

**Before a Hearings Commissioner appointed by
the Kāpiti Coast District Council**

Under the Resource Management Act
1991

And

In the Matter of an application under section 88 of
the Act by Kapiti Retail Holdings
Limited for the construction and
operation of a Countdown
supermarket at 160 Kapiti Road,
Paraparaumu (RM210151)

**Statement of Evidence of
Fraser James Colegrave
for Kapiti Retail Holdings Limited**

Dated: 8 March 2022

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INTRODUCTION

Qualifications and Experience

1. My name is Fraser James Colegrave.
2. I hold a first-class honours degree in economics from the University of Auckland (1996). I have 25 years' commercial experience, the last 22 of which I have worked as an economics consultant.
3. I am the Managing Director of Insight Economics Limited (**Insight Economics**) – an economics consultancy based in Auckland. Prior to that, I was a founding director of another consultancy – Covec Limited – for 12 years.
4. I have led over 550 consulting projects, mostly related to resource management. I have worked on numerous major projects across New Zealand, and regularly present evidence at hearings before Councils, Independent Hearing Panels, the Environment Court, Boards of Inquiry, Arbitral Tribunals, the Family Court, and the High Court.

Background and Involvement

5. Insight Economics prepared the Economic Assessment for a Proposed New Countdown Supermarket in Paraparaumu (**Proposal**), dated 8 July 2021 (**Retail Impact Assessment**), which was submitted as part of the application for resource consent.

Code of Conduct

6. While 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 2014. 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 expressed in my evidence.

SCOPE OF EVIDENCE

7. My evidence will cover the following topics:

- (a) Assessment methodology;
- (b) Current environment;
- (c) Proposal;
- (d) Impact assessment;
- (e) Economic and other benefits; and
- (f) Response to submissions and Council's Section 42A Report.

EXECUTIVE SUMMARY

8. This evidence assesses the likely economic effects of the proposed supermarket development on 160 Kāpiti Road (**Site**). Having summarised the methodology used to assess economic effects, it then briefly summarises the current environment.
9. Based on relatively conservative assumptions about population and spending growth, I estimate that the Kāpiti Coast District (**District**) will need to accommodate roughly three additional full-service supermarkets over the next 25 years.
10. Next, I describe the Proposal and its rationale for locating on the Site. This location decision reflects the unique and exacting site/location criteria of supermarkets which, in turn, are shaped by high transaction frequencies and relatively expansive site requirements. In addition, supermarkets need to be located close to customers to maximise convenience, particularly with the ongoing shift to more regular "top up" shops.
11. With the scene set, I then assess the Proposal's impacts on the role, function, health, and vitality of other centres, particularly the Paraparaumu Town Centre (**PPTC**). I estimate the trade impacts on nearby supermarkets and grocery stores before assessing the likelihood of retail distribution effects arising. Overall, I consider the Proposal to cause no material risk of such effects occurring.
12. The loss of industrial land associated with the Proposal also will not have any material adverse effects, mainly because the District already has a relative abundance of industrial land to meet any possible future needs. In

addition, I do not consider the Proposal to be contrary to objectives and policies for the underlying zone.

13. Finally, I briefly explain the likely economic benefits of the Proposal, which include increased competition in the supermarket sector, and general economic stimulus associated with store construction and operation.
14. Overall, I support the Proposal on economic grounds.

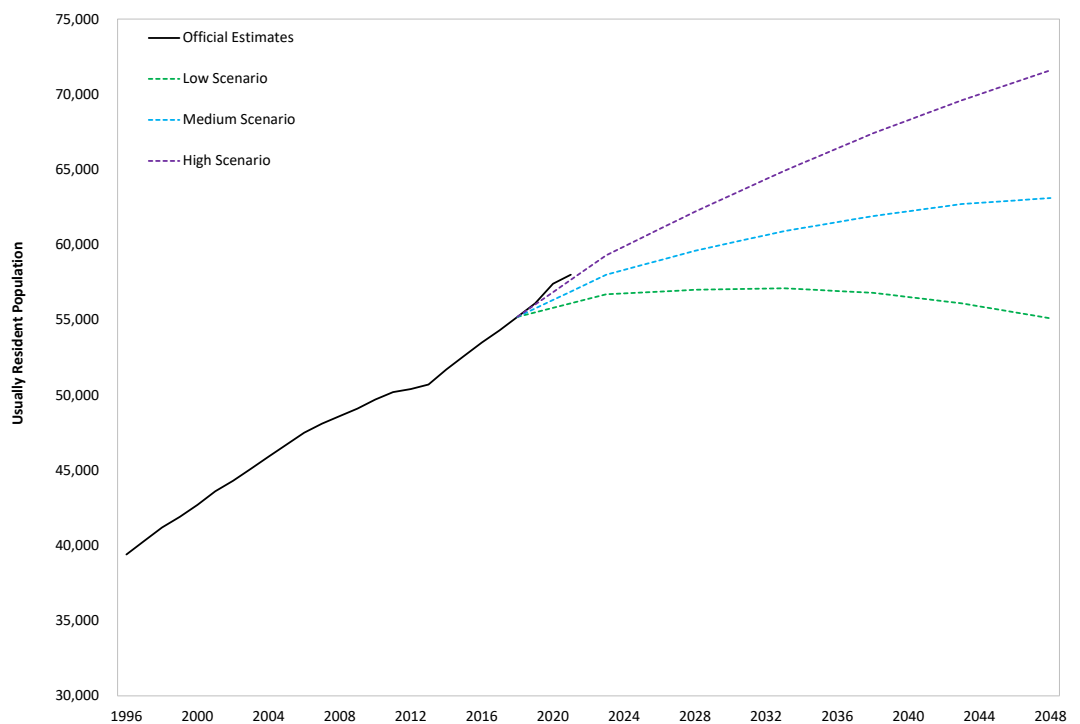
ASSESSMENT METHODOLOGY

15. My assessment started by identifying the Site's location, zoning, and receiving environment. Then, it acknowledges and briefly summarises the broader planning context, including the recently-minted district centres hierarchy and supporting objectives and policies.
16. Next, I provided a brief description of the Proposal and identified its likely activity status under the Operative District Plan 2021 (**ODP**).
17. To profile the competitive environment within which the Proposal would operate, if granted consent, I:
 - (a) identified existing supermarkets and grocery stores within about seven to eight kilometres of the subject site;
 - (b) described their respective roles and functions; and
 - (c) estimated their gross floor areas (**GFAs**).
18. Next, I plotted Statistics New Zealand's population projections for the district against their latest official population estimates to assess the current situation. Then, I estimated current and future retail demand using my *Integrated Retail Model*.
19. Having set the scene, I then explained the economic rationale for the Proposal before estimating the likely trade impacts and considering the possibility of any adverse retail distribution effects arising.
20. Finally, I considered possible impacts on the district's future supply of industrial land before briefly summarising its key economic benefits.

CURRENT ENVIRONMENT

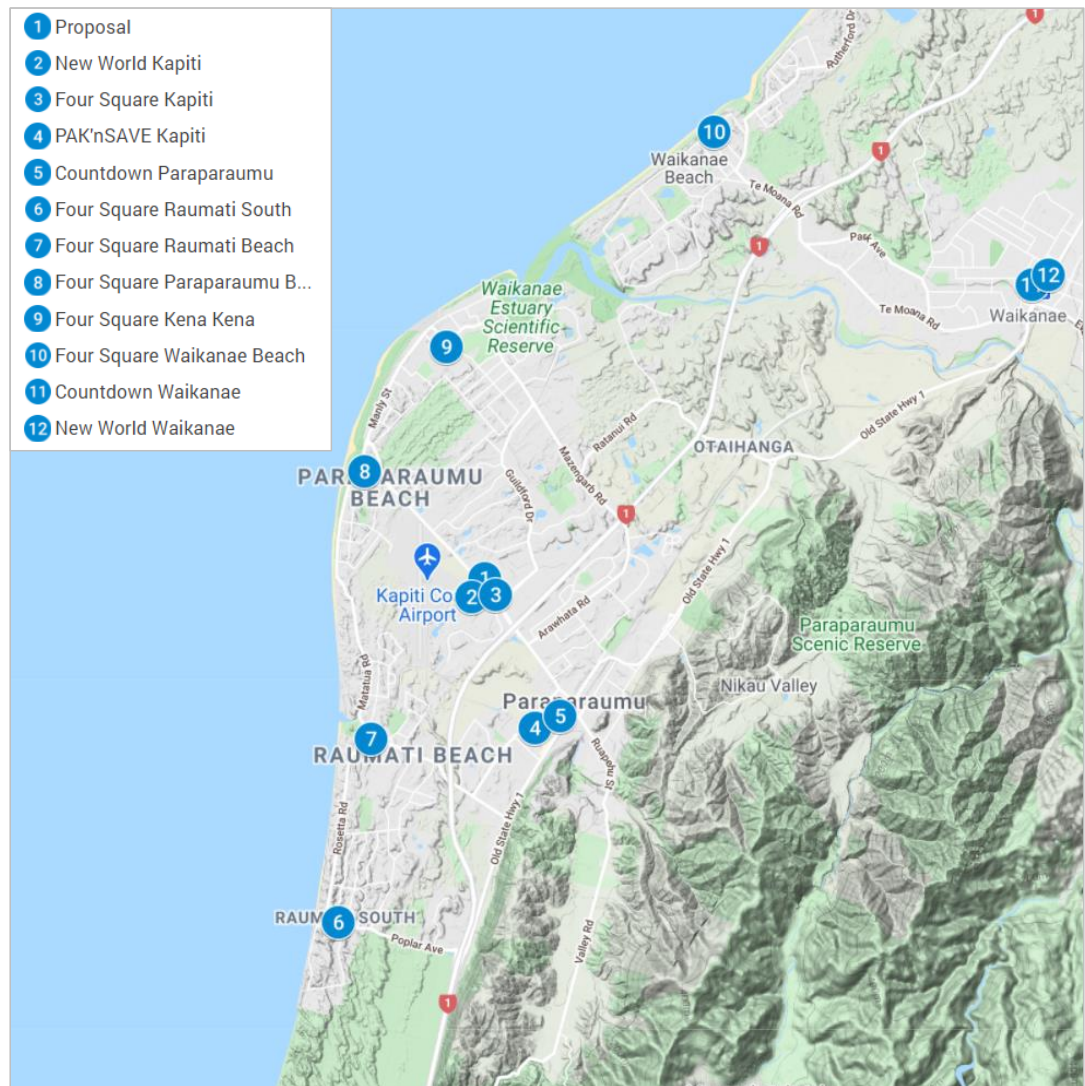
21. The District is one of New Zealand’s faster-growing areas, with its population growing by nearly 50% between 1996 and 2021 (compared to a national average of 37%).
22. While the District’s population growth rate slowed slightly in recent times, likely due to the pandemic’s effect on migration, Statistics New Zealand’s latest official population estimates as at 30 June 2021 show that the district’s population remains above the high growth scenario. This is illustrated in the figure below.

Figure 1: Kāpiti Coast District Official Population Estimates vs Projections



23. The District’s recent – and projected future – high rates of population growth naturally translate into strong ongoing demand for retail goods and services.
24. For example, my retail impact assessment (which used a medium growth scenario) showed that District food retailing demand – including supermarkets – could increase by nearly \$110 million over the next 25 years. This translates to the need for roughly three additional full-service supermarkets in the district over the next 25 years.

25. However, as noted above, the District's latest population estimates to 30 June 2021 remain above the official high growth scenario despite the pandemic's dampening effect on migration (and hence population growth).
26. If the high growth scenario is adopted instead, district food retailing demand could increase by almost \$140 million over the next 25 years, which translates to the need for about four extra supermarkets.
27. In short, whether the medium or high growth scenario is modelled, there is a clear need to accommodate additional supermarkets in the District over time.
28. Current supermarket and grocery store demand – in about an eight-kilometre radius of the Site– is currently met by a network of 11 stores, which have an estimated total GFA of just over 17,000m². The locations of these stores are illustrated in the map below, with the Site denoted by the number 1.
29. Six of the 11 existing stores are Four Squares, five of which are dotted along the coastline. These stores are typically sized between 150m² and 400m² GFA and mostly cater for small or medium-sized top-up shops. Accordingly, they compete not only with full-service supermarkets (like the Proposal) but also dairies and superettes.
30. In addition to the six Four Square stores, the local area also has five full-service supermarkets, namely:
 - (a) Countdown Paraparaumu and PAK'nSAVE Kāpiti, which are both located in the PPTC;
 - (b) New World Kāpiti, which is across the road from the proposed new store at Kapiti Landing; and
 - (c) New World Waikanae and Countdown Waikanae, which are in the Waikanae Town Centre.

Figure 2: Existing Network of Supermarkets and Grocery Stores

THE PROPOSAL

31. The Proposal comprises a new 3,600m² Countdown supermarket with an associated 200m² online fulfilment facility. In addition, it features two trade retail tenancies of 400m² each.
32. I understand that the two trade retail tenancies will accommodate permitted activities, where no resource consent is required, so I focussed only on the likely economic effects of the supermarket component of the Proposal.
33. It is important to consider the economic rationale for seeking to establish a new supermarket in the General Industrial Zone away from centres, particularly given the “centres-first” approach adopted in the ODP.

34. The first reason for selecting the Site is that it is a close fit with supermarket operational requirements, which are unique and exacting for several reasons. First, supermarkets and grocery stores generate much higher sales volumes/values than any other retail store type. In fact, Market view data show that more than 550 million visits were made to New Zealand supermarkets and grocery stores in 2019, which is more than 110 visits per household per annum.
35. Second, supermarkets are the only type of large format retail 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. Consequently, supermarkets need significant at-grade parking to facilitate safe and efficient customer movements. In addition, they need enough circulation space in and around the store to enable regular deliveries from suppliers too.
36. In addition to meeting demanding parking and circulation criteria, the Site also meets all the applicant’s other site and location criteria. These include (but are not limited to):
- (a) Location characteristics:
 - (i) Visibility from the street.
 - (ii) Proximity to competing/complementary stores.
 - (iii) Proximity to customers.
 - (b) Site characteristics:
 - (i) Shape, size, and topography.
 - (ii) Freedom from contamination.
 - (iii) Development feasibility.
37. Traffic flow and accessibility:
- (i) Ease of access.

- (ii) Proximity to main roads/highways (often referred to as corridors).
 - (iii) Lack of congestion.
 - (iv) Degree of vehicular traffic.
38. Customer proximity, as listed above, is one of the most critical criteria for fast-moving consumer goods businesses like supermarkets, 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. Supermarkets largely serve the catchments they sit in, with only relatively modest levels of trade leaking in from further afield.
39. While there has always been an imperative for supermarkets to locate near to 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, most 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.
40. Finally, I note that while it may be theoretically possible to open another Countdown store in the PPTC, any new store located there would be too close to the existing Countdown store and thus cause excessive intra-brand competition (i.e. cannibalisation). Accordingly, that option is “off the table.” Moreover, putting aside the PPTC, there are no other in-centre locations currently available that meet all the applicant’s exacting operational requirements. The subject site, conversely, does.

IMPACT ASSESSMENT

Retail distribution effects

41. To assess the Proposal’s potential effects on other centres, particularly the PPTC, I ran the spatial interaction module of my *Integrated Retail Model (IRM)* to estimate trade impacts on nearby supermarkets and grocery stores.

42. 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 all major urban areas of New Zealand.
43. Its high predictive power is achieved by emulating the predictable nature of shopping behaviour, where shoppers are naturally 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.
44. To formally estimate trade impacts for a given scenario, the model is run twice. First, the Proposal is excluded to estimate the baseline turnovers of existing stores absent it. Then, the model is run again including the Proposal. 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.
45. Table 1 below shows the model's estimated trade impacts for the proposed new store (assuming a notional opening date some time in 2023).

Table1: Estimated Trade Impacts by ODP 2021 Centre Areas

Retail Store Types	Otaki Main St	Otaki Rail	PP Beach	PPTC	Raumati Beach	Waikanae	Rest of District	Grand Total
Clothing/footwear/accessories	-	-	-	-	-	-	-	-
Department stores	-	-	-	-	-	-	-	-
Electrical & electronic goods	-	-	-	-	-	-	-	-
Food & beverage services	-	-	-	-	-	-	-	-
Food retailing	-1%	-2%	-16%	-14%	-9%	-4%	58%	4%
Furniture floor coverings etc	-	-	-	-	-	-	-	-
Hardware/building/garden	-	-	-	-	-	-	-	-
Pharmaceutical & other	-	-	-	-	-	-	-	-
Recreational goods retailing	-	-	-	-	-	-	-	-
Grand Total	-1%	-1%	-2%	-6%	-2%	-3%	14%	2%

46. Table 1 shows that the Proposal will affect the turnover of food retailers in each location to varying degrees. This variation reflects the differing proximity of existing stores to the Proposal, and hence differences in the degree of spatial market overlap between them.

47. For example, within the ODP 2021's centres network, the greatest trade impacts will be felt by the handful of small food retailers at the Paraparaumu Beach town centre, as it is only four minutes' drive from the Site, while the next greatest effects will be felt at the PPTC, which is about five minutes away.
48. Further, while not clear from the table above, our analysis confirms that the existing Four Square store on Kāpiti Road and the New World store at Kāpiti Landing will experience the greatest trade impacts because of their proximity. As a result, a significant share of the new store's trade impacts will be absorbed by businesses located outside the ODP 2021's centres hierarchy. This, in turn, will help to avoid any relevant adverse economic effects arising from the Proposal.
49. Having estimated likely trade impacts, I then considered the possibility of adverse (retail distribution) effects arising on the PPTC. First, however, I distinguished trade impacts on competing stores from retail distribution effects on the centres in which those stores sit. This distinction is important, because trade impacts are a natural consequence of market competition, which is universally accepted as a positive outcome, while retail distribution effects refer to potential negative externalities on the community arising from excessive levels of competition.
50. Next, I profiled the PPTC's role and function and found that retail activities account for only 1/3 of total employment. Accordingly, the centre fulfils a much wider range of roles and functions than just a shopping destination which strengthens its role as a centre and further isolates it from the impacts of trade competition. Further, with several town centre improvement initiatives either recently completed, underway, or slated to commence soon, the PPTCs health and vitality are likely to strengthen over time.
51. I also noted that the Proposal does not include any other centre-type activities that will challenge the role and function of the PPTC. Instead, the Proposal will operate as a stand-alone supermarket designed to meet the day-to-day convenience needs of locals and visitors (plus trade retail, which is a permitted activity in the General Industrial Zone (**GIZ**)). Beyond that, it will neither look nor act like a commercial area that will compete more broadly with the PPTC.

52. In other words, while the Proposal will have some spatial overlap with the PPTC, there will be minimal functional overlap. Accordingly, the degree of competition between the Proposal and the PPTC will be much less than proximity alone might suggest.
53. Overall, I concluded that the Proposal will not have any material adverse distributional effects on the PPTC (or any other district centre) because:
- (a) Trade impacts will be spread across a strong and diverse network of existing food retailers, not just shouldered by the two supermarkets at the PPTC.
 - (b) In fact, the worst impacts will be felt by two existing stores that are located outside the ODP 2021 centres hierarchy (Kāpiti Four Square and New World Kāpiti), which will help insulate other supermarkets (and their centres) from adverse effects.
 - (c) As a result, I considered that no stores will close because of the Proposal, which dramatically reduces the scope for any adverse retail distribution effects to occur.
 - (d) This conclusion is further reinforced by projected growth in district retail demand, which will ensure that trade impacts are not only diffuse and hence minor, but also short-lived.
 - (e) It is also strengthened by the fact that Woolworths NZ is committed to maintaining and improving its presence in the PPTC via its existing Countdown store there. This would not be the case if they foresaw significant detriment from the proposed new Countdown.
 - (f) Trade impacts are limited only to one PPTC store type (supermarkets), with no impacts occurring on its other retail store types, nor its various other non-retail tenants. And, as shown earlier, retail accounts for only one-third of PPTC employment anyway.
 - (g) Indeed, as the district's pre-eminent commercial area, the PPTC performs several roles and functions and is home to a wide range of civic, commercial, and educational activities, not just supermarkets.

- (h) The draft master plan for the PPTC includes several initiatives that will improve its attractiveness to a wide range of customers, and hence ensure its future health and vitality.
- (i) People who previously shopped at specialty stores in Coastlands before or after a supermarket visit will still return to those stores even if they no longer frequent its supermarkets, because they remain the best way to meet those specialty retail needs.
- (j) Accordingly, I do not believe that the Proposal will have any significant adverse effects on the PPTC and no retail distribution effects undermining the function or vitality of the PPTC as whole, and instead will help make the district's retail network stronger and more diverse.

Loss of industrial land

- 54. Because the Site is zoned General Industrial, it is also important to assess potential effects on the district's supply of industrial zoned land.
- 55. To that end, I used Core Logic's Property Guru tool to identify the amount of vacant land available across the District's various industrial areas, and their average values. When I first performed this audit in September 2020, there were 45.9 hectares of vacant industrial land, and the average value of all district industrial land (both vacant and occupied) was \$143/m²
- 56. While I did not expect much industrial land to have been taken up since then (i.e. over the last 18 months or so), I instructed one of my colleagues to repeat the exercise as at 2 March 2022.
- 57. My hunch proved correct, with the updated audit showing that there is still about 46 hectares of vacant industrial land available. However, the average value of all industrial land has increased significantly (by 32% to reach \$189/m²).
- 58. To convert this vacant industrial land to a corresponding measure of floorspace capacity, I applied a typical floor area ratio (**FAR**) of 0.3. This exercise suggested that, if all vacant land was developed as this average FAR, there would be capacity for an additional 138,000m² of industrial floorspace.

59. On the other side of the ledger, I estimated that there could be demand for only an additional 17,000m² of industrial floorspace over the next 25 years (based on projected population growth and the corresponding estimated increase in industrial employment).
60. To verify the reliability of my future industrial floorspace demand estimates, I compared them to the latest data published by the Wellington Regional Council under the National Policy Statement on Urban Development Capacity (NPSUDC).
61. According to its November 2019 business capacity assessment, and using its “inflated” estimates, there is predicted to be a *drop* of 19,376 m² of demand for industrial floorspace from 2017-2047. Accordingly, the existing capacity of about 138,000m² of floorspace is more than enough to meet any plausible future needs.
62. Further, with a current land value of more than \$200 per square metre, the Site is unlikely to be economically viable for many prospective industrial uses. Accordingly, I consider the Proposal to have no material impacts on the supply of industrial land.
63. I also note that policy GIZ-P2 of the ODP seeks to avoid the establishment of non-industrial activities in the GIZ if they represent an inefficient use of the land, and/or may affect the vitality, role, and function of centres.
64. In my view, the Proposal does not represent an inefficient use of the GIZ land, nor will it adversely affect commercial areas in the centres hierarchy.
65. To the contrary, with a relative abundance of GIZ land available to meet any possible future needs, the Proposal represents an efficient use of a Site that has otherwise remained underutilised for a prolonged period. Plus, it is well positioned to meet the needs of current and future catchment households, while also generating significant employment for locals, during both construction and ongoing operations.
66. Similarly, and as summarised above, the Proposal will not adversely affect the health and vitality of centres, particularly the PPTC. Instead, it will help meet the ongoing need for additional supermarket supply and does so in an accessible and convenient location.

67. Accordingly, I do not consider the Proposal to be contrary to the ODP's objectives and policies for the GIZ, nor the centres-first focus of the ODP.

ECONOMIC AND OTHER BENEFITS

68. Finally, my assessment considered the likely economic benefits of the Proposal. They included:

- (a) *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. These benefits may encompass a range of factors, but the most significant are likely to be:
 - (i) Reduced travel time and cost because the new store is closer,
 - (ii) The ability to visit a new store that incorporates the latest design, and:
 - (iii) Access to a wider range of fresh produce, meat, beer and wine
- (b) *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. This increased competition helps contain prices and make groceries more affordable (relative to the status quo. 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.
- (c) *General Economic Stimulus* - construction and operation of the new store will stimulate the local economy both in the short run and the long run. This increased economic activity will manifest in the short-run as a one-off boost in local employment, household incomes and district GDP. Over the longer run, operation of the supermarket will provide greater local employment, and hence better enable the

community to cater for its own social and economic needs. In addition, by providing more local employment, it may reduce the need for work-related commuting and therefore generate both economic and environmental benefits.

SUBMISSIONS AND COUNCIL REPORT

69. I have not identified any submissions raising concern relating to economic matters.
70. With respect to the Section 42A Report, I understand the Council's planning officer has not sought additional feedback or evidence from the Council's economic advisor, Mr Tim Heath of Property Economics.
71. Instead, the Council relies on Mr Heath's earlier pre-notification advice, which is summarised at paragraph 70 of the Section 42A Report as being in agreement with the findings of my Retail Impact Assessment. There is therefore no further comment to make with respect to the Section 42A Report.



Fraser James Colegrave

8 March 2022