Economic impact analysis of the proposed resource management reforms

07 FEBRUARY 2025

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Definitions

EAG	Expert Advisory Group
EDS	Environmental Defence Society
GDP	Gross Domestic Product
KC	King's Counsel
NPS	National Policy Statement
NZIER	New Zealand Institute of Economic Research
OECD	Organization for Economic Co-operation and Development
RMA	Resource Management Act
SGS	SGS Economics and Planning
TEV	Total Economic Value
NPS-UD	National Policy Statement on Urban Development
NPS-UDC	National Policy Statement on Urban Development Capacity

Executive summary

The New Zealand Government is proposing to replace the Resource Management Act 1991 (RMA). The RMA, and the institutions that sit within its framework, have performed poorly. It is widely regarded as imposing high administrative and compliance costs and has produced sub-optimal outcomes across a range of dimensions.

The Government appointed an Expert Advisory Group (EAG) in September 2024 to advise on recommended reforms. In late 2024, the EAG prepared a draft Blueprint Report, which sets out recommendations for reforming the primary legislation (into two Acts): a Planning Act focused on land use and a Natural Environment Act focused on resource use, protection, and enhancement.

Key reforms include narrowing the regulatory scope to externalities, emphasizing property rights, using national standards and standardised zones, requiring regional spatial plans that have strong weight on regulatory plans, simplifying consenting processes, and creating a national compliance agency and a new Planning Tribunal for dispute resolution. By shifting from ex-ante consenting to ex-post compliance, the reforms aim to streamline the system, enable development, and improve environmental outcomes. The reforms are intended to reshape how central and local government identify and prioritise investment, with central government being more specific and using standardisation.

MfE has hired Castalia to support analysing the costs and benefits of the proposed Blueprint Reforms

The Ministry for the Environment (MfE) is preparing a Supplementary Analysis Report to accompany Cabinet papers for Cabinet decisions regarding the proposed Blueprint Reforms. MfE appointed Castalia to support it in analysing the costs and benefits of the Blueprint Reforms.

There are significant uncertainties on the impacts of the EAG's Blueprint Reforms

The Blueprint Reforms are high-level and directional. The EAG had limited time to prepare the recommendations and did not elaborate on all the details of its recommended reform package. Therefore, we had to make significant assumptions about the flow-on outcomes from the Blueprint Reforms. The estimates in this report are highly sensitive to those assumptions. The EAG's proposed institutional and legal reforms will also take some time to implement, and the implementation may diverge from the original intent. Therefore, Castalia's analysis in this report should be interpreted as directional, and not a precise prediction of future costs.

While we model the administrative and compliance costs of both the current RM system and the Blueprint Reforms, we do not aggregate the indirect costs of either. We assess indirect costs using existing literature to evaluate the direction of the impact of Blueprint Reforms. This means we assess whether the reforms are likely to improve or worsen outcomes, or if the impact remains highly uncertain.

We analysed the available quantitative evidence on problems with the RM System, and incorporated qualitative sources. The quantitative evidence is only used to inform the direction of expected change and does not quantify the impact. This approach avoids double counting by ensuring that we do not aggregate, or sum estimates across different sources but instead use them to reinforce directional trends. Where quantitative evidence can indicate directionality across multiple domains, we highlight these connections. Since the quantitative evidence is not intended as a proxy for modelling magnitude, it does not provide specific

figures for indirect costs. Its relevance varies based on factors such as the year of publication and its primary focus. These nuances are clarified throughout the analysis.

Regulatory changes with downstream effects are challenging to estimate precisely

Any reform of a regulatory system (which the RM System is) will change the balance of administrative and compliance costs. The EAG's recommendations aim to avoid the sub-optimal outcomes imposed by the regulatory system. The proposed Blueprint Reforms are intended to enable the Government to achieve its objects for resource management reform including unlocking developing capacity for housing and business growth, enabling delivery of high-quality infrastructure, enabling primary sector growth and development, improving environment and health outcomes, and improve overall regulatory quality.

Administrative and compliance cost changes from the proposed Blueprint Reforms can be estimated with reference to monetary values for the resources used (time and effort estimates for officials, council officers and affected parties and their advisors). The proposed Blueprint Reforms will change the cost of central and local government administration and the compliance costs faced by users and stakeholders. The change in resources utilised can, therefore, be estimated using monetary values.

However, opportunity costs, or the indirect costs of the regulatory system are harder to calculate. Opportunity costs of not reforming RM System include:

- The environmental losses caused by the RM system's inefficiencies
- Delayed and deferred infrastructure projects that would have positive impacts
- The housing and urban development hindered or occurring at suboptimal levels due to of excessive planning constraints
- Lost economic and productivity growth due to regulatory complexity and burdens.

Estimating these opportunity costs and the 'benefits' of the Blueprint Reforms involves two steps. First, we identify the excess costs imposed by the current RM System. Then, we estimate the likely change (positive or negative) from the Blueprint Reforms across the selected categories.

Blueprint Reforms are likely to significantly reduce administrative and compliance costs of RM System

We estimate that the Blueprint Reforms will significantly reduce the RM system's administrative and compliance costs. This is despite the establishment costs associated with implementing two new Acts and reforming the institutional settings in central and local government.

The cost reductions are largely driven by streamlining of plan-making provisions, and standardisation. The Blueprint Reforms also change the presumption of rights for land and resource owners, which means fewer activities will require consents. The Blueprint Reforms are also likely to reduce the rate of disputes.

While highly dependent on underlying assumptions, and the detailed design of the laws and subsidiary legislation and institutions, the estimated administrative and compliance costs of the current RM System, and the estimated administrative and compliance costs of the proposed Blueprint Reforms are set out in the table below. The Blueprint Reforms are estimated to generate a net benefit of $14.8 billion in present value terms.

Table 0.1: Net administrative and compliance costs (benefits) of proposed Blueprint Reforms

Cost category	Blueprint Reforms (PV)	RM System (PV)	Net costs (benefits) (PV)
Administrative	$7,222,000,000	$10,741,000,000	$(3,519,000,000)
Compliance	$10,910,000,000	$22,174,000,000	$(11,264,000,000)
Total	$18,132,000,000	$32,915,000,000	$(14,783,000,000)

The Blueprint Reforms are estimated to significantly reduce administrative and compliance costs. This means the Blueprint Reforms will generate economic benefits.

Blueprint Reforms will likely reduce opportunity costs of RM System

We also analysed the change in opportunity costs from the Blueprint Reforms. The opportunity costs of the resource management regulatory system are also likely to reduce. The EAG's recommendations are largely directional, and the full detail of implementation has not yet been developed. However, the EAG's recommendations are informed by considerable evidence published in recent years on the failures of the RM System. The previous and earlier Governments have proposed changes to the RM System. Several government agencies and stakeholders have published evidence of the opportunity costs of the RM System. We drew on this evidence base, and analysed the directional changes proposed in the Blueprint Reforms to qualitatively describe the expected change in opportunity costs.

The results are, however, uncertain. We are estimating the likely outcomes of the Blueprint Reforms over a long period. Furthermore, jurisprudence and practice will develop over time on the legal principles underpinning the Blueprint Reforms and the extent of rights and obligations that result. It is complicated to accurately estimate the results of regulatory reform in terms of environmental outcomes, change in housing supply, pace and scale of infrastructure delivery or change in economic output. Therefore, our analysis is directional only.

The results of our analysis are set out in the table below:

Table 0.2: Summary of direction of impact of Blueprint Reforms on opportunity costs of the current system

Blueprint Reform Aspect	Environment	Infrastructure	Housing and Urban Development	Economy
Property rights ▪ presumption that land can be used unless it produces externalities ▪ expanding permitted activities ▪ more protection from regulatory takings ▪ justification reports for local rules narrow reverse sensitivity	↘	↗	↗	↗

Effects ▪ narrow definition of effects for land use ▪ raise materiality threshold of effects ▪ consideration of material impacts on third parties or natural resources embed permitted baseline				
Scope ▪ cannot regulate matters adequately covered elsewhere ▪ narrower goals ▪ cannot repeat higher-order content proportionality principle				
Standardisation ▪ simplified national direction ▪ cohesive NPD ▪ standardised planning provisions and performance standards ▪ NSZ and overlays for district plans ▪ regulations for consistent format, structure and regional plan provisions				
Public participation ▪ participation targeted at plans ▪ Limitation on scope of full notification under the Planning Act ▪ no ability to relitigate content from higher order documents ▪ limited appeals				
Planning ▪ a regional spatial plan for separating incompatible land uses ▪ a natural environment plan and combined district plan for a region ▪ narrow scope and effects for regulation and decision making ▪ a requirement to not repeat higher order objectives				
Consenting ▪ reduced number of activity categories ▪ more than minor test determines who Is affected				
Limits ▪ **NEA to set environmental limits**				

Key	
	Represents a likely deterioration

	Represents a likely improvement
	Represents uncertainty

1 Approach to analysing costs and benefits of changing the New Zealand RM System

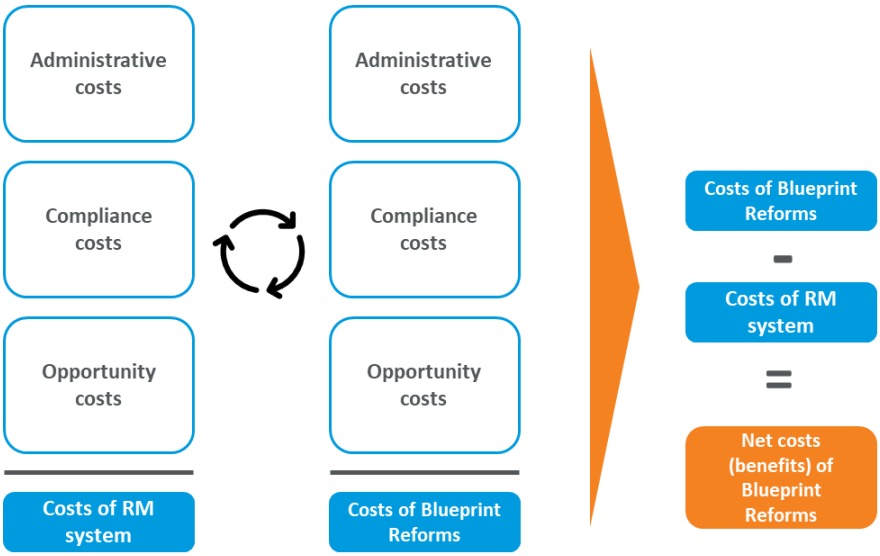
A wealth of evidence suggests that the RM System is performing poorly. The Expert Advisory Group identified deficiencies in the RM system. The previous Government appointed an independent Resource Management Review Panel chaired by Hon. Tony Randerson, KC, which also identified many problems. Government agencies, Productivity Commission, Infrastructure Commission and many stakeholders have gathered evidence highlighting problems with the RM System.

The task of analysing the costs and benefits of the proposed Blueprint Reforms involves the following steps:

- Understanding the need for a regulatory system for resource management, and the functions it performs
- Quantifying the costs of the current RM System, in terms of:
  - Administrative costs
  - Compliance costs
- Analysing the opportunity costs of the current system
- Quantifying the estimated costs of the proposed Blueprint Reforms, in terms of:
  - Estimated administrative costs (both establishment and ongoing costs)
  - Estimated compliance costs (both establishment and ongoing costs)
- Analysing the change in the opportunity costs of the Blueprint Reforms.
- Comparing the costs of the current RM System to the estimated costs Blueprint Reforms provides the net costs or benefits of reform.

Figure 1.1 illustrates the approach:

Figure 1.1: Approach to estimating net costs of the Blueprint Reforms



1.1 The need for a regulatory system for resource management

All legal systems develop ways to govern the use of resources. Most countries develop frameworks based around property rights to govern the use of resources. Prior to the RMA, the Town and Country Planning Act, Water and Soil Conservation Act, Harbours Act, Mines Act, Clean Air Act and related laws, plus the common law tort of private nuisance largely governed resource and property usage.

A planning and resource management regulatory system should aim to allocate property rights efficiently and internalise externalities (external costs are met by the person who caused the cost). In addition, public goods, common pool resources, and club goods should be provided for and preserved so that society's benefits are maximised.

We have a regulatory system for resource management because of several market failures that would arise without one. In theory, with robust private property rights, resources would be allocated efficiently. However, there would be high transaction costs, as well as other market failures, including:

- Externalities from one person’s resource use affecting others
- Under-provision of public goods (non-rivalrous, non-excludable) such as clean air, freshwater
- Over-allocation or under-provision of common pool resources
- Over-allocation or under-provision of club goods.

The regulatory system for resource management should **minimise the costs** and **maximise overall social welfare** in managing rights to resources, managing externalities, providing for public goods, and ensuring efficient allocation of common pool resources and club goods. So,

the key question for analysing whether the Blueprint Reforms are better than the RM System is whether this balance is better achieved.

Therefore, our report analyses this question in terms of:

- Estimating administrative cost change
- Estimating compliance cost change
- Determining if the opportunity costs (foregone benefits) reduce.

1.2 The resource management regulatory system imposes administrative costs

The regulatory system has administrative costs incurred by central and local government and judicial and regulatory bodies. The categories of administrative costs are:

Table 1.1: Categories of administrative costs in the resource management regulatory system

Category of administrative cost	Explanation
The Acts (legislative framework)	Central government has to pass and monitor the primary legislation. This involves legal and policy resources, mainly at MfE
National policy direction	Central government sets national policies involving policy analysis, communications and stakeholder engagement. Implementing the policy direction also involves costs
Regional and district plan making	Regional and district plans, which set out the rules for land and resource use involve costs incurred by the regional and territorial authorities.
Consenting, permitting and designations	Consent issuing authorities incur administrative costs to receive and process applications
Compliance and enforcement	The regulatory function of ensuring compliance with laws, regulations, rules, policies, and consents/permits incurs administrative costs
Dispute resolution	The dispute resolution bodies (currently the Environment Court and appeal bodies—High Court, Court of Appeal and Supreme Court) incur administrative costs.
System self-review	There are costs associated with monitoring how the system itself functions and evaluating regulatory performance. This is often overlooked in regulatory systems.

Regulatory reform can change these costs. The reform will impose unavoidable establishment costs—laws need to be written, and institutions need to be established or reformed. The reform may increase or reduce the scope of regulation, changing the administrative costs incurred.

1.3 The resource management regulatory system imposes compliance costs

The regulatory system for resource management imposes compliance costs incurred by public and private users and stakeholders. Land and resource owners and users must comply with

laws, rules, regulations and policies. Affected parties must interact with the rule-making and judicial bodies.

Table 1.2: Categories of compliance costs in the resource management regulatory system

Category of compliance cost	Explanation
The Acts (legislative framework)	Compliance costs are incurred by affected parties who incur costs when complying with the primary legislation and must adjust behaviour to comply. When primary legislation is passed, affected parties will incur costs to make submissions and engage in the law-making process.
National policy direction	Compliance costs are incurred as affected parties adjust to national policy direction to ensure they comply.
Regional and district plan making	Affected public and private parties must make submissions on regional and district plans and then observe the plan to ensure compliance.
Consenting, permitting and designations	Where an activity is not expressly permitted in a plan, rule or regulation, affected parties incur compliance costs in preparing and submitting applications for consents, permits or designations
Compliance and enforcement	The regulators (councils and EPA) undertake compliance and enforcement activity to ensure the public comply with rules and conditions of consents or permits. Affected parties then incur compliance costs
Dispute resolution	The cost of bringing or responding to judicial proceedings is a compliance cost

Regulatory reform can change these costs. The reform will impose additional compliance costs during the establishment phase, as affected parties must adjust to the new regime. If the reform changes the balance of liability, balance of rights, or presumptions under regulatory instruments, the ongoing compliance costs on regulated parties and other stakeholders can change.

1.4 The resource management regulatory system imposes opportunity costs

In addition to the direct costs of the regulatory system, there are also indirect opportunity costs. Opportunity costs represent the benefits foregone by choosing one alternative over another. In the context of a regulatory system, these are the benefits that might have been realised if the system were not in place.

Resource management regulatory systems aim to incentivize optimal resource usage patterns. The system allocates rights to resources and governs how those rights are used. While the system aims to mitigate market failures and promote sustainable practices, overall its implementation does not always lead to optimal outcomes.

Regulatory systems can make errors. There are two main reasons for this.

- The regulatory system can make errors of **omission** (Type I errors) where the regulatory system prevents changes in resource use or the provision of public goods

that would otherwise increase overall welfare. That is, it stops something good from happening

- The regulatory system can make errors of **commission** (Type II errors) where the regulatory system permits changes in resource use or the provision of public goods that result in negative impacts, thereby decreasing overall welfare. That is, it allows something bad to go ahead.

The table below describes, at a conceptual level, some of the opportunity costs associated with a resource management system.

Table 1.3: Categories of opportunity costs and their explanations

Category	Explanation
Environment	Inadequate or inefficient resource management systems that are slow to adapt can result in environmental costs.
Economic Growth and Productivity	Regulations may stifle innovation, discourage investment, and efficient resource allocation, potentially hindering economic growth and productivity. For instance, poor regulatory environment might constrain investment in the mining sector, or direct farmers to make sub-optimal resource decisions like not using better technology to avoid applying for a consent.
Infrastructure development	Excessive regulatory costs can delay or prevent vital infrastructure projects, resulting in significant economic and social opportunity costs.
Housing and urban development	Housing regulations related to zoning, building requirements, and market regulations can reduce incentives for development, affecting housing supply and market dynamics.

To effectively understand opportunity costs, evaluating both the actual outcomes from a proposed path (the factual scenario) and the potential outcomes had another path been taken (the counterfactual scenario)) is essential. Opportunity costs are the benefits linked with the counterfactual scenario, representing the gains missed by not choosing an alternative decision.

Reforms in a regulatory system can change outcomes for two principal reasons:

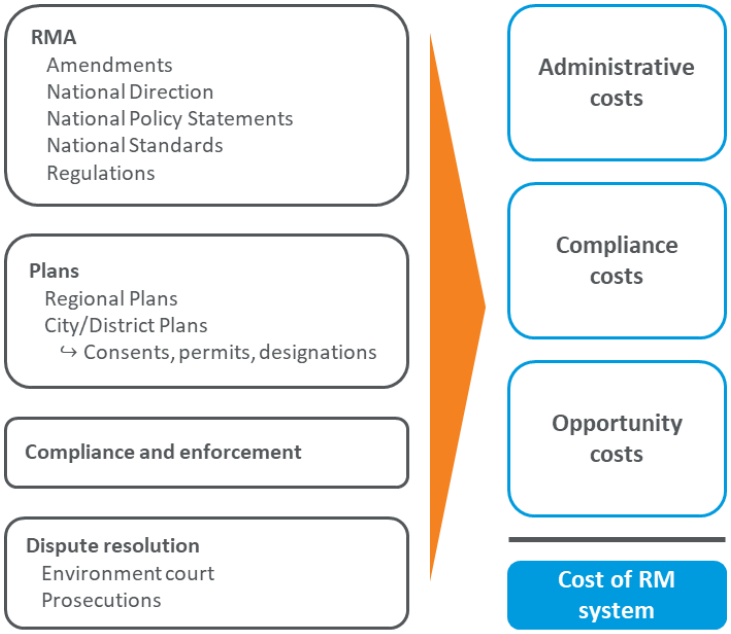
- Change rate or magnitude of Type I errors
- Change rate or magnitude of Type II errors.

Reforms in regulatory practices highlight the importance of considering both the factual and counterfactual scenarios when assessing opportunity costs. By introducing changes such as improved zoning laws or streamlined infrastructure processes, reforms create potential benefits in the factual scenario—the proposed path. Simultaneously, they illustrate what negative impacts are avoided by not following the alternative path. In this way, we can compare the opportunity costs associated with each scenario.

2 Current RM System imposes costs and reduces potential benefits

The RM System imposes administrative and compliance costs. It also causes indirect opportunity costs across several dimensions. All resource management and allocation systems impose regulatory costs. However, the administrative and compliance costs of the current system are widely regarded as excessive. Several Governments have attempted to streamline and optimise the RM System. We have analysed the current RM System costs in terms of administrative, compliance and opportunity costs. Figure 2.1 illustrates our conceptual approach to analysing the three cost components.

Figure 2.1: RM System and its costs



New Zealand's resource management system encompasses the Resource Management Act (RMA), policy directives, and regulations, along with an administrative system that develops plans, issues consents, and resolves disputes

The RM System is reflected in the Resource Management Act 1991 (RMA) and associated regulations, policy direction and the administrative and compliance machinery of local government and the judicial system. The institutions within this RM System are described in table 2.1 below.

Table 2.1: An overview of roles of institutions of the current RM system

Institution	Roles
Ministry for the Environment (MfE)	prepares of national environmental standards (NES),),national policy statements (NPS),), regulations and national planning standards.
Minister for the Environment	oversees the implementation of the RMA, issues NES, NPS, and national planning standards, intervenes in nationally significant matters, approves

	requiring authority status, monitors environmental policies, and directs local authorities on resource management issues.[1]
Regional Councils	manage natural resources through a plan framework and make consent decisions on freshwater, coastal areas, land use, and discharge matters.
Territorial Authorities	primarily responsible for plan frameworks on land use and subdivision and making consent decisions
Environment Court	mediates, hears, and decides on disputes regarding councils' consent decisions and appeals on district/regional plans, designations, and water conservation orders.
Independent Commissioners	hear submissions and make either recommendations or decisions on resource consent applications that are either notified or council does not have delegated authority for, and on plans and plan changes.
Quasi-judicial Bodies	Include commissioners and mediation processes which facilitate mediation and resource allocation functions for disputes and disagreements.

Information sourced from Castalia (2021)

Operating the system outlined in table 2.1 involves both administrative and compliance costs. Administrative costs stem from central and local government's management of institutions overseeing the system, while compliance costs are associated with ensuring adherence to regulations by all parties. These costs are incurred at the level of government agencies, which monitor and enforce laws, and by private parties, which allocate time and resources to meet compliance requirements. Additionally, the resource management system devotes government resources to prosecutions of non-compliant actors, which incurs both administrative costs (on government) and compliance costs (on users).

In our analysis, we have separated the administrative costs and compliance costs into the following categories:

- The Acts (legislative framework): This is the cost involved in preparing primary legislation and amending it over time. The Ministry for the Environment is the steward of the RMA and periodically advises on amendments to it
- National policy direction and implementation: Central government issues and implements national policy direction periodically. There are administrative costs to central Government and local government in the preparation and implementation. There are compliance costs for users in adjusting to the new directions
- Regional and district plan making and implementation: Both regional councils and territorial authorities prepare and implement regional, and district plans under the RMA. There are administrative costs in preparing these, and compliance costs as users must adjust to, make submissions on, and comply with these
- Consenting, permitting and designations: Regional councils and territorial authorities receive consent and permit applications and designation notices and process these. Users incur costs to prepare consent and permit applications and designation notices

[1] Summarized from: https://environment.govt.nz/about-us/responsibilities-of-the-minister-for-the-environment/

- Compliance and enforcement: Regional councils and territorial authorities enforce the RMA, regulations, and plans, as well as consent and permit conditions. This incurs costs. Users also incur compliance and enforcement costs
- Dispute resolution: The Environment Court (and High Court and higher instances of appeal) hear disputes. The administration of the court system incurs costs, and the public and private parties that participate in court proceedings and dispute resolution incur costs.

Box 2.1: Key assumptions in Castalia's analysis: Defining the counterfactual and social opportunity cost of capital

We have used two key assumptions in this analysis on the counterfactual to the Blueprint Reforms and the discount rate used to estimate present value of costs (and benefits).

Counterfactual—the status quo RM System

We use a counterfactuals to compare the Blueprint Reforms against. This is an approximation of what would happen if the proposed scenario does not proceed. This is a key component of cost-benefit analysis and regulatory impact analysis.

The Blueprint Report proposes various changes to New Zealand's resource management system. A key question is what would happen if these Blueprint Reforms did not proceed?

If the Blueprint Reforms do not proceed, we assume that the RM system will continue as it currently exists. The current RM system comprises multiple components, including:

- The Resource Management Act 1991 and all its amendments.
- Policy documents issued under the RMA, including National Directions, National Policy Statements, and National Standards.
- Plans developed and implemented under the Act, such as regional and city plans, along with all associated consents, permits, and other legal documents
- Institutional arrangements at central and local government, alongside judicial and quasi-judicial bodies (such as Commissioners)
- Lawyers, planners, council officers and users of the RM System that are accustomed to it over its 30 plus year complex history

We have defined the status quo RM System as the current RM System. That is we assume that the RM System as it is currently conceived and operates will continue.

One aspect of status quo RM system is that Government regularly makes changes to the system by amending legislation or issuing National Policy Statements. For instance, since passing of RMA in 1991, the legislation has been amended 24 times. These changes include:

- In 2020, the National Policy Statement on Urban Development (NPS-UD) was introduced, replacing the National Policy on Urban Development capacity (NPS-UDC).
- In 2021, the Medium Density Residential Standards (MDRS) were introduced, enabling increased housing density in urban areas without requiring resource consent.
- In 2024, the Fast-Track Approvals Bill was passed to streamline consenting processes for significant infrastructure and development projects.

In other words, the counter factual is that the current RM System would continue with periodic "tinkering" because these changes are part of the status quo RM System.

We do not assume that the counterfactual is the previous Government's 2021-23 Reforms. The previous Government passed the Natural and Built Environment Act 2023 and Spatial Planning Act 2023 (the 2021-23 Reforms). The 2021-23 Reforms legislation was repealed in 2024. The 2021-23 Reforms were not implemented.

Discount rate—the social opportunity cost of capital

We use a discount rate of 2 percent to discount the costs and benefits of cashflows in our analysis back to today's value. The Treasury advises in Treasury Circular 2024/15 that for mainly non-commercial costs and benefits, a social rate of time preference should be used.

Given the public interest nature of the costs and benefits under consideration, the social rate of time preference should be used, rather than a commercial rate.

We have analysed the current administrative, compliance and estimated opportunity costs of the RM System. We present both the present value of these costs (estimated over a 30-year time frame, discounted using the Treasury's recommended discount rate of 2 percent.

2.1 Administrative costs of the RM System

The RM System has administrative costs estimated at a total present value of $10.74 billion. Table 2.2 sets out the administrative costs. The key assumptions have been provided separately. These status quo costs have been estimated using Castalia's 2020 and 2021 methodology for the review of administrative and compliance costs of the RM System for the previous Government's RMA reforms. The estimates were updated where policy changes have taken effect and adjusted to 2024 values.

Table 2.2: Administrative costs of RM System

RM function	Annual cost	Present value
The Acts (legislative framework)	$2,000,000	$37,000,000
National policy direction and implementation	$32,000,000	$753,000,000
Spatial planning	$27,000,000	$227,000,000
Regional and district plan making and implementation	$114,000,000	$2,669,000,000
Consenting, permitting and designations	$184,000,000	$4,308,000,000
Compliance and enforcement	$87,000,000	$2,046,000,000
Dispute resolution	$30,000,000	$700,000,000
Total	***$476,000,000***	***$10,741,000,000***

2.1.1 Detailed analysis of administrative costs of RM System

There are administrative costs of the current RM System that fall on central and local government. This section sets out our estimates of these costs, and relevant key assumptions.

The Acts (legislative framework)

The RMA is administered by MfE. In the 33 years since 1991, it has been amended 24 times. There are administrative costs in monitoring RMA outcomes, the periodic amendments, and

the policy advice to Ministers. Our methodological approach and key assumptions are set out below.

Table 2.3: Estimated administrative costs of legislative framework of RM System

Affected party	Impact	Key assumptions	Estimate (PV)
Central government	Amendments to the RM System	Cost is based on Castalia's 2020-21 estimates adjusted for inflation.[2] This is based on estimates of the FTE salary and overhead cost of MFE staff and estimated workload, and follows MFE's 'normal' year staff responsible for RM System issues.	$37 million

National policy direction and implementation

National policy directions and National Policy Statements are issued by the Government under the RMA. We expect these to continue at a similar rate to the recent past. There is administrative cost at both national and local government level associated with preparing and implementing these.

Table 2.4: Estimated administrative costs of national policy direction and implementation of RM System

Affected party	Impact	Key assumptions	Estimate (PV)
Central government	Develop national directions	Assuming 2.06 ND are in progress in any one year, average cost per annum is constant across the assessment period. Assumed the average cost of one ND is $2.1 million using the administrative costs of the NPS-FM and NPS-UDC as reference points.	$101.6 million
	Implement national directions	Assuming 4.12 ND are being implemented in any one year, average cost per annum is constant across the assessment period. Assumed the average cost of implementing one ND is $1 million based on NPS-FM and NPS-UDC costs	$100 million
Local government	Implementing national directions at a local level	Total local government planning cost is determined from NMS FTE data, plus 100 percent reflecting the cost of consultants and other specialists hired in. National directions are assumed to cost 17 percent of planning costs based on relative costs of different local government planning functions	$551 million

[2] See Castalia (2021), Economic Analysis of Independent Panel's Proposed Reforms to the Resource Management System, available at: https://environment.govt.nz/assets/Castalia-Report.pdf

Spatial Planning

Some spatial planning occurs under the current RM system. The National Policy Statement for Urban Development (NPS-UD) and Future Development Strategies (FDS) require tier one and tier two councils to prepare and update an FDS. There are administrative costs associated with local government preparing and updating their FDS.

Table 2.5: Estimated administrative costs of spatial planning of RM System

Affected Party	Impact	Key assumptions	Estimated cost (PV)
Local government	Costs of Auckland spatial plans and Future Developing Strategies	PWC estimates cost of NPS-UD and FDS to be $2.1 million every three years This is required for tier 1 and 2 councils.	$227 million

Regional and District plan-making and implementation

A major administrative role for local authorities (Regional Councils and Territorial Authorities) is plan-making. Regional and District plans are developed and implemented by local government. We expect these costs to continue at a similar rate as in recent years. The plan-making activity imposes administrative costs on local government.

Table 2.6: Estimated administrative costs of regional and district plan-making and implementation of RM System

Affected party	Impact	Key assumptions	Estimate (PV)
Local government	Developing and implementing regional plans, reviewing plans, and plan changes	Total local government planning cost is determined from NMS FTE data, plus 100 percent reflecting the cost of consultants and other specialists We assume developing and implementing plans costs 67 percent of planning costs based on relative costs of different local government planning functions We assume reviewing plans costs 13 percent of planning costs based on relative costs of different local government planning functions We assume private plan change costs 3 percent of planning costs based on relative costs of different local government planning functions	$2.67 billion

Consenting, permitting and designations administrative costs

Consents and permit applications and designation notifications are processed by local government, which imposes administrative costs. Central government funds the Environment Court which incurs administrative costs. We expect the costs to continue at a similar rate to the recent past.

Table 2.7: Estimated administrative costs of consenting, permitting, and designations of RM System

Affected party	Impact	Assumptions	Estimate cost (PV)
Central government	Operating the environment court	We assume that operating costs will reflect current costs of operating the Court. Operating costs of the Environment Court $9.8 million (EC 2023/24 Annual Report)	$229.9 million
Local Government	Processing consents	NMS from 2018.19-2022/23 shows fluctuating FTE, but no obvious uptrend. Therefore, we have taken an average which comes to 1162 FTE working on resource consents. We have assumed FTE cost = $150k per year	$4.08 billion

Compliance, monitoring and enforcement activity administrative costs

Local Government performs compliance, monitoring, and enforcement to ensure consent holders and other parties comply with regional and district plan rules, conditions of consents, national standards, regulations and other legal instruments under the RM System. There are administrative costs associated with having the standing capacity and carrying out these activities.

Table 2.8: Estimated administrative costs of compliance, monitoring and enforcement of RM System

Affected party	Impact	Key assumptions	Estimate (PV)
Local Government	Performing compliance and enforcement	2022/23 NMS data shows that local government FTE devoted to CME (Compliance, Monitoring, and Enforcement) totals 583. We assume per annum FTE cost (including wage and overheads) is $150k	$2 billion

Dispute resolution administrative costs

Local Government prosecutes non-compliant actors, which imposes administrative costs for prosecution. MFE's National Monitoring System record the number of RM system related prosecutions, we expect these to continue at a similar rate to recent past.

Table 2.9: Estimated administrative costs of dispute resolution of RM System

Affected party	Impact	Key assumptions	Estimate (PV)

Local Government	Taking prosecution action	NMS data indicates that there are on average 72 RM System related prosecutions per year. According to MfE, local government incurs $416,000 adjusted for inflation on average per prosecution.	$700 million

2.2 Compliance costs of the RM System

The RM System has compliance costs estimated at a total present value of $22.17 billion. Table 2.10 sets out the compliance costs. The key assumptions have been provided separately.

These status quo costs have been estimated using Castalia's 2020 and 2021 methodology for the review of administrative and compliance costs of the RM System for the previous Government's RMA reforms.[3] The estimates were updated where policy changes have taken effect and adjusted to 2024 values.

Table 2.10: Compliance costs of RM System

RM function	Annual cost	Present value
The Acts (legislative framework)	$319,000	$7,000,000
National policy direction and implementation	$1,000,000	$24,000,000
Regional and district plan making and implementation	$24,000,000	$561,000,000
Consenting, permitting and designations	$705,000,000	$16,483,000,000
Compliance and enforcement	$182,000,000	$4,258,000,000
Dispute resolution	$36,000,000	$840,000,000
Total	***$948,000,000***	***$22,174,000,000***

2.2.1 Detailed analysis of compliance costs of RM System

There are compliance costs in the current RM System. This section sets out our approach to estimation, and the relevant assumptions.

The Acts (legislative framework) compliance costs

There are compliance costs associated with the legislative framework in the RM system. In the 33 years since 1991, the RM System has been amended 24 times. We assume there will continue to be a similar rate of amendments. There are compliance costs in submissions and professional fees on amendments to the RM System for Local Government, Māori and other RM Users.

[3] See Castalia (2021), Economic Analysis of Independent Panel's Proposed Reforms to the Resource Management System, available at: https://environment.govt.nz/assets/Castalia-Report.pdf

Table 2.11: Estimated compliance costs of legislative framework of RM System

Affected Party	Impact	Key assumptions	Estimate (PV)
Local Government	Submissions and professional fees on amendments to the RMA	Based on Castalia 2020/21 estimates. Assumptions of $84.9 for council officer wage + overhead/hr, and 80 hours is spent per submission	$4.1 million
RM Users	Submissions and professional fees on amendments to the RMA	Based on Castalia 2020/21 estimates. Assumptions: there are 10 large submitters, and submission costs $23,754. Assume there are 200 smaller submitters that take 10 hours at an average wage of $30.9	$2.3 million
Māori	Submissions and professional fees on amendments to the RMA	Based on Castalia 2020/21 estimates. Assume there are 15 Māori submitters based on NPS Freshwater and NPS-UDC. Assume one submission takes 100 hours with an average wage cost of $84.9	$0.99 million

National policy direction and implementation compliance costs

Compliance costs are incurred in relation to developing new National Policy Directions and National Policy Statements. For example, the National Policy Statement Freshwater and the National Policy Statement on Urban Development meant that Local Government, Māori and other RM Users incurred compliance costs associated with the submissions and professional fees as policy directions and statements are developed.

Table 2.12: Estimated compliance costs of national policy direction and implementation of RM System

Affected Party	Impact	Key assumptions	Estimate (PV)
Local Government	Submissions and professional fees on NDP	Based on Castalia 2020/21 estimates. Assume there are 35 submissions based on NPS Freshwater and NPS-UD. Assume $84.9 for council officer wage + overhead/hr, and 80 hours is spent per submission	$5.7 million
RM Users	Submissions and professional fees on NDP	Based on Castalia 2020/21 estimates. Assume there are 22 large submitters (average from NPS Freshwater and NPS-UD submission results) and submission costs $23,754. Assume 391 smaller submitters (average from NPS Freshwater and NPS-UD submission results) that take 10 hours at an average wage of $27.3	$15 million
Māori	Submissions and professional fees on NDP	Based on Castalia 2020/21 estimates. Assume there are 15 Māori submitters based on NPS Freshwater and NPS-UDC. Assume one submission takes 100 hours with an average wage cost of $84.9. Castalia assumption: Māori spend a bit longer on consultation because they often engage directly with Government. Some iwi	$3 million

		groups also run on volunteer work, but some have employed professionals so $84.9 is an average between the two groups	

Regional and District plan-making and implementation compliance costs

Compliance costs are incurred by RM Users (including Māori) when parties submit and participate in plan-making and regional and district plan changes. The assumptions and estimates are set out below.

Table 2.13: Estimated compliance costs of Regional and District plan-making and implementation of RM System

Affected party	Impact	Key assumptions	Estimate (PV)
Māori	Submitting and participating in plan making	NZIER inflation-adjusted costs of Māori input costs in planning processes are $291,000	$53.1 million
RM Users	Submitting and participating in plan making process	Based on Castalia 2020/21 estimates, assume there are 10 large submitters, and submission costs $23,754. Assume there are 300 smaller submitters that take 10 hours at an average wage of $27.3	$58.3 million
	Submitting and participating in plan making process	Assume there are three large businesses per region, this factors in that for some areas like Auckland there are probably many submitters, while other areas probably have very few submitters) Based on Castalia 2020/21 estimates advocacy cost per business: $350,000 (NZIER 2020). Adjusted for inflation is $415,702	$228 million
	Applying for private plan change	Assume 10 private plan changes occur annually, and this will continue at a similar rate	$222 million

Consenting, permitting and designations compliance costs

RM Users (including Māori) incur compliance costs when they participate in the consent processes by preparing consent and permit applications. Councils, utility operators and the government incur costs relating to designations. These impose compliance costs which we expect to continue at a similar rate to the recent past.

Table 2.14: Estimated compliance costs of consenting, permitting, and designations of RM System

Affected party	Affected party	Impact	Estimate (PV)
Māori	Participating in consent processes	Based on TPK (2013) - assume 120 iwi and hapu groups spend 40 hours per week on RMA consent work $61/hr wage overhead.	$356 million

		This reflects that some iwi will be paid quite well for these services, while other iwi workers will be working on a voluntary basis	
RM Users	Participating in consent processes	Using an LEGC (2007) report, we determined costs (spanning consultant fees and user time) per applicant according to consent type. We then calculated the average number of consents per type according to NMS data from 2014/15 to 2022/23. Next, we applied the costs from the LEGC paper (adjusted to 2021 NZD) to NMS averages.	$14.9 billion
		For notified consent assume that for each consent, submitters spend a total of 40 hours submitting at an hourly cost of $61	$61.8 million
	Litigation costs	Cases per year = 411 (EC 2023 annual report) Based on Castalia 2020/21 estimates. Assume the cost per applicant to respond to litigation is $119,000 using inflation adjusted MFE figures	$1.1 billion

Compliance, monitoring and enforcement compliance costs

RM Users under the RM System must ensure compliance and respond to enforcement actions. RM Users respond to litigation cases in the Environment Court. There are compliance costs associated with RM Users ensuring compliance that we expect will continue under the RM System.

Table 2.15: Estimated compliance costs of compliance, monitoring and enforcement of RM System

Affected party	Impact	Key assumptions	Estimate (PV)
RM Users	Ensuring compliance and responding to enforcement	Assume 632,000 consents exist at one time. Assume each consent holder spends 8 hours a year responding to some kind of CME activity Assume time is worth $36 per hour, recognising that some consent holders will face high costs due to direct enforcement, while others consent holders will face negligible costs.	$4.26 billion

Dispute resolution compliance costs

There are compliance costs related to RM Users responding to prosecution for non-compliance, we expect these costs will continue at a similar rate under the RM System.

Table 2.16: Estimated compliance costs of dispute resolution of RM System

Affected party	Impact	Key assumptions	Estimate (PV)
RM Users	Responding to prosecutions	NMS data indicates that there are on average 72 RM System related prosecutions per year. Assumed average legal cost to council is 20percent higher than local government cost.	$840 million

2.3 Opportunity costs of the current RM System

Apart from direct administrative and compliance costs, the RM System also imposes indirect opportunity costs. These arise from regulatory rules and decisions that may lead to suboptimal outcomes. The opportunity costs arise from the laws, regulations, rules, policies, consents, and Environment Court and other judgments that do not maximise social welfare. Estimating these costs is complex, and they appear across various dimensions. Our approach involves gathering the best available evidence by category to estimate or qualitatively describe these excess indirect costs.

We analysed four opportunity cost categories:

- Environmental outcomes
- Delayed and constrained infrastructure
- Reduced and expensive housing and urban development
- Reduced economic growth and productivity.

These categories are not based on objectives of the Blueprint reforms, though they match closely with it. The categories are based on a literature review of analysis available on the current RM system.

Research and reports quantifying costs are limited, but some of the specific opportunity costs are quantified

A range of literature explores resource management system reform in New Zealand. At least two previous Governments have attempted RMA reform. There is extensive criticism of the RM System, with qualitative descriptions and some quantitative analysis of the excess indirect costs. This encompasses a collection of reports, articles, case studies, and contributions from a diverse group, including central government agencies, consultants, system users, and academics.

While qualitative analysis of the RM system is abundant, quantitative analysis remains limited. The NZIER report *Current Costs of RMA Processes and Practices* also highlighted this gap (2020).

This research gap limits the extent to which opportunity costs can be fully quantified. To address these challenges, this report:

- Identifies opportunity costs of the current system by analysing the available literature, with a focus on quantitative research wherever possible
- Prioritizes qualitative sources that are less likely to have conflicts of interest, while also incorporating other sources to explain potential opportunity costs.

Table 2.17 summarises our research findings on each category of opportunity costs.

Table 2.17: Opportunity costs (excess indirect costs) of RM System

Category of opportunity cost	Summary
Environment	Literature underscores the inadequate environmental outcomes produced by the current RM system. This includes qualitative accounts of these shortcomings and some efforts to quantify the opportunity costs associated with them.
Infrastructure	The RM System incurs substantial costs in infrastructure development due to lengthy consenting processes. Evidence suggests that the system contributes to reduced resilience, thereby imposing additional costs.
Housing and urban development	The RM system delays and constrains housing and urban development. Although recent policy changes (National Policy Statement on Urban Development and its earlier iteration) have somewhat improved the housing supply, the system continues to hinder urban development and contributes to uncompetitive land markets. There is substantial evidence pointing to significant opportunity costs associated with housing under-supply. Making land markets more competitive and responsive to demand could lead to considerable gains in consumer surplus.
Economy	Evidence indicates that the RM System imposes significant opportunity costs, impeding growth and productivity. While some of these costs overlap with other areas such as housing, urban development, mining, and agricultural productivity, there is evidence that independently affects both productivity and economic growth. Moreover, qualitative analysis of mining sector suggests that poor regulatory environment is a key hurdle in increased investment. Similarly, poor regulatory environment can impede productivity of agricultural sector.

Before examining specific opportunity costs, it is important to outline key overarching considerations:

- Improved regulation can improve outcomes across the board
- Environmental outcomes are part of economic outcomes
- The opportunity cost analysis is directional only.

Improved regulation can improve outcomes across the board

Effective regulation should be clear, consistent, and not excessively burdensome or complex. Stakeholders in the mining, agricultural, and environmental sectors frequently highlight concerns about ambiguity, regulatory complexity, and associated costs. Establishing national standards and Natural Environment Plans can improve regulatory quality, reducing compliance uncertainty and leading to better outcomes for all stakeholders. For example, in areas with stringent environmental limits, a mining company may choose not to apply for consent if the likelihood of approval is low. This avoids unnecessary application costs and reduces strain on the regulatory system. The extent of improvement is obviously highly dependent on the quality of the regulations.

Environmental outcomes are part of the economic outcomes

Economic activity often comes with environmental costs, but these must be weighed alongside economic—including environmental—benefits and other considerations. In mining, for instance, beyond the value of extracted resources, remediation that may occur after mining has finished can even enhance environmental outcomes. A long-term perspective and consideration of total economic value allows decision-makers to fully evaluate both costs and benefits. Resource use and extraction on the one hand and protecting the environment on the other may involve trade-offs in the short term, they are not necessarily incompatible over the long run.

Analysis of opportunity costs is directional only

We assess opportunity costs using existing literature to evaluate the direction of change expected from Blueprint Reforms. We are not (and cannot) precisely quantify the impact of regulatory change of this nature.

To identify the direction of change, we prioritise quantitative evidence ahead of qualitative sources. The quantitative evidence only informs the direction of impact and is not a precise estimate of the expected outcomes of the Blueprint Reforms.

We avoid double counting by ensuring that we do not aggregate, or sum estimates across different sources but instead use them to reinforce directional trends. Where quantitative evidence can indicate directionality across multiple domains, we highlight these connections.

Since the quantitative evidence is not intended as a proxy for modelling magnitude, it does not provide specific figures for opportunity costs. Its relevance varies based on factors such as the year of publication and its primary focus. These nuances are clarified throughout the analysis.

2.3.1 Poorer outcomes for the environment

Several reports highlight the poor environmental outcomes resulting from the RM System. There is a mix of qualitative descriptions of the poor outcomes, and some attempts to quantify the opportunity costs.

In 2017, the Environmental Defence Society (EDS) published a report assessing whether RMA had successfully met its environmental goals. It found that while RMA has been effective in handling individual permitting functions, it falls short in managing cumulative impacts and ensuring sustainable resource allocation, leading to an overall failure to fully achieve its intended environmental objectives.

Reluctance to employ efficient economic approaches can lead to negative environmental outcomes

One issue with the RMA is its "inherent favouring of incumbents, which contributes significantly to poor environmental outcomes" (EDS 54). This preference manifests in the 'first in, first served' approach to freshwater allocation, where access rights are granted to the first applicants regardless of the comparative value or efficiency of their intended use.

The Randerson Report criticizes this approach as 'unsustainable, inefficient, and inequitable,' noting that it often fails to allocate resources to their highest economic uses (14, 159).[4] The Blueprint Report supports reevaluating this method, particularly when a resource is

[4] The New Zealand government appointed a panel of experts in late 2019 to review the RM system. Their report was published in June 2020, and is often mentioned to as the 'Randerson' report after the chair of the panel Hon Tony Randerson.

overallocated or an environmental limit has been breached, suggesting that communities should consider alternative allocation methods (7).

The key failure of the RMA has been inadequate internalisation of externalities

Similarly, the RMA is criticised for often overlooking economic tools such as pricing and trading that could promote more efficient resource allocation, further worsening the environmental impacts of the current system. Kevin Counsell, a member of the Expert Advisory Group, critically assessed the effects-based resource management approach of New Zealand's Resource Management Act (RMA). He analyses three main factors that are responsible for inadequate internalization of externalities:

- The RM system fails to effectively use price signals to represent the true costs associated with externalities, thereby undermining the potential of market-based solutions.
- The process is both costly and time-consuming, which poses significant challenges for stakeholders attempting to negotiate solutions to externality issues.
- There is a poor implementation of cost-benefit analysis, which hampers the ability to assess and pursue socially beneficial outcomes when alternative resolution mechanisms like pricing or negotiation are not options (Counsell 44).).

Weak compliance worsens environmental outcomes

The 2017 EDS report highlights that limited studies on compliance reveal low adherence rates and a hesitancy among agencies to employ formal enforcement mechanisms. This reluctance is primarily attributed to insufficient resource allocation and conflicts with established interests. Such inadequate enforcement significantly compromises the effectiveness of RM system.

Better management of environmental assets can improve outcomes

In 2021,SGS Economics and Planning published an impact assessment report for the previous Government's 2021-2023 Reforms. The analysis by SGS drew upon the work by Murray G. Patterson and Anthony O. Cole, which calculated the Total Economic Value (TEV) of New Zealand's land-based ecosystems at $64.5 billion. This valuation was adjusted for inflation by SGS. Subsequently, SGS projected that New Zealanders might be willing to contribute about 1 percent of this TEV annually assured the continuation of these benefits (SGS 36).

SGS calculated that better management of environmental assets could have a present value benefit of around $10 billion ($11.4 billion adjusted for inflation). The analysis ties the 2021-2023 Reforms to the public's valuation of environmental benefits, as reflected in their willingness to financially support ecosystem services. While the analysis was directed at the 2021-2023 reforms, it does illustrate the economic value placed on environmental preservation and the potential costs of keeping the current RM system, which might negatively impact the valued services.

2.3.2 Delayed and constrained infrastructure development

The RM System incurs substantial costs in infrastructure development due to lengthy consenting processes. There is also evidence suggesting that the system contributes to reduced resilience, thereby imposing additional costs.

Current consenting processes cost infrastructure projects $1.29 billion ($1.5 billion adjusted for inflation) every year

Sapere, in a study commissioned by the Infrastructure Commission/Te Waihanga, reports that current consenting processes impose an annual cost of $1.29 billion on infrastructure projects.

Moreover, the duration required to obtain a resource consent for key projects has nearly doubled over the past five years. The report also highlights the disproportionate impact on smaller infrastructure projects, where those valued under $200,000 spend an average of 15.9 percent of their total budget on consenting, compared to just 0.7 percent for projects costing between $100 million and $1 billion. Furthermore, between 2014-2020, the overall cost of obtaining consents for infrastructure projects has surged by 70 percent (2).

Private firms often base their investment decisions on two key factors: the expected rate of return on the investment and the probability of achieving that return. Lower risk corresponds to higher probabilities of meeting the expected return, whereas higher risk correlates with lower probabilities. Firms also consider uncertainty, which amplifies the perceived risk of an investment. A lower expected return combined with higher risk diminishes the likelihood of a private firm committing to the investment.

This means that if the cost of consenting increases or the consenting outcomes become more uncertain, projects that might have been feasible could no longer proceed, at least with private investment. The infrastructure investment foregone in this case is the opportunity cost of the current system.

Reduced resilience in infrastructure.

The inability of the current RM system to adequately address infrastructure resilience can result in significant opportunity costs. These include higher disaster recovery costs and unrealized benefits from proactive planning and adaptation. Evidence suggests that reforms to the RM system can enable better planning so that the infrastructure can adapt to climate change and hazard risks by encouraging construction in and relocation of infrastructure from hazard prone areas, reducing infrastructure vulnerability to disaster hazards via changing designs or alternate materials and reducing the impact of disaster hazards on infrastructure via early warning, evacuation and contingency systems (54 SGS).

SGS's modelling quantifies the benefits of enhanced resilience with a calculated present value of benefits at $9.4 billion ($10.7 billion adjusted for inflation), based on the following parameters:

- SGS estimates the annual losses from disasters at approximately $1.2 billion, a figure sourced from the OECD's 2019 report, "Fiscal Resilience to Natural Disaster."
- To account for the escalating risks associated with natural hazards, SGS applies an annual adjustment rate of 2.8 percent. This adjustment is based on insights from Deloitte Access Economics' 2016 study, "The Economic Cost of the Social Impact of Natural Disasters."
- The model assigns a willingness to pay of 1 percent for greater assurance in achieving improved infrastructure resilience (55 SGS).

SGS’s report shows that the current RM system can have opportunity costs related to improving the resilience of infrastructure.

2.3.3 Delayed and constrained housing and urban development

The RM system delays and constrains housing and urban development. Although recent policy changes (National Policy Statement on Urban Development and its earlier iteration) have somewhat improved the housing supply, the system continues to hinder urban development and contributes to uncompetitive land markets. Similarly, despite the Fast Track Approvals Act

2024, the lag in infrastructure funding and delivery is still hindering capacity and competitive housing markets.[5] There is substantial evidence pointing to significant opportunity costs associated with housing under-supply. Making land markets more competitive and responsive to demand could lead to considerable gains in consumer surplus.

Local land use regulations play a key role in the housing supply

Local land use regulations play a significant role in shaping development through zoning laws, building codes, and building permitting. These regulations also involve implicit costs, manifesting as delays and heightened uncertainty. These costs arise through various channels: restricting the supply of land available for development; delaying the commencement of development projects; and increasing uncertainty for developers regarding whether and when their projects will be completed (Wrenn and Irwin 2015). Within New Zealand context, a working paper by Kirdan Lees shows that land use regulations also "play a material role in constraining housing supply, driving up house prices" (2018).

Evidence suggests reduced land supply can have economic costs

Resource Economics Ltd, in collaboration with Principal Economics and Sapere, developed also examined costs and benefits of the Randerson Report proposals. The report indicated that the increased land supply through spatial planning and reforms to reduce barriers to consenting and development are expected to make housing supply more responsive to demand, with potential annual benefits of $146 million to $832 million and a present value of $2.2 billion to $12.8 billion, with the lower numbers representing conservative scenario and higher numbers representing optimistic scenarios.

This means that reduced land supply under the current RM system might have opportunity costs of $146 million to $832 million per year.

Reduced housing supply and choice could add costs to the economy.

The current RM system has failed to deliver sufficient housing. This failure is reflected in both the increase in the price of housing and housing prices relative to wages in the last ten year.[6] The current system relies on council sequencing. This restricts development options and promotes land banking, where undeveloped land is held to profit from future rezoning and infrastructure investment (SGS 39).

In 2020, the National Policy Statement on Urban Development (NPS-UD) was introduced, replacing the NPS-UDC. PwC prepared a cost-benefit analysis for MfE for the National Policy Statement on Urban Development (NPS-UD). PwC noted that urban intensification benefits arise from more responsive housing supply due to fewer regulatory barriers, leading to lower housing costs (20). PwC modelled that the consumer surplus benefits of densification will be around $2.3 billion (49) which reflects potential reduction in housing costs due to increase land supply and more efficient land use. PwC's report also modelled that for "flexible zoning areas in high amenity areas, supply responsiveness is 1.56 to 2.95 times higher on average for the same change in land values" (11).

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[5] It remains to be seen how the Fast Track Approvals Act will improve infrastructure delivery as it is too early to evaluate the legislation.

[6] https://www.corelogic.co.nz/news-research/news/2024/kiwi-households-face-ongoing-affordability-squeeze (accessed 23/01/2025)

SGS further analysed the modelling from PwC. They modelled that further improvements that lead to more housing supply and choice can have a present value benefit of $1.4 billion (11). Their modelling was based on the total consumer surplus benefit of intensification policies to 2043 as noted in the PwC report. SGS then further applied a willingness-to-pay of 1 percent for benefits of greater assurance in achieving benefits from densification (42). The SGS report also noted that there are distributional impacts of this benefits as the renters and buyers are the net beneficiaries.

Taken another way, $1.4 billion ($1.6 billion adjusted for inflation) could be considered as an opportunity cost of the current system in terms of reduced housing supply and choice.

Coordinated infrastructure and land development

The current RM system's failure to integrate infrastructure and land development optimally represents a significant opportunity cost to the economy. Poor coordination increases costs, delays housing projects, and impedes efforts to meet growing demand efficiently.

By coordinating infrastructure and urban development, the government can reduce costs involved with land acquisition as "Early acquisition of land within infrastructure corridors would limit government exposure to 'real' increases to land costs, whereby land prices grow faster than inflation or government revenues" (SGS 44). For example, Infrastructure Australia modelled that the protection of seven transport corridors across Australia's East Coast could save Australian governments around AUD $10.8 billion (SGS 44). Similarly, a study by the New Zealand Infrastructure Commission suggests that securing sites in advance can be valuable decades before construction, even if the project's future is uncertain (2023).

SGS also assessed the benefits of coordinating infrastructure provision with urban development, estimating a present value benefit of approximately $200 million ($230 million). SGS's methodology involved assuming a 2.5 percent cost saving from coordinating infrastructure with land development, a conservative estimate based on the 5 percent savings suggested in a 1995 study by Kinhill Engineers. They then applied this savings rate to the cost of delivering infrastructure per greenfield dwelling, as reported by the Productivity Commission (46).

The inefficiency of the current RM system fails to better coordinate infrastructure and land development and hence might be creating the opportunity cost for the economy that can be avoided with an improved RM system.

Broadly, academic literature on the topic also discusses how inefficient resource management can create housing and urban development issues.

A literature review on *Regulatory Compliance Burdens* published by The George Washington University in 2022 notes that regulation-induced delays and uncertainty can have several significant impacts including:

- Reducing firms' willingness to hire and invest
- Lower the probability of new development
- Reducing supply, leading to increased housing costs (Cordes 23).[7]

[7] The literature review has further details and references to academic literature on each bullet.

Similarly, Quigley et al. (2008) argue that regulatory stringency is consistently linked to higher construction costs, extended delays in project completion, and increased uncertainty regarding the time required to finalise residential developments. Their modelling indicates that "the addition of one required review to the development process is associated with price increases of about 4 percent" (p. 295).

2.3.4 Reduced growth and productivity in the economy

Evidence indicates that the RM System imposes significant opportunity costs, impeding growth and productivity. While some of these costs overlap with other areas such as housing, urban development, mining, and agricultural productivity, there is evidence that poor regulation independently affects both productivity and economic growth.

Inefficient regulation reduces both outcomes for the economy and the environment

Inefficient regulation can lead to market distortions by misdirecting investments away from their most beneficial uses. For instance, restrictions on development, such as limits on intensification, can push development outward, resulting in higher direct costs for infrastructure like roads and indirect costs such as reduced access to labour markets.

For example, consider a region where viticulture could offer the highest economic return due to favourable climate and soil conditions. For instance, if a region is ideally suited for viticulture due to its favourable climate and soil conditions, it might stand to gain in economic returns. However, if the region's water resources, essential for wine production, are predominantly allocated to less profitable dairy farming due to inflexible water rights regulations, it prevents the optimal use of resources. Thus, the region continues to produce milk, missing out on the higher economic benefits of wine production.

Recent research provides empirical support for this argument. Research by Bruno Pellegrino and Geoferry Zheng shows that bureaucracy and regulation that delay or constrain investment leads to significant GDP losses, averaging 0.8 percent annually, with variations ranging from 0.1 percent in the United Kingdom to nearly 4 percent in France (13). Their study employs a dynamic general equilibrium model that integrates firm-level distortions from enterprise survey micro-data, quantitatively demonstrating how regulatory inefficiencies impact economic output across different countries. They note that loss of GDP comes from two “distinct channels: (i) the effects of depressed capital investment, and (ii) the effects of an inefficient allocation of resources” (13).

Suboptimal planning outcomes creates wider costs for the economy

Poorly planned urban development can contribute to congestion and longer travel times, which can reduce productivity. There are significant agglomeration effects from enabling people and firms to be closer together in space and travel time. Transport constraints and limits on agglomeration create very real economic costs.

Increased economic density, or agglomeration economies, enhances productivity by boosting gross value added per hour worked or per dollar invested, primarily through knowledge transfer among workers in proximity and a robust, interconnected network. Benefits include economies of scale and scope, diverse supply sources and skilled labour, heightened innovation, and extensive knowledge spillovers from local interactions and commercial relationships (SGS 48).

One significant cost of the lack of urban intensification (discussed in section 2.3.3) is that workers are less connected and further from one another. As the lack of urban intensification

is an opportunity cost of the current RM system, the consequences of this are also part of the opportunity costs.

SGS modelled that the 2021-2023 reforms could result in greater urban densification provide a net present value benefit of around $4.58 billion ($5.3 billion inflation adjusted). They based their calculations on PwC's modelling on agglomeration benefits to 2043 and applied a further 1 percent annual benefit reflecting the willingness to pay for grater assurance of the benefits from urban agglomeration (60).

The relationship between economic growth and regulation is complex. To better understand the opportunity costs associated with the current system, we have detailed case studies of two vital sectors, mining and agriculture, in New Zealand in boxes 2.2 and 2.3 respectively. These sectors were selected due to their significant economic contributions—agriculture as a current cornerstone and mining as a potential growth area. Given that both sectors heavily rely on natural resources, the RM system plays a crucial role in their operations, making the RM system reforms critical for the two sectors.

Box 2.2: Current RM system as a barrier to investment in mining

The RM System is likely to impose opportunity costs in the mining sector, with flow-on effects for decarbonisation efforts. While the link between the RM System and missed mineral exploitation opportunities remains unquantified, sector-linked analyses highlight the regulatory environment as a critical barrier.

Mining could play a pivotal role in the global green transition by boosting investments and exports from New Zealand. The Ministry of Business, Innovation and Employment (MBIE) has released a draft Minerals Strategy for New Zealand to 2040, noting the current value of mineral exports in 2022 at $1.03 billion. It projects that the sector's export value can double to $2 billion over ten years. The strategy also emphasizes the global demand for minerals required for low emissions technology, highlighting New Zealand's potential role in supplying these minerals.

A poor regulatory environment can deter investment in mining, as long-term contract sustainability is crucial for the sector. Industry analysis, such as Straterra's 2014 report, cites the regulatory environment as one of the biggest obstacles to more investment (8).

Fraser Institute provides an annual survey of mining and exploration companies. The survey attempts to assess how mineral endowment and public policy factors such as taxation and regulatory uncertainty affect exploration investment. It then analyses the results with two indexes:

- Investment Attractiveness Index (IAI) combines geological attractiveness and the policy environment to assess the overall attractiveness for mining investments.
- Policy Perception Index (PPI): Measures the impact of government policy, regulations, and legal certainty on the investment environment in mining.

The 2023 survey puts New Zealand in 43rd out 86 jurisdictions on the IAI 50th out of 86 on the PPI ranking. Both rankings are substantially lower than the counterpart Australian states, where mining plays a fundamental role in the economy. It notes that respondents for New Zealand expressed considerable concerns about uncertainty over what areas will be protected (88 percent of respondents), uncertainty about environmental regulations (83 percent), and uncertainty over the enforcement of regulations (72 percent) (38).

In his article *Kiwi mining conundrum: why the New Zealand mineral regulation needs an overhaul,* Jason Krupp points out that despite the low environmental impact of prospecting and exploration, the inconsistent and overly cautious application of the RMA requires firms to obtain lengthy consents, taking anywhere from six months to two years. He also highlights other failures of the RMA within the mining industry, such as the case of Bathurst Resources. This start-up mining company went through a two-year legal ordeal across multiple courts to mine coking coal on New Zealand's Denniston Plateau. Despite winning every court decision, they faced substantial legal costs, which were not compensated by the courts.

Any resource management system is pivotal in safeguarding the environment and overseeing the mining sector. Despite the lack of specific quantitative data on the investment deterred by the RMA, industry representatives consistently cite regulatory challenges as a significant obstacle to attracting further investment. The investments lost due to the current system might constitute a substantial opportunity cost. Reducing uncertainty and simplifying lengthy bureaucratic procedures could enhance outcomes for both the mining industry and the environment.

Box 2.3: Regulation and productivity within the agricultural sector

Agriculture plays a critical role in New Zealand's economy, particularly in international trade and rural employment. However, the sector faces significant challenges due to regulatory overhead, which can hinder productivity. According to a 2017 World Bank study, agricultural productivity is generally higher in countries where regulatory transaction costs are lower and adherence to regulatory best practices is stronger.

Farmers have expressed concerns regarding the rapid and often insufficiently consulted changes in regulations, which can lead to rules that are disconnected from practical farming realities. Specific issues include the lack of compensation for mandatory conservation efforts, the confusion caused by frequent regulatory changes, and the cumbersome bureaucratic processes involved. Moreover, the regulatory burdens can make New Zealand agricultural products less competitive on the international market (NZIER 2024).

Regulation can impact productivity. Literature notes that regulation can divert farmers' focus from farming to compliance, which is both time-consuming and resource-intensive. This shift can slow down the adoption of new, potentially productivity-enhancing technologies and force farmers to either change their behaviour to minimize regulatory interactions or ignore some regulations altogether, risking compliance actions (Barbara 2015). Additionally, farmers may find themselves compelled to invest in technologies primarily for meeting compliance requirements rather than for improving productivity (Burrell 2006).

Farmers have long complained of excessive compliance costs due to RMA, and there is evidence to support the claim. The studies below have quantified the costs to demonstrate their magnitude:

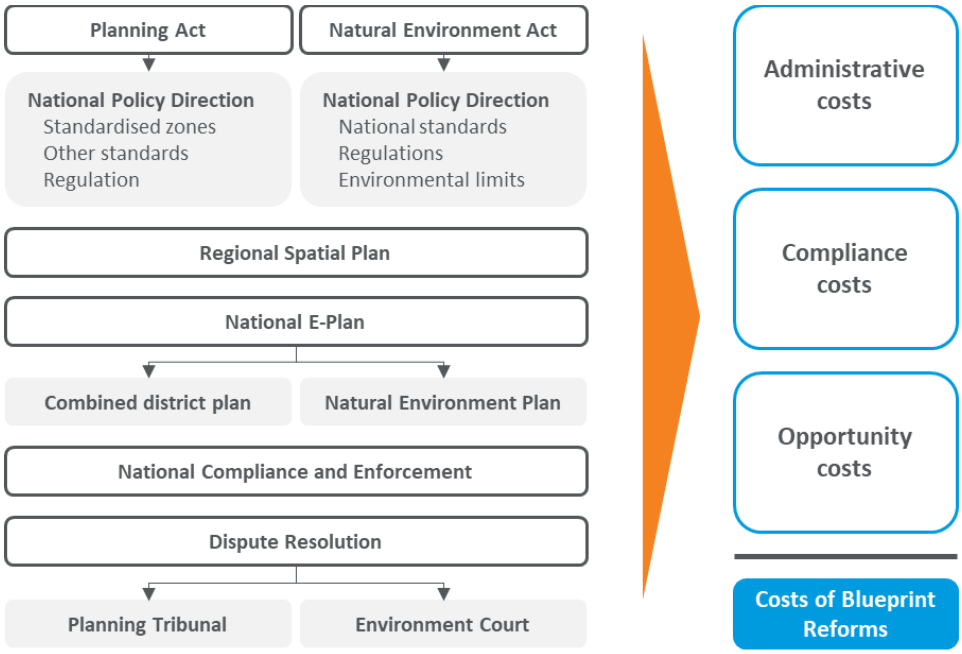
- Research conducted by BakerAg NZ Ltd in August 2023, titled “Cumulative Impact of Government Policy on New Zealand Sheep and Beef Farms”, reported that new legislative acts introduced between 2017 and 2023 resulted in cumulative one-off costs of approximately $39.49 million and annual costs of $576,000 across four farms.
- A study by Macdonald, Rowarth, and Scrimgeour in the *Journal of New Zealand Grasslands* (2015) highlighted that the capital cost of compliance for Waikato dairy farms totals approximately $400 million across the region, demonstrating a significant financial burden.
- A 2007 survey by Federated Farmers revealed that compliance costs associated with the RMA were collectively costing farmers about $80.9 million annually, indicating a substantial regulatory financial impact on the agriculture sector.
- Cassells and Meister's study, published in the *Australian Journal of Agricultural and Resource Economics* in 2001, estimated that the introduction of new effluent disposal systems mandated by regional councils under the RMA could increase the cost of dairy farming by 3.2–3.6 percent in capital costs and 19.4–19.5 percent in unskilled labour costs, reflecting significant economic pressures from environmental regulations on the dairy sector.

These regulatory burdens underscore that there might be significant opportunity costs that are imposed on the agriculture sector. The regulation might have positive impact by reducing the environmentally harmful effects of farming. However, if it is poorly done and modifies farming in suboptimal ways, then such regulation might create negative value for farmers, economy and the environment.

3 Costs of the proposed resource management system—Blueprint Reforms

The EAG's Blueprint Report sets out a reform agenda. It recommends a series of changes to the primary legislation, and significant changes in the plan-making process by having more coverage of national direction including national standardised zones and overlays environmental limits for natural resources set nationally and regionally and regional uniformity with chapters that each Regional Council and Territorial Authority will be responsible for. The Blueprint Reforms also propose reducing the scope of matters that are covered by the RM system, which leads to changes in the administrative function, and corresponding compliance burden. The compliance and monitoring function is changed, and dispute resolution process is also altered. We have estimated the administrative and compliance costs of the proposed Blueprint Reforms, as well as estimated the change in opportunity costs. Figure 3.1 illustrates our conceptual approach.

Figure 3.1: Blueprint Reforms and costs



3.1 Administrative costs of Blueprint Reforms

The Blueprint Reforms will involve initial establishment costs and ongoing administrative costs. We have estimated these costs by quantifying the incremental costs on central and local government, as well as judicial bodies, to establish the new regime. We then quantify the estimated ongoing costs, as central and local government administer the new system.

Establishment administrative costs of Blueprint Reforms

The two new pieces of primary legislation need to be drafted, consulted on and then implemented. The central government will then issue national policy direction, specify environmental limits, standards and regulations. Regional councils and territorial authorities will then need to develop regional spatial plans, then subsequently combined district plans and natural environment plans. The Blueprint Reforms propose to change the role of regulation (compliance and enforcement).

We estimate the Blueprint Reforms have an establishment administrative cost at a total present value of $915 million. Table 3.1 sets out the establishment administrative costs of the Blueprint Reforms.

Table 3.1: Establishment administrative costs of Blueprint Reforms

RM function	Annual costs	Present value
The Acts (legislative framework)	$5,000,000	$21,000,000
National policy direction and implementation	$282,000,000	$439,000,000
Spatial planning	$37,000,000	$104,000,000
Regional and district plan making and implementation	$59,000,000	$297,000,000
Consenting, permitting and designations	$21,000,000	$20,000,000
Compliance and enforcement	$25,000,000	$24,000,000
Dispute resolution	$10,000,000	$10,000,000
Total	$439,000,000	$915,000,000

Ongoing administrative costs of Blueprint Reforms

Under the Blueprint Reforms central government will incur significant costs. We expect the two primary Acts will need to be periodically amended. Central government will establish a national e-plan. Local government incurs costs in the preparation of regional spatial plans, and relevant chapters. There are also ongoing costs in the EAG's recommended approach to holding ongoing reviews of the system as a whole—we have defined this under a category of costs called "System self-review".

We estimate the Blueprint Reforms have an ongoing administrative cost at a total present value of $6.3 billion. Table 3.2 sets out the ongoing administrative costs of the Blueprint Reforms.

Table 3.2: Ongoing administrative costs of Blueprint Reforms

RM function	Annual costs	Present value
The Acts (legislative framework)	$1,000,000	$4,000,000
National policy direction and implementation	$46,000,000	$837,000,000

Spatial planning	$17,000,000	$216,000,000
Regional and district plan making and implementation	$82,000,000	$1,220,000,000
Consenting, permitting and designations	$103,000,000	$2,310,000,000
Compliance and enforcement	$65,000,000	$1,456,000,000
Dispute resolution	$11,000,000	$244,000,000
System self-review costs	$7,000,000	$20,000,000
Total	$332,000,000	$6,307,000,000

3.1.1 Detailed analysis of establishment administrative costs of Blueprint Reforms

There are administrative costs associated with the establishment of the Blueprint Reforms. This section sets these out, and the assumptions underpinning the estimates.

The Acts (legislative framework) administrative costs (establishment)

The Blueprint Reforms will require developing two new pieces of legislation during the establishment phase: the Planning Act and the Natural Environment Act. There are administrative costs imposed on central government associated with developing both Acts.

Table 3.3: Estimated establishment administrative cost of national policy direction and implementation of Blueprint Reforms

Affected Party	Impact	Key assumptions	Estimate (PV)
Central government	Develop and support the Planning Act and Natural Environment Act	MFE preferred bid for 2024/25 was $3.895M per year over 4 years Plus amount for "Timely delivery of full scope of work" $1.544M $5.439M per annum, for four years. Four years $15.580M Four years $4.632	$21 million

National policy direction and implementation administrative costs (establishment)

The Blueprint Reforms anticipate two new National Directions. The National Direction- Planning and the National Direction- Natural Environment. Developing and implementing the National Directions will result in administrative costs for both Central and Local Government. Developing Nationally Standardised Zones and Environmental limits will also result in administrative costs for Central and Local Government.

Table 3.4: Estimated establishment administrative cost of national policy direction and implementation of Blueprint Reforms

Affected Party	Impact	Key assumptions	Estimate (PV)

Central government	Develop two new National Direction	Assumed development costs based on the NPS-FM and NPS-UDC, development takes 2 years. Average development cost of 1 ND per year is $ $2,108,205 (NPS-FM and NPS-UDC inflation-adjusted costs)	$8.4 million
	Implement two new National Direction	Assumed implementation costs based on the NPS-FM and NPS-UDC, implementation occurs over 4 years. The average implementation cost of 1 ND per year is $1,039,256 (NPS-FM and NPS-UDC inflation-adjusted costs)	$7.9 million
	Ensure coherence across National Directions	Assume six FTEs are needed to work on the review of national direction and to prepare the evaluation and justification report. Assume FTE costs $150,000 per year (approximates local council cost for FTE).	$3.5 million
	Develop Nationally Standardized zones	Auckland Unitary plan cost $50M to develop, assume a 50percent increase in this cost because of the scaler of developing national regulatory plans. Assume the same cost are required to develop Nationally Standardized Zones and Environmental limits.	$73.5 million
	Develop Environmental limits	Auckland Unitary plan cost $50M to develop, assume a 50percent increase in this cost because of the scaler of developing national regulatory plans. Assume the same cost are required to develop Nationally Standardized Zones and Environmental limits.	$73.5 million
	Centre of Excellence	Assume a 20percent increase to personnel costs for the EPA and additional $500k for set up costs	$6.4 million
	Policy advice on establishing the water trading scheme	Assume the policy advice catchment and Māori and Iwi engagement for the water trading scheme will cost 50% of MFE's annual policy advice costs during the peak period it was advising on the NPS-FM. We assume the establishment period takes 5 years	$118 million
Local Government	Implement national direction	Assume the status quo national direction cost represents implementing 3 ND per year. Therefore, a decrease to two new ND decreases implementation cost by 33percent	$87.9 million

	Prepare part of the plan that relates to their district	The estimated cost to local authorities of plan-making under the current RMA system is $1.9M per plan according to MFE. Assume this cost of a representative estimate for the cost of developing blueprint national standards and regulatory plans. Assume the same cost are required to prepare chapters for Nationally Standardized Zones and Environmental limits.	$29.8 million
	Prepare part of the plan that relates to their district	The estimated cost to local authorities of plan-making under the current RMA system is $1.9M per plan according to MFE. Assume this cost of a representative estimate for the cost of developing blueprint national standards and regulatory plans. Assume the same cost are required to prepare chapters for Nationally Standardized Zones and Environmental limits.	$29.8 million

Spatial planning administrative costs (establishment)

Central and Local Government will need to develop and implement regional spatial plans under the Blueprint Reforms. This activity will generate administrative costs.

Table 3.5: Estimated establishment administrative cost of spatial planning of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimate (PV)
Central government	Developing regional spatial plans	16 regions=16 plans Assume central government meets 33 percent costs. Given spatial plans are new functions, this will require a significant scale up of council FTE (as we understand existing planning functions will continue as is). Therefore, we assume that creating spatial plans will incur a one-off increase to planning costs estimated at 35 percent of status quo annual cost.	$31 million
	Implementing regional spatial plans	16 regions=16 plans Assume implementation plan is 33percent of total development cost. Assume cost is split 50:50 between central and local government.	$5 million
Local Government	Developing regional spatial plans	Assume Local Government meets 66percent of the costs. Given spatial plans are new functions, this will require a	$62.4 million

		significant scale up of council FTE (as we understand existing planning functions will continue as is). Therefore, we assume that creating spatial plans will incur a one-off increase to planning costs estimated at 35 percent of status quo annual cost.	
	Implementing regional spatial plans	16 regions=16 plans Assume implementation plan is 33percent of total development cost. Assume cost is split 50:50 between central and local government.	$5 million

Regional and District plan-making and implementation administrative costs (establishment)

The Blueprint Reforms will include a national e-portal and a combined e-plan along with a natural environment plan. Developing these new systems will result in one-off administrative costs for local government and central government.

Table 3.6: Estimated establishment administrative cost of regional and district plan-making and implementation of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimate (PV)
Central government	Developing National E-portal	MFE budget bid 2024/25 preferred budget was $3.05M for data and digitization. Add 50percent for the magnitude of this project because we assume the national e-portal will incur higher cost than current IT costs.	$4.4 million
	Combined e-plan	Have used the MFE budget bid figure of $5m, assume this remains a reasonable estimate. According to MfE 'Short Narratives for 2021/22 Budget bids', the Auckland Unitary plan cost $48 million over six years to complete a plan. Therefore, these costs run for 6 years	$28.6 million
	Natural environment plan	Have used the MFE budget bid figure of $5m, assume this remains a reasonable estimate. According to MfE 'Short Narratives for 2021/22 Budget bids', the Auckland Unitary plan cost $48 million over six years to complete a plan. Therefore, these costs run for 6 years	$28.6 million
Local Government	New National e-portal	78 Local Authorities. We assume it will cost each local authority $50k to integrate system.	$3.75 million
	Developing a chapter for combined plan	There will be a scale up of resources at the local government level to create these plans. Therefore, some existing resources will help develop these plans. We assume 27.5percent	$115.8 million

		of status quo planning costs represents a reasonable estimate of what it will take for councils to develop and implement spatial plans.	
	Natural environment plan	There will be a scale up of resources at the local government level to create these plans. Therefore, some existing resources will help develop these plans. We assume 27.5percent of status quo planning costs represents a reasonable estimate of what it will take for councils to develop and implement natural environmental plans.	$115.8 million

Consenting, permitting and designations administrative costs (establishment)

The Blueprint Reforms will likely lead to changes to the consenting and permitting mechanisms, and in designations notification processes. We expect these changes will impose one-off administrative costs for local government.

Table 3.7: Estimated establishment administrative cost of consenting, permitting, and designations of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimate (PV)
Local Government	Adjusting to new consenting system	Assume one of costs of Local Government adjusting to the new consenting system upon establishment Assume this cost will occur following development of regulatory plans and is proportionate to 10percent of the status-quo annual ongoing consent costs .	$20.3 million

Compliance, monitoring and enforcement administrative costs (establishment)

A new stand-alone independent regulator with a regional presence is proposed under the Blueprint Reforms to deliver compliance and enforcement functions. There are administrative costs associated with establishing this national regulator.

Table 3.8: Estimated establishment administrative cost of compliance and enforcement of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimated costs (NPV)
Central government	Establishment of a stand-alone independent national regulator with regional presence	$16.57M was the cost to establish Taumata Arowai- which is the water regulator for NZ Assume the national costs of the independent regulator would incur similar establishment costs. Assume that there are 16 regional offices	$24 million

		that will have a relatively low footprint and an average set up cost of $0.5 million to secure the space and vehicles on average required	

Dispute resolution administrative costs (establishment)

Developing legislative functions and establishing the Planning Tribunal will impose administrative costs on central government.

Table 3.9: Estimated establishment administrative cost of dispute resolution of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimate (PV)
Central government	Must appoint staff and set up organization and resources to operate and develop legislative functions for planning tribunal	We have assumed the Planning Tribunal will use district courts meeting spaces, conduct meetings virtually, or rent ad hoc flexible spaces in a way that is similar to the arbitration tribunal. Establishment costs we assume will also include branding and hiring managerial positions. This estimate is largely operational based on recent estimates from Taumatau Arowai and operating the Environment Court Assume two FTE needed to work on developing legislation Assume FTE costs $150,000 per year (approximates local council cost for FTE). Assume it will take one year to develop legislation	$10 million

3.1.2 Detailed analysis of ongoing administrative costs of Blueprint Reforms

There will be ongoing administrative costs for the Blueprint Reforms. These are set out as follows with key assumptions.

The Acts (legislative framework) administrative costs (ongoing)

The Planning Act and the Natural Environment Act will need to be amended regularly. These amendments will result in administrative costs for central government.

Table 3.10: Estimated ongoing administrative cost of legislative framework of Blueprint Reforms

Affected Party	Impact	Key assumptions	Estimate (PV)
Central government	There will be costs imposed from amendments to both Acts	Assume amendments will cost $500,000 per Act. Assume that amendments to each Act will occur every 5 years	$4.3 million

National policy direction and implementation administrative costs (ongoing)

The Blueprint Reforms anticipate greater use of National Directions. These will need to be amended regularly, there will be administrative costs incurred by central government to fund increased operating functions for both Heritage NZ and the Environmental Protection Authority. Local government will also incur administrative costs to facilitate the trading for the use of natural resources.

Table 3.11: Estimated ongoing administrative cost of National Direction of Blueprint Reforms

Affected Party	Impact	Key assumptions	Estimate (PV)
Central government	Amendments to National Directions	Assume amendments will cost $500,000 per National Direction. Assume that amendments to each National Direction will occur every 5 years.	$4.3 million
	Need to fund the operating costs of increased functions for Heritage NZ	Assume the greater role for Heritage NZ in managing historical matters will increase staff costs by 5percent	$15.8 million
	Ongoing operating costs of increased functions for the EPA	Assume the Centre of excellence will increase staff and operating costs for EPA by 20percent	$134.5 million
	Ongoing costs of operating the resource allocation and trading scheme	Assume the resource allocation and trading scheme will cost at least as much as the ETS annual administrative costs (currently incurred at MfE, EPA and MPI). Assume these costs begin after the trading scheme is established in year five	$620 million
Local Government	Supporting services to facilitate trading	Will require additional FTEs (and overhead cost) at regional councils. Some will require more than others. We assume an average of 1.5 FTEs across all regional councils.	$63.7 million

Spatial planning administrative costs (ongoing)

The Planning Act requires spatial plans to be updated regularly. The maintenance of the National E-portal will impose administrative costs on central government. Local government will incur administrative costs from updating spatial plans and updating coordination documents required under the Blueprint Reforms.

Table 3.12: Estimated ongoing administrative cost of spatial planning of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimate (PV)
Central government	Planning act provides for spatial	Assume plans are updated annually	$47.5 million

	plans to be updated on regular basis	Assume that updates will incur a cost that is 20 percent of the status quo total cost of developing plans based on ratio of review to development costs from MFE figures.	
	Ongoing operating costs to maintain and update e-portal	Assume $2m per year is enough to maintain and improve the system, based on Castalia 2020/21 estimates	$44.8 million
Local Government	Planning act provides for spatial plans to be updated on regular basis. Coordination document are required to be updated at least every three years	Assume plans are updated annually Assume that updates will incur a cost that is 20 percent of the status quo total cost of developing plans based on ratio of review to development costs from MFE figures. Assume coordination document will increase monitoring and enforcement costs by 5percent. This represents the cost of creating and regularly updating the coordination document	$123.5 million

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Regional and District plan-making and implementation administrative costs (ongoing)

Local government will be required to review and change plans regularly and continue to manage ongoing administration of regional and local plans. These activities impose ongoing administrative costs.

Table 3.13: Estimated ongoing administrative cost of regional and district plan-making and implementation of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimate (PV)
Local Government	Plan reviews and changes every 10 years	Based on 2020/21 Castalia estimates plans cost $1.9m to develop, review costs $380,000 using the high end of the range. (figures from MfE Impact Summary) Therefore, review is 20percent of development cost We consider MFE's estimate is too low. The regional spatial plans are major regulatory instruments and will be highly contentious. It is unreasonable to assume that the plans will last 10 years and only require a review costing $380,000 every 10 years. We think it is safer to assume the 10-yearly review costs as much as the initial plan-making cost of $1.9m.	$62 million
	Ongoing administration of regional and local plans at Regional and Local councils	Blueprint Reforms propose significant standardisation but still provides discretion for regional and district councils to develop bespoke plan provisions. Regional and local	$1.16 billion

		councils will have reduced scope for plan-making. Activity categories will be removed. We have broadly estimated that plan-making costs will reduce for the following reasons, compared to RM System: - Staff and staff overhead costs will reduce by 25 percent, due to greater regional and national standardisation - Consultants' costs will also reduce to 50percent of total FTE costs as standardisation reduces need for consultant advice - Need for review time is incorporated into the on average 10-yearly review of the plans	

Consenting, permitting and designations administrative costs (ongoing)

Local government consenting, permitting and designation activities involve administrative costs in addition to administrative costs in taking prosecution action. We expect these to continue at a reduced rate than the current RM System.

Table 3.14: Estimated ongoing administrative cost of consenting, permitting, and designations of Blueprint Reforms

Affected party	Affected party	Impact	Estimate (PV)
Local Government	Consent applications--land use, subdivision and combined land-use and subdivision	We assume that Local Government planning officers will receive and process fewer consent and permit applications under the blueprint reforms. This is because more activities are expressly permitted in plans, and presumptions of the right to use property. We assume that land-use, sub-division, and combined land use and sub-divisions will have a greater cost reduction. This is because these can be more standardized, reducing the need for consent applications and reducing the number of consent and permit applications by a weighted percentage	$1.435 billion
	Consent applications--Water, coastal and discharge	We assume that Local Government planning officers will receive and process fewer consent and permit applications under the blueprint reforms. This is because more activities are expressly permitted in plans, and presumptions of the right to use property. We assume that water, coastal, and discharge applications will have a cost reduction, but this will not be as high a reduction as for land-use, subdivision, and combined land-use. This is because of the technical and varied nature of these types of consents that will require planning officers to review applications	$372 million

	Taking prosecution action	Assume 25percent reduction in decisions to prosecute due to the more permissive system and more tools for regulators besides prosecution. The reduction in the number of consent and permit applications will also reduce the number of situations where a decision to prosecute will arise	$502.7 million

Compliance and enforcement administrative costs (ongoing)

The National independent regulator with regional presence will result in ongoing administrative costs for central government. Local government will continue to face administrative compliance and enforcement costs, however, we expect these will be somewhat reduced under the Blueprint Reforms.

Table 3.15: Estimated ongoing administrative cost of compliance and enforcement of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimate (PV)
Central Government	Ongoing opex of independent regulator	Assume ongoing costs will be similar to Taumata Arowai annual operating costs	$476.4 million
Local government	Compliance and performance costs	Assume a 50percent decrease in CME costs for local Government due to national regulator delivering RM compliance and enforcement activities. We have assumed the number of consent and permit applications will decrease under the blueprint reforms. This will further decrease the cost of compliance and enforcement matters local government undertakes, due to fewer consents to monitor and enforce compliance on	$979.3 million

Dispute resolution administrative costs (ongoing)

The Planning Tribunal functions impose ongoing costs. The ongoing performance monitoring of the new system is also counted under this category as an ongoing administrative cost. Local government also incurs ongoing administrative cost in resolving disputes via the Environment Court, these costs will be lower than under the RM System.

Table 3.16: Estimated ongoing administrative cost of dispute resolution of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimate (PV)

Central government	Resourcing the ongoing functions of the Planning Tribunal	Assume Planning tribunal will deal with fewer disputes under the Blueprint reforms because of more permissive rules and standardisation of plans. This will reduce the number of resources needed to operate to Planning Tribunal Assume 50percent reduction in operating costs of disputes tribunal to estimate cost ongoing costs of operating the Planning Tribunal	$79.3 million
	Operating costs of the Environment Court	Assume there will be a 25percent reduction in the operating costs of the EC due to more permissive consent and permits, greater focus on standards. Fewer number of consent and permit applications will also reduce the number of appeals to the EC	$165 million

System self-review administrative costs (ongoing)

The Blueprint Reforms propose evaluation and ongoing reviews of the performance of the system. These incur ongoing administrative costs.

Table 3.17: Estimated ongoing system self-review administrative costs

Affected Party	Impact	Key assumptions	Estimate (PV)
Central government	Ongoing review of RM system performance	Assume a review of the reformed RM system as a whole would cost 50% more than the cost of the AUP. The Blueprint system will be more streamlined, reducing the overall cost of the review 50 percent is added to this cost to reflect greater magnitude of reviewing the blueprint system as a whole.	$6.3 million
Central government	Having an independent review point every 10 years	Assume this costs reflects an estimate for the cost of an independent review of the Blueprint System	$8.2 million
Local government	Changes from independent review findings	Assume this will cost the same as the cost of implementation agreements for regional spatial plans	$5.4 million

3.2 Compliance costs of Blueprint Reforms

There are establishment and ongoing compliance costs of the Blueprint Reforms:

Establishment compliance costs of Blueprint Reforms

Establishing the Blueprint Reforms will incur compliance costs. Affected parties will make submissions on the two primary Acts. We anticipate that users will need to adjust to the new Blueprint Reform system of consenting, permitting, and designations, which will incur costs.

We estimate the Blueprint Reforms have an establishment compliance cost at a total present value of $188 million. Table 3.18 sets out the establishment compliance costs of the Blueprint Reforms.

Table 3.18: Establishment compliance costs of Blueprint Reforms

RM function	Annual costs	Present value
The Acts (legislative framework)	$2,000,000	$2,000,000
National policy direction and implementation	$1,000,000	$4,000,000
Spatial planning	$23,000,000	$67,000,000
Regional and district plan making and implementation	$18,000,000	$52,000,000
Consenting, permitting and designations	$64,000,000	$63,000,000
Compliance and enforcement	$-	$-
Dispute resolution	$-	$-
Total	***$108,000,000***	***$188,000,000***

Ongoing compliance costs of Blueprint Reforms

Under the Blueprint Reforms local government and users will incur costs. Local Government and users will incur costs for submitting and reviewing consents, however, we estimate these are significantly lower than under the RM System. We expect the Blueprint Reforms clearer national standards, consistent plans, enabling of rapid low-cost resolution of disputes, and reducing the need for consents will reduce ongoing compliance costs. There are also ongoing compliance costs related to the EAG's recommended approach to holding ongoing reviews of the system as a whole—we have defined this under a category of costs called "System self-review".

We estimate the Blueprint Reforms have an ongoing compliance cost at a total present value of $10.72 billion. The Table below sets out the establishment compliance costs of the Blueprint Reforms.

Table 3.19: Ongoing compliance costs of Blueprint Reforms

RM function	Annual costs	Present value

The Acts (legislative framework)	$3,000,000	$13,000,000.00
National policy direction and implementation	$9,000,000	$119,000,000.00
Spatial planning		
Regional and district plan making and implementation	$17,000,000	$35,000,000.00
Consenting, permitting and designations	$343,000,000	$7,689,000,000.00
Compliance and enforcement	$91,000,000	$2,038,000,000.00
Dispute resolution	$37,000,000	$820,000,000.00
System self-review	$5,000,000	$10,000,000
Total	$505,000,000	$10,724,000,000

3.2.1 Detailed analysis of establishment compliance costs of Blueprint Reforms

There are establishment compliance costs relating to introducing the Blueprint Reforms. These are set out below with our key assumptions.

The Acts (legislative framework) compliance costs (establishment)

Affected parties will incur costs making submissions on to the Planning Act and Natural Environment Act. We assume the cost of submissions to be the same for both Acts.

Table 3.20: Estimated establishment compliance cost of legislative framework of Blueprint Reforms

Affected Party	Impact	Key assumptions	Estimate (PV)
Local government	Submissions and consultation on the development of Planning Act and NEA	We assume both Acts will have an increased number of submissions. We estimate submissions on both Acts will incur a one-off 50 percent increase in annual submission costs compared to the annual status quo submissions on amendment costs. Multiplied this cost by 2 - assume that costs average out equally across the two Acts	$1.03 million
Māori	Submissions and consultation on the development of Planning Act and NEA	We assume both Acts will have an increased number of submissions. We estimate submissions on both Acts will incur a one-off 50 percent increase in annual submission costs compared to the annual status quo submissions on amendment costs. Multiplied this cost by 2 - assume that costs average out equally across the two Acts	$0.25 million
RM Users	Submissions and consultation on the development of	We assume both Acts will have an increased number of submissions. We estimate submissions on both Acts will	$0.6 million

	Planning Act and NEA	incur a one-off 50 percent increase in annual submission costs compared to the annual status quo submissions on amendment costs. Multiplied this cost by 2 - assume that costs average out equally across the two Acts	

National policy direction and implementation compliance costs (establishment)

Submissions on the National Directions will result in compliance costs for local government, Māori, and other RM Users. We assume the cost of submissions to be the same for both National Directions.

Table 3.21: Estimated establishment compliance cost of national policy direction and implementation of Blueprint Reforms

Affected Party	Impact	Key assumptions	Estimate (PV)
Local government	Submission and professional fees on new National Direction	35 councils submitted (average from NPS Freshwater and NPS-UD) - $87.30 = council officer wage + overhead/hr (MfE consent spreadsheet) - 80 hours per submission (Castalia assumption) Have based on Castalia 2020/21 estimates	$1.9 million
RM Users	Submission and professional fees on new National Direction	22 large submitters (average from NPS Freshwater and NPS UD submission results $23,754 per submission Castalia assumption 391 smaller submission average from NP freshwater and NPS US submission 10 hours per submission*average wage (27.3) Have based on Castalia 2020/21 estimates	$1.2 million
Māori	Submission and professional fees on new National Direction	15 Māori submitters (average from NPS Freshwater and NPS-UD) - 100 hours/submission * wage cost $84.90 (Castalia assumption: Māori spend a bit longer on consultation because they often engage directly with Government. Some iwi groups also run on volunteer work, but some have employed professionals so $84.90 is an average between the two groups) Have based on Castalia 2020/21 estimates	$0.5 million

Spatial planning compliance costs (establishment)

Submissions on the new spatial plans will impose compliance costs for RM users (including Māori).

Table 3.22: Estimated establishment compliance cost of spatial plans of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimate (PV)
Māori	Submissions on spatial plans	Based on Castalia 2020/21 estimates. MfE (impact analysis 2020) quotes a range of costs. Opt for the middle of two ranges $16m then divide by 2 as it is represents total estimated participation costs for both spatial and combined planning processes. Assume plans take 3 years to develop based on the time it took to create the Auckland plan (2010 to 2013).	$23 million
RM Users	Submissions on spatial plans	Based on Castalia 2020/21 estimates. - 30 large submitters (Castalia assumption) - $23,965 per submission from large submitter (Castalia assumption) - 900 smaller submitters (average submissions across various planning processes) - 10 hours per submission * average wage ($27.3) Variables drawn from the status quo tab - but multiplied by a factor of three representing that regional plans impact more people compared to local plans	$44.2 million

Regional and District plan-making and implementation compliance costs (establishment)

Submissions on the Natural Environment Plans and Combined District Plans by RM users (including Māori) will impose establishment compliance costs.

Table 3.23: Estimated establishment compliance cost of regional and district plan-making and implementation of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimate (PV)
RM Users	Submissions on natural environment plan and combined district plan	Assume costs will be the same for both the Natural environment plan and combined district plan. Have used Castalia 2020/21 estimates - 30 large submitters (Castalia assumption) - $23,965 per submission from large submitter (Castalia assumption) - 900 smaller submitters (average submissions across various planning processes) - 10 hours per submission * average wage ($27.3) Variables drawn from the status quo tab - but multiplied by a factor of three representing that regional plans impact more people compared to local plans	$2.8 million per plan

Māori	Submissions on natural environment plan and combined district plan	Assume costs will be the same for both the Natural environment plan and combined district plan Castalia 2020/21 estimates MfE (impact analysis 2020) quotes a range of costs. Opt for the middle of two ranges $16m then divide by 2 as it is represents total estimated participation costs for both spatial and combined planning processes. Assume plans take 3 years to develop based on the time it took to create the Auckland plan (2010 to 2013).	$23 million per plan

Consenting, permitting and designations compliance costs (establishment)

Consenting, permitting, and designation processes will change under the Blueprint Reforms. We expect adjusting to these changes will result in a one-off compliance cost for RM users.

Table 3.24: Estimated establishment compliance costs of consenting, permitting, and designations of Blueprint Reforms

Affected party	Affected party	Impact	Estimate (PV)
RM Users	Adjustment period to new consenting mechanisms	Assume one of the costs of RM users adjusting to the new consenting system upon establishment. Assume this cost is estimated at 10percent of RM System annual cost of consent	$62.5 million

Compliance, monitoring and enforcement

We assume there will be minimal establishment compliance costs in respect of the compliance, monitoring and enforcement functions under the Blueprint Reforms.

Dispute resolution

We assume there will be minimal establishment compliance costs in respect of the dispute resolution functions under the Blueprint Reforms.

3.2.2 Detailed analysis of ongoing compliance costs of Blueprint Reforms

The Blueprint Reforms impose ongoing compliance costs. These compliance costs are set out below with key assumptions.

The Acts (legislative framework) compliance costs (ongoing)

Amendments to the Planning Act and Natural Environment Act will occur under the Blueprint Reforms. Local government, RM Users (including Māori) will submit on these changes. These activities will result in ongoing compliance costs.

Table 3.25: Estimated ongoing compliance costs of the legislative framework of Blueprint Reforms

Affected Party	Impact	Key assumptions	Estimate (PV)
Local government	Submissions on amendments to the Planning Act and	Assume submissions will cost $500,000 per Act	$4.3 million

	Natural Environment Act	Assume that amendments to each Act will occur every 5 years	
Māori	Submissions on amendments to the Planning Act and Natural Environment Act	Assume submissions will cost $500,000 per Act Assume that amendments to each Act will occur every 5 years	$4.3 million
RM Users	Submissions on amendments to the Planning Act and Natural Environment Act	Assume submissions will cost $500,000 per Act Assume that amendments to each Act will occur every 5 years	$4.3 million

National policy direction and implementation compliance costs (ongoing)

Amendments to the National Directions will occur under the Blueprint Reforms. Local government, RM users (including Māori) will submit on any proposed amendments. These activities will result in compliance costs.

Table 3.26: Estimated ongoing compliance costs of national policy direction and implementation of Blueprint Reforms

Affected Party	Impact	Key assumptions	Estimate (PV)
Local government	Submissions on amendments to the National Directions	Assume submissions will cost $500,000 per National Direction Assume that amendments to each National Direction will occur every 5 years	$4.3 million
Māori	Submissions on amendments to the National Directions	Assume submissions will cost $500,000 per National Direction Assume that amendments to each National Direction will occur every 5 years	$4.3 million
RM Users			
	Ongoing costs of users participating in the resource allocation and trading scheme	There are around 300 catchment groups in New Zealand, we assume participating in the trading scheme will cost a total of $6 million annually. We assume each catchment has varying degrees of allocation complexity and risk of over-allocation issues. Assume an average annual compliance activity among Iwi Māori, farmers and other people participating, trading, and negotiating of $20,000 per catchment group. Some catchment costs will be much higher while others will be lower Assume these costs begin after the trading scheme is established in year 5	$106 million
	Submissions on amendments to the National Directions	Assume submissions will cost $500,000 per National Direction Assume that amendments to each National Direction will occur every 5 years	$4.3 million

Spatial planning

We assume there will be minimal ongoing compliance costs in respect of the spatial planning functions.

Regional and District plan-making and implementation compliance costs (ongoing)

Responding to plan changes, and submitting and participating in proposed plan changes will occur under the Blueprint Reforms. Responding to these will result in ongoing compliance costs for RM users (including Māori).

Table 3.27: Estimated ongoing compliance costs of regional plan-making and implementation of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimate (PV)
Māori	Submitting and participating in proposed plan changes	Based on Castalia 2020/21 estimates MfE (impact analysis 2020) quotes a range of costs. We opt for the middle of two ranges $16m then divide by 2 as it represents total estimated participation costs for both spatial and combined planning processes. Assume it is 20% of these costs which is the ratio of development to review costs.	$33 million
RM Users	Submitting and participating on proposed plan changes	Based on Castalia 2020/21 estimates - 30 large submitters (Castalia assumption) - $23,965 per submission from large submitter (Castalia assumption) - 900 smaller submitters (average submissions across various planning processes) - 10 hours per submission * average wage ($27.3) Status quo variables are multiplied by a factor of three representing that regional plans and district plan reviews and changes impact more people	$31.4 million

Consenting, permitting and designations compliance costs (ongoing)

Under the Blueprint Reforms RM Users will continue to submit consent applications and respond to prosecutions. The activities required for this results in compliance costs, however, we expect these will continue at a lower rate than the current RM System.

Table 3.28: Estimated ongoing compliance costs of consenting, permitting and designations of Blueprint Reforms

Affected party	Affected party	Impact	Estimate (PV)
RM Users	Consent applications--land use, subdivision and	We assume that RM users will receive and submit fewer consent and permit applications under the blueprint reforms. This is because more activities are expressly permitted in plans, and	$5.25 billion

	combined land-use and subdivision	presumptions of the right to use property. We assume that land-use, sub-division, and combined land use and sub-divisions + applications will have a greater cost reduction. This is because these can be more standardized, reducing the need for consent applications and reducing the number of consent and permit applications by a weighted percentage	
	Consent applications--Water, coastal and discharge	We assume that RM users will receive and submit fewer consent and permit applications under the blueprint reforms. This is because more activities are expressly permitted in plans, and presumptions of the right to use property. We assume that water, coastal, and discharge applications will have a cost reduction, but this will not be as high a reduction as for land-use, subdivision, and combined land-use. This is because of the technical and varied nature of these types of consents that will require RM Users to continue to submit applications	$1.7 billion
	Responding to prosecutions	Assume 25percent reduction in decisions to prosecute due to the more permissive system and more tools for regulators besides prosecution. The reduction in the number of consent and permit applications will also reduce the number of situations where a decision to prosecute will arise	$603 million
Local Government	State of environment monitoring and making data readily available	Assume making environmental monitoring data will increase monitoring and enforcement costs by 5%. Representing greater staff time required to publish data and make it user friendly.	$117 million

Compliance and enforcement compliance costs (ongoing)

Under the Blueprint Reforms RM users will be required to respond to enforcement actions and ensure compliance. This imposes compliance costs on RM users. We expect these costs will continue at a lower rate than under the current RM System.

Table 3.29: Estimated ongoing compliance costs of compliance and enforcement of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimate (PV)
RM Users	Responding to enforcement actions and ensuring compliance	We have assumed 50percent decrease in number of consents, therefore we can assume a 50percent decrease in the cost of compliance and responding to enforcement. We have assumed the number of consent and permit applications will decrease under	$2.04 billion

		the blueprint reforms. This will further decrease the cost of compliance and enforcement matters RM user respond to, due to fewer consents to maintain compliance.	

Dispute resolution compliance costs (ongoing)

RM users must respond to litigation and tribunal proceedings under the Blueprint Reforms, these activities generate compliance costs.

Ongoing system reviews of the RM System will be submitted on by Māori and other RM Users incurring compliance costs.

Table 3.30: Estimated ongoing compliance costs of dispute resolution of Blueprint Reforms

Affected party	Impact	Key assumptions	Estimate (PV)
RM Users	Cost of applicants and respondents through litigation	Assume there will be a 25 percent reduction in the costs of litigation due to more permissive consent and permits, greater focus on standards. Fewer number of consent and permit applications will also reduce the number of appeals to the EC, reducing the cost to applicants Appeals to the EC would be available on the merits of bespoke plan provisions	$819.9 million

System self-review compliance costs (ongoing)

The Blueprint Reforms propose evaluation and ongoing reviews of the performance of the system. These incur ongoing compliance costs as affected parties incur costs to participate.

Table 3.31: Estimated ongoing compliance costs of system self-review

Affected Party	Impact	Key assumptions	Estimate (PV)
RM users	Submissions on proposed changes resulting rom ongoing reviews	Based on Castalia 2020/21 estimates - 30 large submitters (Castalia assumption) - $23,965 per submission from large submitter (Castalia assumption) - 900 smaller submitters (average submissions across various planning processes) - 10 hours per submission * average wage ($27.3) Status quo variables are multiplied by a factor of three representing that nationwide independent reviews will impact more people	$6.3 million
Māori	Submissions on proposed changes resulting from the review	Based on Castalia 2020/21 estimates MfE (impact analysis 2020) quotes a range of costs. We opt for the middle of two ranges $16m then divide by 2 as it represents total	$3.3 million

	estimated participation costs for both spatial and combined planning processes

3.3 Opportunity costs of Blueprint Reforms

We compare the opportunity costs of the RM System against the estimated opportunity costs of the Blueprint Reforms. We analyse each of the four categories of opportunity costs discussed in section 2.2.1.

We first identify which component of the Blueprint Reforms influences the category of opportunity costs. We then identify potential changes (improvements or deteriorations) in outcomes, and address any uncertainties where outcomes are not clear.

Table 3.5 presents a summary of our comprehensive analysis. The analysis utilises the scope comparison table from the Blue Report to assess how each proposed category could impact the four categories of opportunity costs. Note that the Blueprint Report, by its very nature as a 'blueprint', does not detail the suggested changes to the resource management system. Without more detail, many outcomes remain uncertain. However, by integrating analysis of the indirect costs associated with the current system with fundamental economic analysis, we can suggest potential directions for opportunity costs.

Table 3.5: Summary of direction of impact of Blueprint Reforms on opportunity costs of the current system

Blueprint Reform Aspect	Environment	Infrastructure	Housing and Urban Development	Economy
Property rights ▪ presumption that land can be used unless it produces externalities ▪ expanding permitted activities ▪ more protection from regulatory takings ▪ justification reports for local rules ▪ narrow reverse sensitivity				
Effects ▪ narrow definition of effects for land use ▪ raise materiality threshold of effects ▪ consideration of material impacts on third parties or natural resources embed permitted baseline				
Scope ▪ cannot regulate matters adequately covered elsewhere ▪ narrower goals ▪ cannot repeat higher-order content proportionality principle				
Standardisation ▪ simplified national direction				

▪ cohesive NPD ▪ standardised planning provisions and performance standards ▪ NSZ and overlays for district plans ▪ regulations for consistent format, structure and regional plan provisions				
Public participation ▪ participation targeted at plans ▪ Limitation on scope of full notification under the Planning Act ▪ no ability to relitigate content from higher order documents ▪ limited appeals				
Planning ▪ a regional spatial plan for separating incompatible land uses ▪ a natural environment plan and combined district plan for a region ▪ narrow scope and effects for regulation and decision making ▪ a requirement to not repeat higher order objectives				
Consenting ▪ reduced number of activity categories ▪ more than minor test determines who Is affected				
Limits ▪ **NEA to set environmental limits**				

Key	
	Represents a likely deterioration
	Represents a likely improvement
	Represents uncertainty

3.3.1 Environmental outcomes

The key changes from the Blueprint Reforms that affect environmental outcomes include:

- Clear environmental limits for all activities.
- Clarity in permitted activities.
- Reduction in the scope of the resource management system.
- Defined zones for permissible activities.
- More targeted public participation.

Due to the directional nature of the Blueprint Report recommendations, most of the Blueprint Reforms do not have exact details which are necessary to analyse their possible outcomes. The detailed legislation, regulations and policy design is yet to come.

Without details of the regulations, some outcomes will remain uncertain

The impact of many of the changes depends on the specifics of the regulations. For example, setting new environmental limits lower than current standards could harm the environment. On the other hand, if these limits are stronger and more explicitly defined than existing ones, they could benefit the environment and could impose even more restrictions on development.

The level of targeted public participation also influences outcomes. As such, more relevant and targeted public involvement could enhance results. However, if this targeting excludes key stakeholder feedback, it could lead to worse outcomes, as it might cause regulators to forego crucial insights necessary for thorough analysis.

Some of the changes may worsen environmental outcomes

EAG report notes "the legislation states that less than minor effects are not regulated except where it is necessary to manage significant cumulative effect." (26) This change may worsen environmental outcomes as less than minor effects will not always be regulated.

Though some of the other changes are more likely to be positive:

The EDS report identifies poor monitoring and compliance as major flaws of the current RMA (2017). Analysis from mining sector (discussed in box 2.2) also shows that ambiguity regarding permissible activities raises the costs for stakeholders applying for consents and increases the system's burden in making and enforcing decisions.

The Blueprint Reforms propose a clearer and more focused scope of resource management system. It shifts resources from lower-value activities, such as prosecuting and defending minor nuisances, to addressing more significant issues. This clarity in environmental limits, activities, and regulations could reduce administrative burdens, improve success rates of consent applications, and decrease disputes between stakeholders.

By refocusing resource management, the system might free up resources for more effective environmental protection and prevent costs associated with activities likely to be rejected. More effective environmental protection might become possible as the system can now better regulate activities that previously might have proceeded due to limited enforcement resources.

Similarly, the independent national regulator with a regional presence could improve the compliance and monitoring by assuming these activities away from the local authorities. This could improve the consistency of monitoring and enforcement, provide lower cost as the national regulator might have the sufficient size to benefit from economies of scale, and be more independent of local interests.

3.3.2 Infrastructure development

The key changes from the Blueprint Reforms that affect infrastructure development as follows[8]:

- Clear environmental limits for all activities.
- Long-term regional spatial planning that has strong weight on regulatory plans
- Clarity in permitted activities.
- Lower thresholds for consenting.
- Defined zones for permissible activities.
- New national compliance and enforcement agency
- More targeted public participation.

The Blueprint Reforms might have positive impact on infrastructure

Reducing the costs and delays associated with consenting, along with lower compliance costs, can decrease the overall investment costs in infrastructure. This reduction can increase infrastructure investment by making some projects that might have previously been unviable, viable.

The current system's high consenting costs, which represent a significant percentage of total project costs for smaller infrastructure projects, are a major concern as highlighted in section 2.3.2. Lowering compliance and administrative costs might result in an increase in such projects.

Clarifying environmental limits, permitted activities, and zoning details can enhance the attractiveness of investing in infrastructure by providing clearer outcomes from the consenting process. Clearer zoning might help support adaptation of infrastructure to climate change and hazard risks by facilitating construction in more suitable zones and potentially encouraging the relocation of some infrastructure. Additionally, well-defined zones can aid in guiding the design and incorporation of disaster mitigation systems into projects, thereby enhancing their resilience. Environmental limits can make it clearer about where infrastructure development is not appropriate.

However, whether the Blueprint reforms can support infrastructure will depend on the execution of the reforms and the environmental limits and restrictions in the NEA. Ultimately, the extent of infrastructure development will also depend on how trade-offs between infrastructure and environmental protection are managed.

3.3.3 Housing and urban development

The Blueprint Reforms will affect housing and urban development as follows:

- Defined zones for permissible activities
- Long-term regional spatial planning that has strong weight on regulatory plans

[8] Note that since nearly all Blueprint reforms impact opportunity costs, some repetition exists within these lists. However, it is essential to isolate the key effects to help the reader clearly understand the connection between the Blueprint Reform and the resulting changes in opportunity costs.

- Standardised planning provisions and performance standards
- Consistent and standard regulations
- Clarity in permitted activities
- Lower thresholds for consenting.

The Blueprint Reforms intend to enhance both the affordability and supply of housing through several key changes.

The current system's fragmentation across various local authorities, like district and regional councils, complicates land use regulations and hampers consistent enforcement of central government policies. This variation can lead to compromised regulatory quality.

By standardizing regulations and clarifying permissible construction activities and locations, the Blueprint Reforms can increase housing investments, both in new (greenfield) and existing (brownfield) urban areas. These changes might help alleviate pressure on housing supply and improve affordability.

The Planning Act focuses on zoning for housing and infrastructure based on anticipated demand, which can provide housing suppliers with better opportunities to meet future needs. Importantly, we discussed the role of restricting land supply in increasing house prices in section 2.3.2. The Planning Act could reduce house prices and encourage affordable and sustainable urban development by ensuring that enough land is available for cities to naturally grow. The act can also support housing by identifying existing and future infrastructure corridors potentially supporting land protection and reducing the cost of providing infrastructure.

Introducing more flexible zoning that permits higher density construction can enhance the supply and affordability of housing. Higher supply elasticity in these areas means that housing can more readily respond to market demands. Reducing barriers to obtaining consents and enhancing land availability through improved spatial planning are also crucial steps toward boosting housing supply.

The proposed spatial planning changes intend to consider opportunities and environmental constraints in an integrated manner so that housing and development occurs in a way that maximises benefits while minimises costs. However, whether the proposed spatial planning will indeed can support housing and urban development will depend on the execution of spatial plans, and the environmental limits and restrictions in the NEA. Ultimately, the extent of housing and urban development will depend on how trade-offs between housing needs and environmental protection are managed.

Forecasting the increase in housing due to these reforms is challenging

It is not possible to do quantitative modelling within the tight timeframe of this report. Housing supply is influenced by a variety of factors, including monetary policy, market demand, and the availability of building materials. Despite these challenges, the reforms aim to tackle the primary deficiencies identified in the RM system by its users and highlighted by academic research into housing shortages. This focus on known issues provides a targeted approach to improving housing supply.

3.3.4 Growth and productivity in the economy

The key changes from the Blueprint Reforms that affect economy include:

- Consistent and standard regulations.
- Clear environmental limits for all activities.
- Clarity in permitted activities.
- Reduction in the scope of the resource management system.
- Lower thresholds for consenting.

Overall, the Blueprint Reforms are likely to support growth and productivity in the economy. However, depending on the detail, some changes could also restrict growth and productivity. For instance, stronger environmental limits, might reduce some otherwise economically beneficial projects.

Reducing the scope of the resource management system will likely reduce the indirect costs associated with administrative and compliance burdens

Reducing the time workers and business owners spend on compliance activities could free up time and resources for more productive pursuits. A narrower focus within the resource management system could enable a concentration on essential compliance and monitoring activities, ultimately improving outcomes for all stakeholders. Furthermore, most users of the system recognize that the high costs of dispute resolution a significant burden. We expect that as a low-cost alternative to the court system, the Planning Tribunal could help reduce litigation expenses for all parties involved. Such changes can have broadly positive effects by enhancing productivity.

As noted in box 2.3, in the agriculture sector, major concerns revolve around the fast pace and wide range of regulatory changes, along with the high costs of compliance and administration. The reforms address these issues by narrowing the system's scope—setting environmental limits, raising materiality thresholds and reducing the need for consents by expanding the list of permitted activities.

Enhanced clarity and stability can encourage investment and improve resource allocation across various sectors. In the mining sector, for example, a frequent issue raised is the lack of clarity within the resource management system.

The Blueprint Reforms aim to clarify the RM system significantly. For instance, establishing clear environmental limits and creating a Natural Environment Plan will provide the sector with more predictable regime, facilitating informed decision-making about investments in mining projects. However, the level of mining investment will also hinge on how the trade-offs between mining activities and environmental protection are handled within the Natural Environment Plans.

Similarly, the development of Natural Environment Plans can offer a valuable opportunity to gather and integrate feedback from all stakeholders, including farmers. The Blueprint Reforms mention that “plan development prior to public notification will include engagement with communities” (EAG 70). If local farmers hence get a say on the relevant regulations, the plans can effectively address another concern raised by farmers regarding the lack of sufficient consultation opportunities before changes to the regulatory system are implemented.[9] As

[9] Though, if the farmers are not engaged in the process of plan development or setting limits, their concerns would remain, and regulations might be sub optimally designed without understanding key stakeholder feedback.

noted in the NZIER report, farmers emphasize that enhanced consultation can lead to better regulation, as they possess crucial insights into the system that regulators may lack (2024). The implementation of these plans can also help provide long-term stability for the agricultural community.

4 Conclusion

The Blueprint Reforms are estimated to significantly reduce administrative and compliance costs. This means the Blueprint Reforms will generate economic benefits. The cost reductions are largely driven by streamlining of national direction, regional spatial planning, and standardisation. The Blueprint Reforms also change the presumption of rights for land and resource owners, which means fewer activities will require consents. The Blueprint Reforms also aim to reduce the matters that are likely to be litigated, and introduce lower-cost Planning Tribunal procedures, thus reducing dispute resolution costs.

The opportunity costs of the resource management regulatory system are also likely to reduce. The EAG's recommendations are largely directional, and the full detail of implementation has not yet been developed. Furthermore, jurisprudence and practice will develop over time on the legal principles underpinning the Blueprint Reforms and the extent of rights and obligations that result. Therefore, precise economic cost-benefit analysis is not feasible, and impossible in the limited time available to us. Based on evidence of the opportunity costs of the status quo RM System, and evidence of the potential benefits of reforms, we find that the Blueprint Reforms are likely to reduce opportunity costs.

4.1 The Blueprint Reforms are estimated to reduce administrative costs

The Blueprint Reforms will reduce administrative costs of the resource management regulatory system compared to the status quo RM System. The key cost reductions come from:

- Fewer primary legislative amendments over the forecast period (the RMA has regularly been amended and 'tinkered with')
- Reduced need for national policy directions and implementation
- Standardised spatial plans reduces reduce the need for Regional Council and Territorial Authority plan-making resources, with associated consultant spend
- Consenting, permitting and designations will reduce in number, reducing the need for consent activity at Regional Councils and Territorial Authorities
- Compliance and enforcement will be centralised, and costs reduced
- Change in the presumption of rights and interests in land and resource use should reduce dispute resolution, and the introduction of a Planning Tribunal will lower costs.

The Blueprint Reforms, however, involve additional costs in spatial planning, and the upfront establishment costs for central and local government.

Table 4.1: Administrative costs of RM System compared to Blueprint Reforms (NPV)

RM Function	RM System NPV administrative costs	Blueprint Reforms NPV administrative costs
The Acts (legislative framework)	$37,000,000	$4,000,000
National policy direction and implementation	$753,000,000	$837,000,000
Spatial planning	$227,000,000	$216,000,000
Regional and district plan making and implementation	$2,669,000,000	$1,220,000,000
Consenting, permitting and designations	$4,308,000,000	$2,310,000,000
Compliance and enforcement	$2,046,000,000	$1,456,000,000
Dispute resolution	$700,000,000	$244,000,000
System self review	$-	$20,000,000
Blueprint Reform establishment administrative costs	n/a	$915,000,000
Total	**$10,741,000,000**	**$7,204,000,000**

4.2 The Blueprint Reforms are estimated to reduce compliance costs

The Blueprint Reforms are also estimated to reduce compliance costs compared to the RM System. The cost reductions and changes come from:

- Standardised spatial plans reduce the scope of plan-making for Regional Council and Territorial Authorities
- Consenting, permitting, and designation will be reduced in number, reducing the number of consent and permit applications. This will reduce compliance costs for local government and users
- Compliance and enforcement will be centralised, and costs will be reduced with the introduction of a new national agency. Reducing the number of consents and permits will further reduce compliance and enforcement costs
- Costs for users will be associated with charges for the use of natural resources and fully allocated resources. Costs will be incurred for supporting services to facilitate trading
- There will be additional upfront establishment compliance costs. This will include an adjustment period for users and local government, and submissions on new legislation and regulatory plans and developing national direction etc.

Table 4.2: Compliance costs of RM System compared to Blueprint Reforms (NPV)

RM Function	RM System NPV compliance costs	Blueprint Reforms NPV compliance costs
The Acts (legislative framework)	$7,000,000	$13,000,000
National policy direction and implementation	$24,000,000	$119,000,000
Spatial planning	$-	$-
Regional and district plan making and implementation	$561,000,000	$35,000,000
Consenting, permitting and designations	$16,483,000,000	$7,689,000,000
Compliance and enforcement	$4,258,000,000	$2,038,000,000
Dispute resolution	$840,000,000	$820,000,000
System self review	$-	$10,000,000
Blueprint Reform establishment compliance costs	n/a	$188,000,000
Total	**$22,174,000,000**	**$10,912,000,000**

4.3 The Blueprint Reforms appear likely to reduce opportunity costs

Blueprint Reforms are likely to reduce the opportunity costs of the resource management regulatory system, as supported by an analysis of the best available literature. The previous Government, as well as earlier Governments, have proposed changes to the RM System. Several Government agencies and stakeholders have published evidence of the opportunity costs of the RM System. We drew on this evidence base and analysed the directional changes proposed in the Blueprint Reforms to qualitatively describe the expected changes in opportunity costs. We note that the EAG recommendations are grounded in substantial evidence published in recent years, highlighting the failures of the current RM system.

However, while directional analysis is possible, it is challenging to forecast the impact with the level of certainty in conventional cost-benefit analysis, for the following reasons:

- There is qualitative analysis and some quantitative analysis of the opportunity costs of the current RM system, but much of this analysis does not directly quantify these costs. While the analysis provides important insights, it cannot serve as a perfect substitute for detailed quantitative analysis

- The Blueprint Reforms lack detail by design, as the legislation has not yet been drafted
- Analysing regulatory changes can be challenging, as indirect effects are often difficult to predict.

Moreover, we estimate the likely outcomes of the Blueprint Reforms over a long period. Jurisprudence and practice will develop over time on the legal principles underpinning the Blueprint Reforms and the extent of rights and obligations that result. It is very difficult to accurately estimate the results of regulatory reform of regarding environmental outcomes, changes in housing supply, pace and scale of infrastructure delivery or change in economic output. Therefore, our analysis is directional only.

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