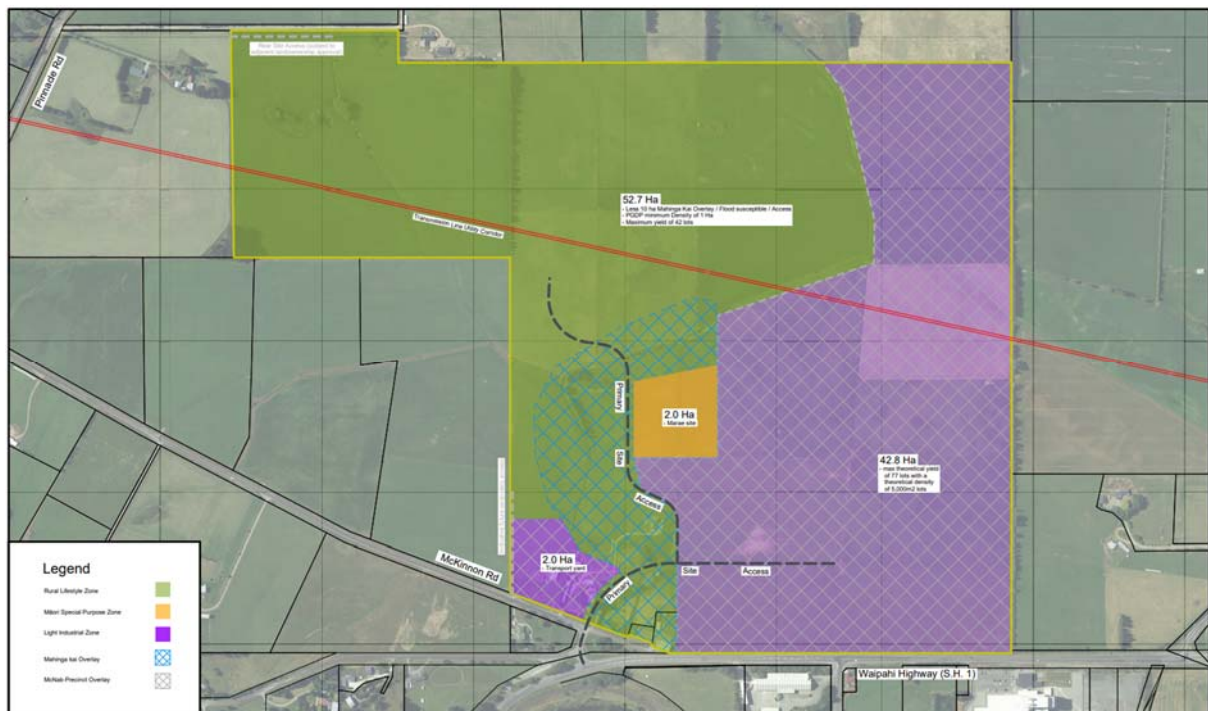
Figure 2: Subject Site Receiving Environment



2.4 Proposed Rezoning

The proposal seeks to rezone the subject site to a mix of Rural Lifestyle Zone, Māori Special Purpose Zone, and Light Industrial Zone, as illustrated in Figure 3 below.

Figure 3: Proposed Zoning Layout of Subject Site



As shown in the figure above, two overlays are also proposed to manage land uses in certain parts of the site. One overlay covers an area named the McNab precinct, which is denoted by the grey hatching in the figure above. It covers the entire area proposed for light industry uses, which spans about 38.5 hectares of developable land and could yield up to 77 lots at an average lot size of 5,000m². However, based on our understanding of the most likely uses of this land, that theoretical yield is considered high as some potential uses are more likely to occupy lots spanning (say) 2-5 hectares.

The following activities are proposed to be permitted in the McNab precinct, which is our focus here:

1. **Rural Industry**
2. **Trade and Industrial Training Facilities**
3. **Light Industry** – restricted to:
 - a. logistics and
 - b. storage and distribution of construction material and supplies
4. **Retail** where it:
 - a. is ancillary to the other activity being undertaken on the same site; or
 - b. involves the hire of goods that require outdoor storage; or
 - c. is for take away food premises; or
 - d. involves the sale of products requiring outdoor storage, or is one of the following:
 - i. cars, boats, tractors or other machinery or vehicles;
 - ii. automotive and marine supplies.
 - iii. building supplies;
 - iv. farming and agricultural supplies;
 - v. garden and landscaping supplies;
 - vi. office furniture
5. **Food and beverage** activity – takeaways only – to a maximum of 50m² GFA.

3. District Economic Context

This section briefly summarises the relevant district economic context for the proposed rezoning.

3.1 Sectors of Interest

As noted above, the McNab precinct would enable a targeted selection of potential rural industry and light industrial activities to gradually occur over time. Given the site's location and other key attributes, we consider its most likely future uses to be rural industry, warehousing, logistics, farm equipment sales/rental, and construction material wholesaling (which mostly occupy sites larger than typically available in the existing Gore urban area). Accordingly, the rest of this section briefly considers district economic trends in the following related sectors, which are defined by the 1-Digit ANZSIC categories used by Statistics New Zealand:

- Agriculture, forestry, and fishing (including supporting rural industrial businesses);
- Construction;
- Wholesale trade; and
- Rental, Hiring, and Real Estate Services.

3.2 Trends in Businesses & Employment

To begin, Figure 4 plots the number of businesses in each sector from 2000 to 2023. It shows that the number of agriculture businesses has shrunk slightly but that this was offset by increases in the number of other businesses, particularly rental, hiring, and real estate services. Figure 5, overleaf, paints a slightly different picture based on the number of employees per sector over time. These have mostly trended up over time, despite a slight plateau recently.

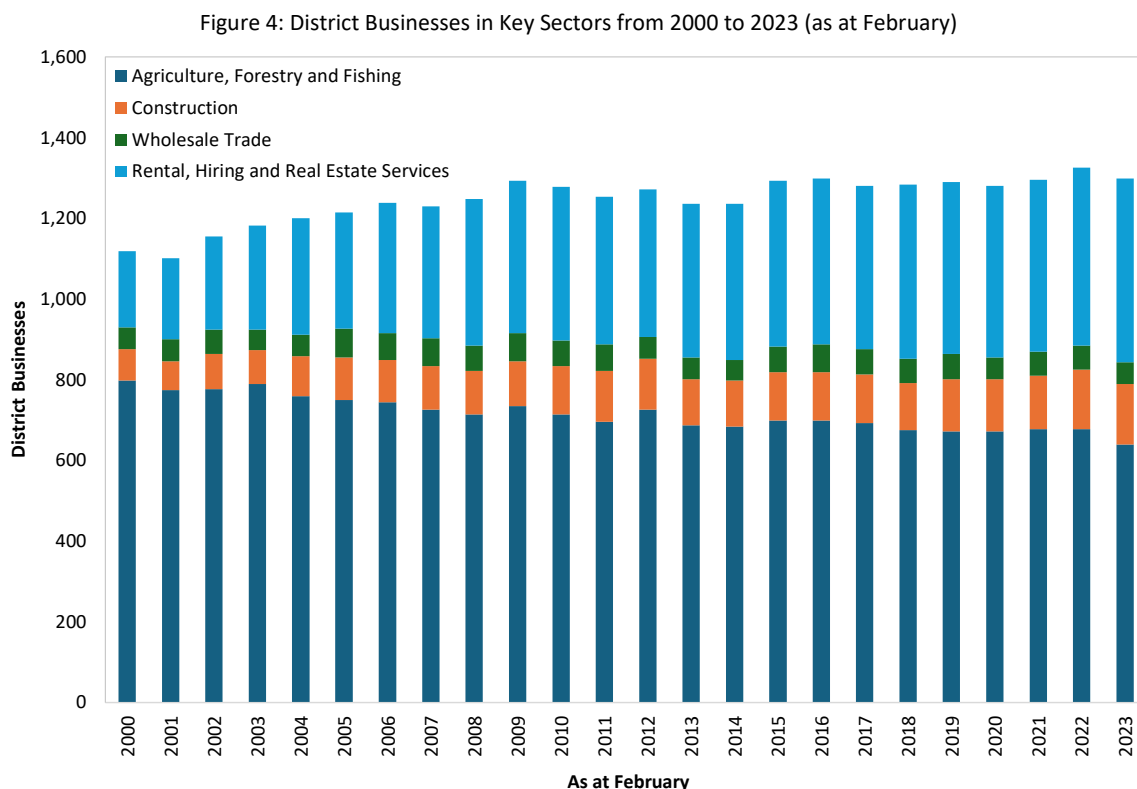


Figure 5: District Employees in Key Sectors from 2000 to 2023 (as at February)

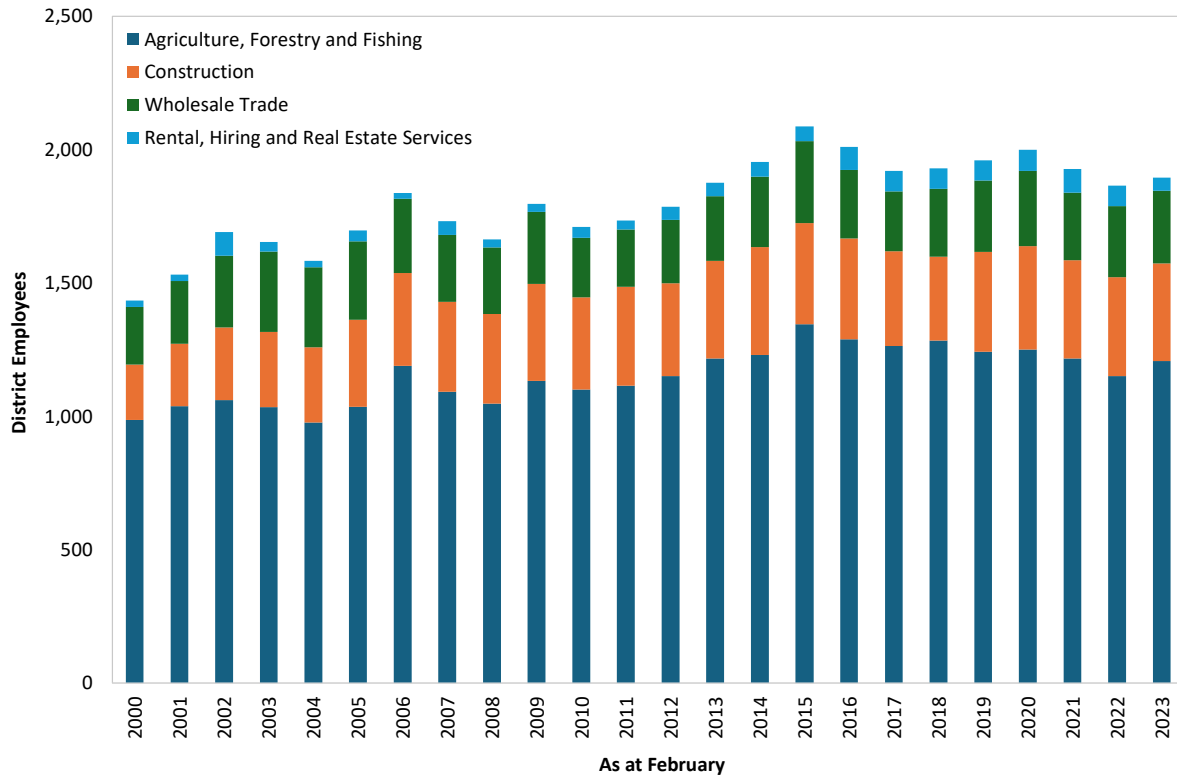


Table 1 provides further details by disaggregating the figures above for 2000 and 2023 by sector. It shows that the number of employees in each sector grew between 2000 and 2023, but that there are fewer agricultural, forestry and fishing businesses now than there were back then. This, in turn, reflects significant increases in the number of agricultural workers per firm, which rose from 1.24 in 2000 to 1.89 in 2023 – an increase of more than 50%.

Table 1: Number of District Businesses & Employees by Sector in 2000 & 2023

Number of Businesses	2000	2023	Change	CAGR
Agriculture, Forestry and Fishing	798	639	-159	-1.0%
Construction	78	150	72	2.9%
Wholesale Trade	54	54	0	0.0%
Rental, Hiring and Real Estate Services	189	456	267	3.9%
Totals	1,119	1,299	180	0.7%
Employees	2000	2023	Change	CAGR
Agriculture, Forestry and Fishing	987	1,208	221	0.9%
Construction	207	366	159	2.5%
Wholesale Trade	217	272	55	1.0%
Rental, Hiring and Real Estate Services	24	49	25	3.2%
Totals	1,435	1,895	460	1.2%
Employees per Business	2000	2023	Change	CAGR
Agriculture, Forestry and Fishing	1.24	1.89	0.65	1.9%
Construction	2.65	2.44	-0.21	-0.4%
Wholesale Trade	4.02	5.04	1.02	1.0%
Rental, Hiring and Real Estate Services	0.13	0.11	-0.02	-0.7%
Totals	1.28	1.46	0.18	0.6%

3.3 Trends in Gross Domestic Product (GDP)

Next, Figure 6 plots district GDP over time for the four sectors. It reveals solid growth, particularly since 2016, where district GDP more than doubled from \$155 million to \$325 million. This was mostly driven by significant and sustained gains in agricultural GDP (including rural industrial activities), which rose 205% between 2016 and 2023.

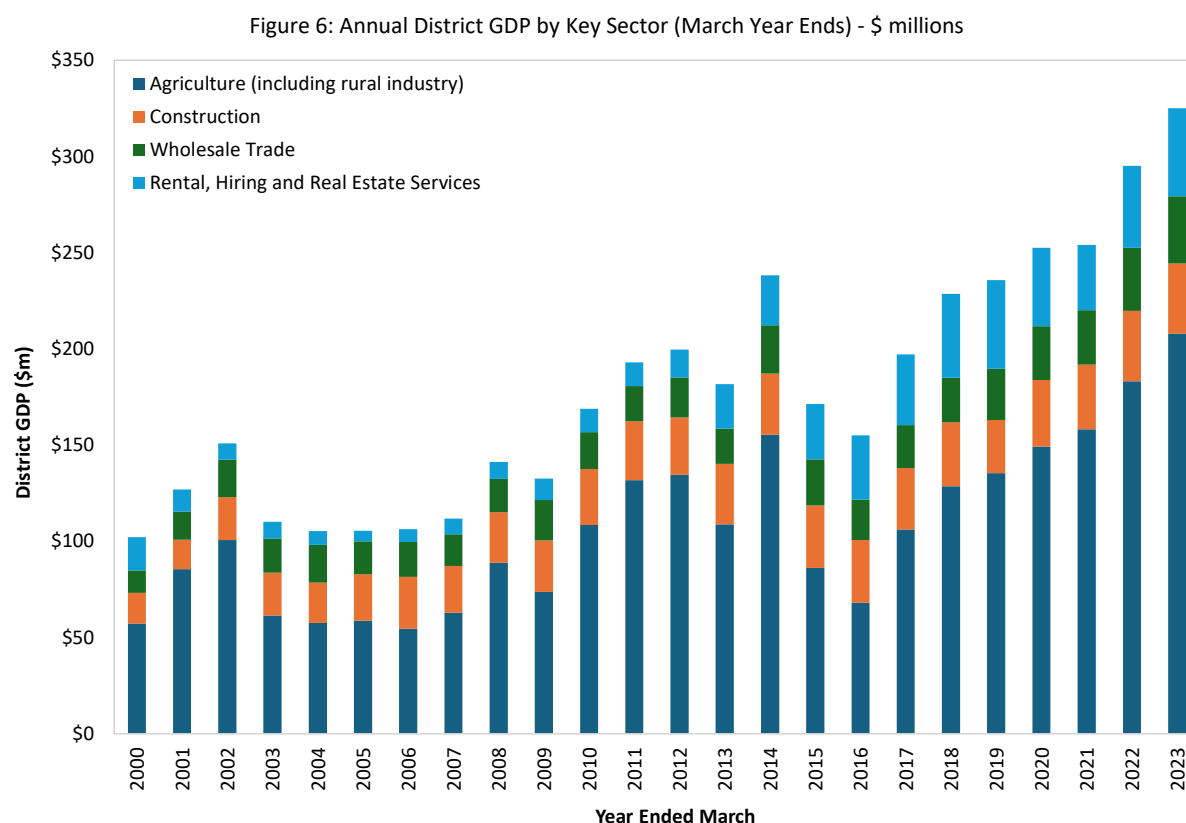


Table 2 provides further details for the years 2000 and 2023, including calculating the corresponding changes between those periods.

Table 2: Summary of GDP by Sector in 2000 & 2023 (\$ millions)

Key Sectors	2000	2023	Change	CAGR
Agriculture (including rural industry)	\$57	\$208	\$151	5.8%
Construction	\$16	\$36	\$20	3.6%
Wholesale Trade	\$12	\$35	\$23	4.9%
Rental, Hiring and Real Estate Services	\$17	\$46	\$29	4.3%
Totals	\$102	\$325	\$223	5.2%

3.4 Relative Importance of District Sectors

Finally, we reanalysed the GDP data above to examine the importance of each sector to the district compared to the national average. Table 3 presents the results, which compares the shares of district GDP and national GDP derived from each sector during the year ended March 2023. It confirms that:

- Agriculture – including the various rural industries directly supporting it – is very important to the Gore district economy, accounting for nearly a quarter of its GDP in 2023, compared to just over 5% nationally;

- Forestry, fishing, and utilities are also important, accounting for 7.1% of district GDP versus only 5% nationally;
- So too is manufacturing, accounting for 14.6% of district GDP versus only 9.1% nationally; and
- Retail trade is also relatively important, accounting for 6.8% of district GDP but only 5.4% nationally.

Table 3: GDP by Sector – Gore District vs National Average - YE March 2023

Sectors	Gore District	New Zealand
Accommodation	0.3%	0.5%
Administrative and Support Services	0.2%	2.1%
Agriculture	23.8%	5.1%
Construction	4.2%	7.2%
Education and Training	3.3%	4.7%
Financial and Insurance Services	2.9%	6.1%
Food and beverage services	1.4%	1.4%
Forestry, Fishing, Mining, Electricity, Gas, Water and Waste Services	7.1%	5.0%
Health Care and Social Assistance	5.2%	7.4%
Information Media, Telecommunications and Other Services	5.1%	5.6%
Manufacturing	14.6%	9.1%
Owner-Occupied Property Operation	6.6%	8.3%
Professional, Scientific and Technical Services	5.7%	9.6%
Public Administration and Safety	1.3%	4.5%
Rental, Hiring and Real Estate Services	5.2%	7.8%
Retail Trade	6.8%	5.4%
Transport, Postal and Warehousing	2.3%	3.9%
Wholesale Trade	4.0%	6.5%
Grand Total	100.0%	100.0%

3.5 Summary and Conclusion

Although the number of businesses and employees in relevant sectors has been slightly static recently, the GDP generated by them has increased strongly over time, particularly since 2016. These sectors – including supporting rural industry businesses – also account for much higher shares of the Gore district's GDP than the national average, which further emphasises their strategic economic importance to the district, both now and in the future.

4. Local Land Market Context

This section considers the likely need for additional land – including land for rural industry – to meet ongoing growth over time.

4.1 Profile of Current Uses

To set the scene, we first used Core Logic data to profile current uses of the district's industrial zoned land.² Table 4 presents the results, which are broken down by Core Logic property types and sub-types. It shows the number of properties by type, shares of total land area, and the average sizes of properties (including the intensity of development, as measured by the Floor Area Ratio or **FAR**).

Table 4: Current Uses of Light Industrial Zoned Land in Gore District

Property Types/Sub-Types	Number of Properties	% of Total Land Area	Average Land Area m ²	Average GFA m ²	Average FAR
Industrial	128	51%	4,870	1,370	0.28
Food processing/storage	4	1%	3,080	1,330	0.43
Heavy manufacturing	8	20%	31,120	12,590	0.40
Light manufacturing	56	18%	3,820	530	0.14
Multiple/other	17	4%	3,020	600	0.20
Service	33	7%	2,720	630	0.23
Warehousing	10	2%	2,630	700	0.27
Commercial	47	19%	4,960	710	0.14
Liquor outlets	4	3%	9,090	1,880	0.21
Motor vehicles	3	1%	5,600	260	0.05
Multiple/unknown	11	12%	13,510	890	0.07
Other	2	0%	1,100	580	0.53
Retail use	23	3%	1,510	510	0.34
Service stations	4	1%	2,780	410	0.15
Other	20	20%	12,450	690	0.06
Assembly halls	6	1%	2,900	610	0.21
Multiple/other	7	15%	26,560	1,430	0.05
Passive reserves	3	1%	3,410	0	0.00
Religious	1	0%	2,220	900	0.41
Sports	3	0%	1,490	520	0.35
Mining	1	5%	66,120	560	0.01
Residential	49	5%	1,200	130	0.11
Total	245	100%	4,980	950	0.19

Table 4 shows that the district's industrial zoned land is put to a wide range of activities. Industrial uses account for just over half of the zoned land area, commercial nearly 20%, with various other uses accounting for the rest. The average sizes of lots and buildings varies significantly, both within and across property types, as does the average intensity of development (as measured by the FAR).

4.2 Stock of Vacant Industrial Land

The Gore District spatial plan, Ready for Tomorrow, was adopted in 2018. It seeks to guide the district's strategic growth and development, including where and how to best manage and accommodate growth. To assess future land needs, the spatial plan first identifies the stock of vacant land across the

² Please note that this excludes vacant land because it focusses only on current active uses of industrial zoned land.

district, then compares it to projected demand growth, to identify any potential shortfalls arising. Finally, it considers where and how to best address any supply gaps identified.

Table 5 reproduces the Spatial Plan's estimates of vacant land by zone, which shows that just over eight hectares of industrial land was vacant in 2018, which was 11% of the total zoned area. However, as the Spatial Plan rightly warns, some land identified as vacant may not actually be available for development due to various factors that naturally limit it, like landowner intentions or geophysical constraints. In fact, the Spatial plan records that "The Mataura Valley Milk Plant at McNab (northeast of Gore) utilised the last available large block of readily developable zoned land in the District." In other words, there was no readily developable industrial zoned land available when the Spatial Plan was published six years ago.

Table 5: Vacant and Total Zoned Land by Zone in Gore District³

Zone	Vacant (ha)	Total (ha)	Vacant %
Commercial	0.39	30.71	1%
Industrial	8.04	72.95	11%
Mixed use	1.32	21.84	6%
Residential A	70.35	582.29	12%
Residential B	0.88	61.69	1%
Total	80.98	769.48	11%

4.3 Need for Additional Land

Work commissioned by the Council in 2021 to inform the Gore District Plan Review contains the latest projections of industrial land demand growth, including sectors that support and rely on agriculture. It found that the following may be needed to support district growth:⁴

- Up to 60 ha for large to medium scale manufacturing (assuming equal shares of heavy vs light).
- 18 ha for heavy/wet industry.
- 30 ha for the dairy and meat processing industry.

In other words, the latest estimates of the district's industrial land demand indicate that more than 100 hectares may be required to meet future needs. In addition, the Industrial Zones section 32 report recommends that 172 hectares (gross) of additional industrial land be provided for.⁵ Clearly, providing enough industrial zoned land in the right places at the right time will be essential to realising the district's economic potential, including enough land for rural industrial purposes. Indeed, we have been advised by McKinnon that they are fielding enquiries from potential tenants who require larger lot sizes (2-5ha) than are available in town, with a focus on rural industry.

³ Gore District Spatial Plan, pg. 10

⁴ Economic and Population Growth Analysis, Gore District Council, October 2021 at page 34.

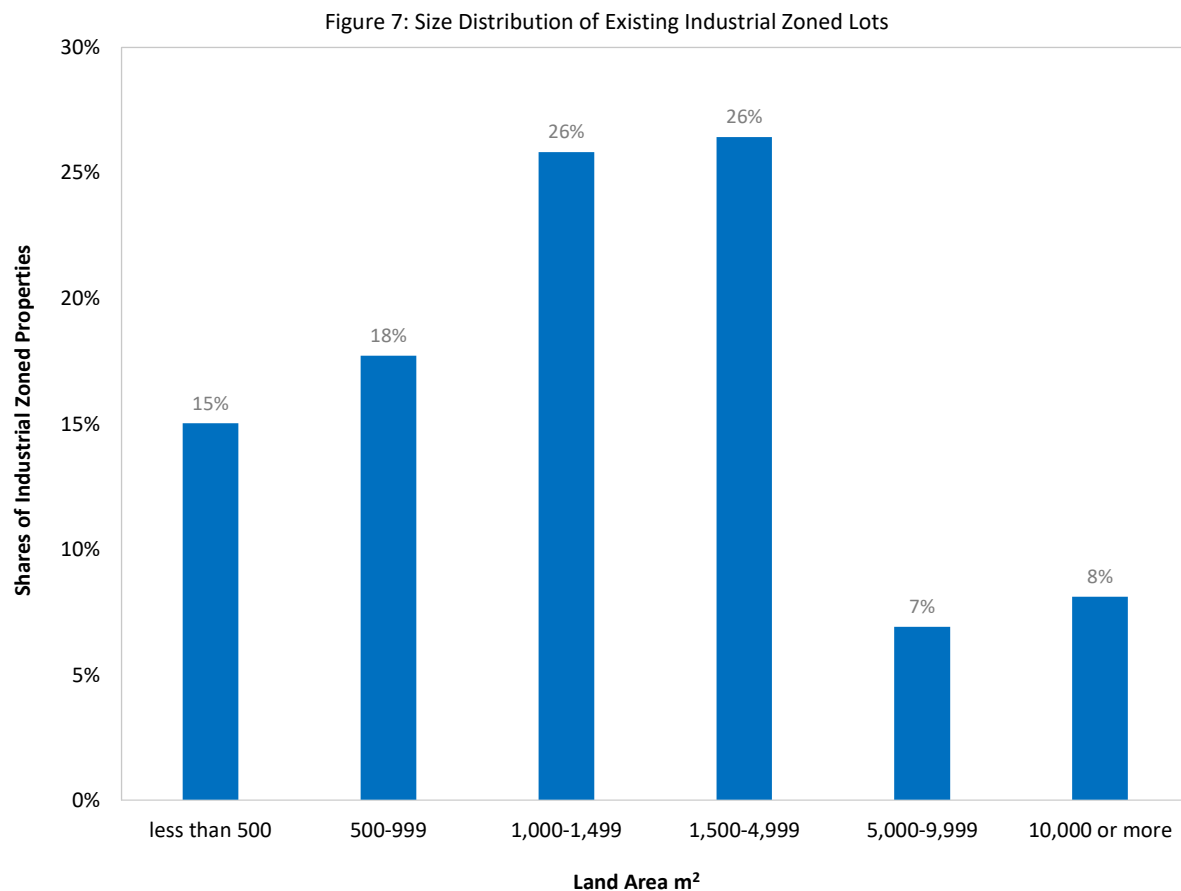
⁵ Page 9 of the section 32 report for industrial zones.

5. Economic Rationale for the Proposal

This section briefly examines the economic rationale for the proposal.

5.1 Boosting Large-Lot Land Supply

With around 38.5 hectares of developable land able to be supplied in a timely and efficient manner, the proposal represents a significant and much-needed boost in the district's industrial land stock. Further, because the proposal is targeting an average lot size of 5,000m², it will significantly boost the availability of larger sections to meet users with large footprint requirements. This is demonstrated in the figure below, which plots the size distribution of existing industrial zoned parcels. It reveals that 85% are smaller than 5,000m², and only 15% are that size or larger.



5.2 Improving Market Choice and Competition

Not only does the proposal boost the supply of larger industrial lots, as just noted, but it will also enhance market choice and increase competition within the local land market. Both aspects help sustain well-functioning urban environments and ensure that land users can find properties that best meet their needs and at reasonable prices, including via the increased supply of larger lots.

This is particularly important for two reasons. First, industrial land uses are typically land hungry, so even a small decrease in land prices (relative to the status quo) can significantly aid affordability. Second, industrial land uses often have strong linkages with the rest of the economy through the provision of various goods and services. Hence, by keeping land prices as affordable as possible, the

proposal – and others like it – can help control the costs (and thus prices) of the various goods and services provided by industrial land users to other parts of the regional economy. This, in turn, helps improve the overall competitiveness of the Gore district and Southland region.

5.3 Supports Growth in Key Sectors

By targeting rural industries, and other industrial sectors that complement it, the proposal will provide much needed support for the district's most important economic sectors. As noted in the Spatial Plan, fostering and enabling the growth of such sectors is integral to maintaining the district's current population, and hopefully growing it, to ensure the current and future prosperity of district ratepayers.

5.4 Locational Advantages & Potential Synergies

The subject site is strategically located near the junction of SH1 and SH90, and therefore offer unparalleled access to key transport networks. In addition, the subject site is directly opposite the Mataura Valley Milk factory, which creates the opportunity to foster an industrial hub that leverages the milk factory's success while avoiding potential reverse sensitivity from residential areas, which are some distance away.

6. Wider Economic Impacts

This section briefly summarises likely wider economic impacts of the proposal.

6.1 One-Off Construction Impacts

The various processes associated with developing the subject site and then constructing new buildings will have significant one-off economic impacts on GDP, jobs, and wages. They include:

- **Direct effects** which arise from onsite development activities directly enabled by the proposal, such as land preparation and building construction; plus
- **Indirect effects** which arise from businesses supplying goods and services to onsite activities, who in turn may need to source good/services from their own suppliers, and so on.

While reliably estimating these one-off effects requires more certainty about the precise mix of activities likely to occur on the subject site over time, 38.5 hectares of developable land would have significant impacts. For example, we recently estimated the following one-off impacts per hectare of industrial land rezoned elsewhere:

- 44 full-time equivalent jobs;
- \$3.2m in wages/salaries; and
- \$5.7m in regional GDP.

Although the corresponding figures may be slightly lower for the subject site if lower intensity uses establish there, the overall effects would still be highly significant in the district context.

6.2 Future Onsite Activity

In addition to the significant one-off economic impacts of future construction just mentioned, the proposal will also enable various businesses to establish onsite, thereby sustaining jobs and wages for many workers there permanently.

6.3 Higher & Better Site Uses

The subject site is currently used for relatively low-value rural purposes. The proposal addresses this and enables the land to be put to higher and better uses. As a result, it maximises economic efficiency in the underlying land market while also supporting the overarching purpose of the Resource Management Act 1991 (to enable the sustainable use and development of resources).

6.4 Foregone Rural Production

On the other hand, the proposal will reduce the extent of future rural production that is currently occurring – or might otherwise occur in future – on the subject site. While this is a valid economic cost, such effects are typically trivial compared to the ongoing economic activity that could be sustained onsite if the proposal was successful. Accordingly, the proposal will have positive net effects on the value of economic activity enabled and sustained onsite.

6.5 Potential Costs to the Council

Finally, we considered whether the proposal might impose unwarranted costs on wider community via the infrastructure required to service it. However, we consider that prospect unlikely. This is because Councils have a range of funding tools that can be used to help fund such costs. They include:

- Requiring developer funded and/or provided infrastructure;
- Financial Contributions under the Resource Management Act 1991;
- Development Contributions under the Local Government Act 2002; and
- General or targeted rates under the Local Government (Rating) Act 2002.

Similarly, any annual costs associated with the maintenance and renewal of such infrastructure can also be recovered directly from those that cause the need for, or benefit from, it via targeted rates or other, similar funding tools. Accordingly, the proposal will not adversely affect Council finances either.

7. Overall Costs and Benefits

This section summarises the overall costs and benefits of the proposal.

7.1 Costs

The main economic costs of the proposal relative to the status quo are:

- Foregone rural production
- Infrastructure servicing cost

However, the likely economic costs of foregoing the site for rural productive use is minor, while any infrastructure costs or risks to the Council will be negligible.

7.2 Benefits

The key economic benefits of the proposal relative the status quo are:

- Boost in future industrial land supply, particularly larger lots suited to rural industrial uses
- Supporting the ongoing growth of agriculture and other key economic sectors
- Leveraging the site's locational advantages, including potential synergies with other land uses
- One-off economic impacts of construction
- Ongoing economic impacts of new industrial activity sustained onsite
- Enabling the land to be put to higher and better uses

Overall, we consider these economic benefits to be significant.

7.3 Overall Net Impact

For the reasons set out above and assessed herein, we consider the proposal to generate significant and enduring economic benefits over the most likely alternative uses of the site absent it. Accordingly, we support the proposal on economic grounds.