

## Memo

To: Tim Carter, Carter Group

From: Greg Akehurst, Director, Market Economics

Date: 01/05/2024

Re: 104 Ryans Road Industrial Development – Fast Track Approvals Bill application

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### Introduction

The coalition government has introduced the Fast Track Approvals Bill, the purpose of which is to “provide a streamlined decision-making process to facilitate the delivery of infrastructure and development projects with significant regional or national benefits.” To access the fast track approvals process, project owners must apply to joint Ministers. These Ministers will then refer projects to an expert panel to assess details of the project, make recommendations back to the Ministers who then determine if the approvals should be granted or declined.

Projects that can demonstrate Regional or Nationally significant benefits will have access to this process, and Ministers will have to assess projects against a set of criteria outlined in the Bill. These include (in Section 17(3):

**Clause 17(3):**

*(b) will deliver regionally or nationally significant infrastructure*

***(d) will deliver significant economic benefits***

*(f) will support development of natural resources, including minerals and petroleum*

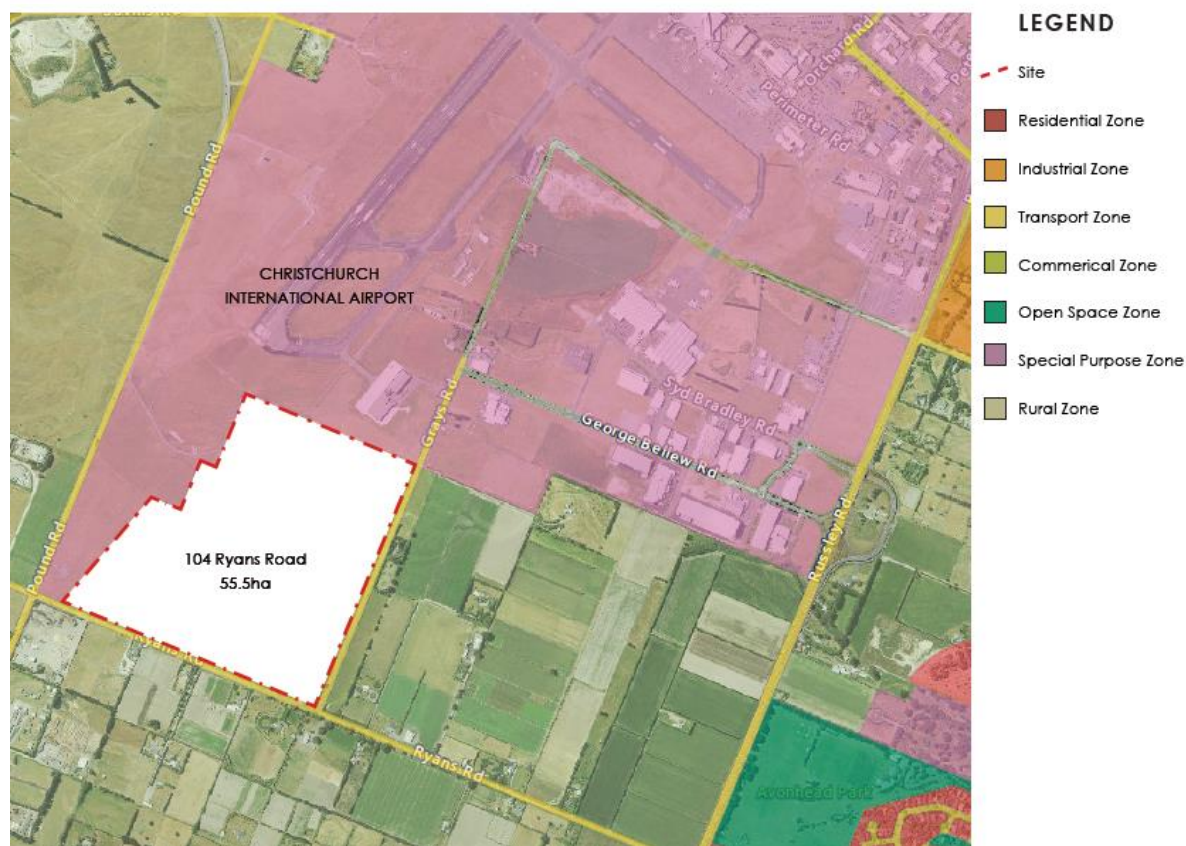
*(g) will support climate change mitigation, including the reduction or removal of greenhouse gas emission:*

*(h) will support adaptation, resilience, and recovery from natural hazards*

*(i) will address significant environmental issues*

The purpose of this memo is to highlight the levels of economic benefits the proposed development of **55ha of industrial freehold land adjacent to the Christchurch International Airport** is expected to deliver to the Canterbury Region, to assist the joint Ministers in making their decision to grant Fast Track consenting status to the Ryans Road development proposal (Figure 1).

Figure 1: Ryans Road Development, Christchurch




### Economic costs and benefits

A rezoning application such as proposed for Ryans Road generates a range of economic benefits at the regional and potentially national level. The majority of these are associated with the provision of freehold industrial zoned land adjacent to the Christchurch Airport. This development is important in the context of its location as there are limited free hold opportunities for industrial businesses to purchase adjacent to the Airport. Collocating with the airport is becoming increasingly important for business in Christchurch as the South Island economy grows. This growth translates into increased import and export activity and a need for warehousing and storage type facilities – as well as processing facilities to service the entire island – rather than simply Christchurch.

Currently Christchurch International Airport exports and imports \$1,085m annually. Christchurch has increased its role as an Imports airport with total imports over the past 5 years exceeding the previous 5 years by more than 8% (an average annual import total of over \$700m in trade). This emerging role requires land based support industries such as Logistics Storage and Wholesaling to be present

The development of the Ryans Road land generates a range of economic benefits. They can be separated into two broad areas;

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- Construction effects: All of the impacts direct and flow on associated with the development of the site and building of facilities to allow industrial activity to occur.
  - Operational or facilitated effects: These are the economic impacts that are facilitated by the development and are made up of the output, employment and contribution to GDP of the businesses that ultimately locate on the land being developed.

In addition to the direct effects of either the development or the ongoing activity on the land, are the flow on effects that this activity stimulates. These are captured through assessing the backward linkages in the economy as those sectors that are directly impacted – either the construction sector or the warehousing/storage or industrial businesses that locate on the land, buy goods and services, inputs and raw materials, in order to carry out their functions.

For example, the construction sector has one of the largest networks of backwards linkages through the economy as there are significant inputs into buildings that are either imported or manufactured locally (timber, panelling, roofing materials, aggregate, paint, furnishings and fittings, lighting etc). These goods and services (such as accounting, legal, planning, HR and others) are generally either manufactured locally or are imported and have a wholesale or retail component in the local economy.

This means that for a given amount of construction value, the multiplier effect allows calculation of the additional activity that needs to occur within the local economy in order to sustain the construction. The same is true for the industrial activities – although this is a little less understood as the actual activities that may locate there are not known.

In order to present a summary or estimate of these effects, a scenario of final activity has been developed to model the final operation of 104 Ryans Rd.

Outlined below are the direct and flow on effects in terms of employment, gross output and value added (synonymous with GDP) for the construction phase and the operational phase of the development.

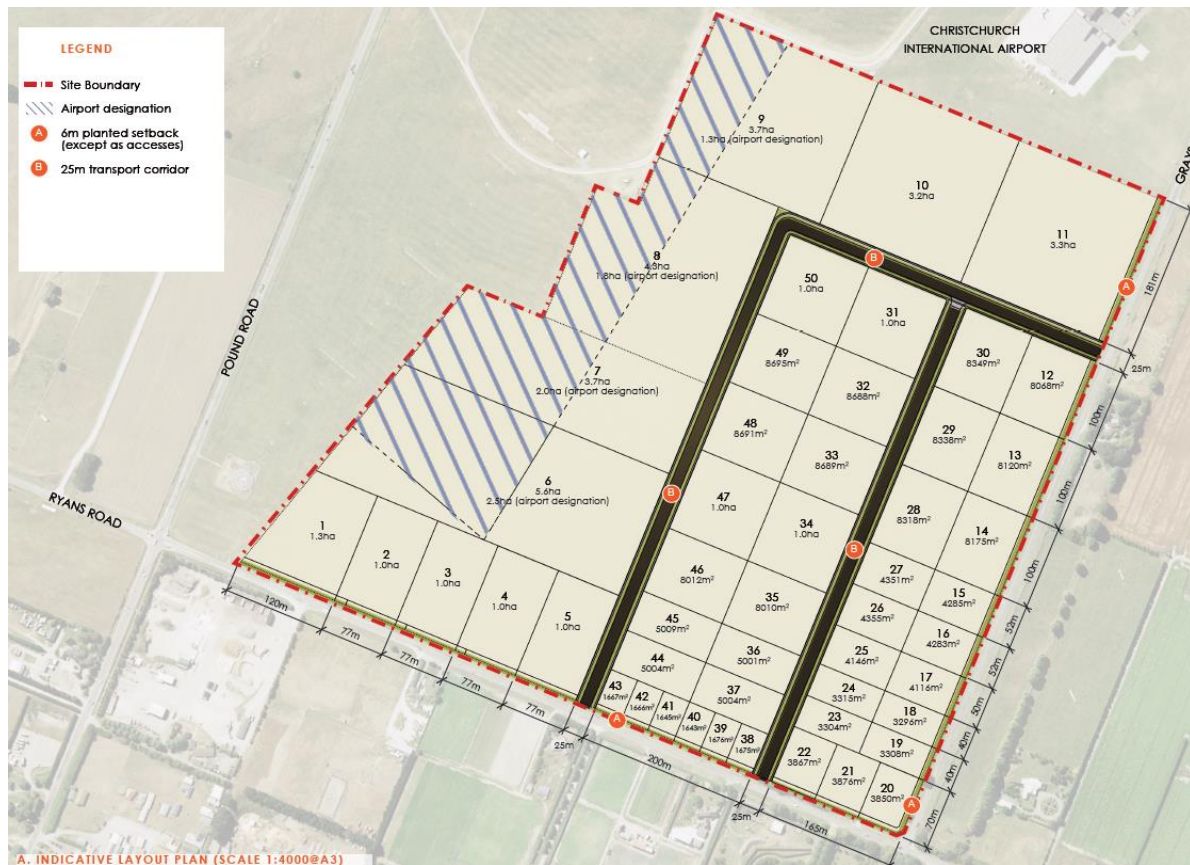
## Economic Benefits

### *Construction Phase*

The construction phase is assumed to occur over a 2-3 year period. While the process is not fixed, the general pattern will be the land will be divided into usable sites, and the large pieces of infrastructure required will be developed (roading, 3 waters, internet and electricity). Initial earthworks will also occur to flatten the sites and make it possible to build. We have assumed that approximately 50% of the total construction effects occur within that first year, with the balance spread over 2 additional periods, determined by market demand.

Carter Group have had initial drawings prepared that show the land divided into 50 lots that yield a total developable area of 43.6ha, out of the total 55ha (the differences are due to land required for roading, setback planting and for Airport designation) (Figure 2).

Figure 2: Indicative layout, 104 Ryans Rd



The 50 lots are expected to be developed with approximately 40% site coverage. This allows for yard space, turning space and setbacks from roading and neighbours. Based on this assumption the site should yield some 174,200sqm of GFA for industrial purposes (including warehousing and storage). The development process is as described above and begins with subdivision, site levelling and the installation of infrastructure. Roads are built and following the sale process, developers and new owners can begin construction.

I have assumed that the total construction is split between the; Non Residential construction sector (actual building) accounting for 60% of total costs, Civil construction (site creation and infrastructure installation) accounting for 10% of total costs and construction services (design, engineering, Geotech, planning and other service activities) accounting for the balance – 30%.

While it is not known what activities will locate on the site, therefore I have assumed a mix of buildings are developed to cater for the types of activities likely to be found close to an airport. This includes warehousing with attached office space to operate as either national or regional headquarters for

import/export businesses, cold store facilities to accommodate agricultural production, general warehouse space of different dimensions and a small amount of industrial activity (Figure 3).

Figure 3: Assumed Building mix, 104 Ryans Rd development

Typology	Share of Total GFA	SQM GFA
Warehouse, under 20m clear span. Colorsteel® cladding	10%	s 9(2)(b)(ii)
Warehouse, under 20m clear span. 1200mm high precast or block walls, Colorsteel® cladding above	10%	
Warehouse, over 20m clear span. 1200mm high precast or block walls, Colorsteel® cladding above	10%	
Factory or Warehouse with administration office of up to 2 storeys attached. 30% admin, 70% high stud warehouse	35%	
Cold Store. Internal height—10m	20%	
Light Industrial Workshop	8%	
Heavy Industrial Workshop	8%	
<b>Total</b>	<b>100%</b>	

I have then applied the last average build cost estimates on a per sqm basis drawn from the QV Cost builder website. This provides elemental costs for all aspects of building by different typologies on a per sqm of GFA. Multiplying the GFA estimates in Figure 3 with the build costs from Figure 4 produces a total construction sector injection of over s 9(2)(b)(ii) over the construction period.

As outlined above, we have assumed that 50% of this would occur within the first year with the balance split between 2 further development periods as demand arises. Regardless of the timeframe the activity will occur within the construction sector. Notwithstanding that activity that occurs in the future is worth less than activity that occurs today, the estimates are broad order of magnitude what the construction sector will experience.



Figure 4: Estimated Construction Costs, 104 Ryans Rd development.

Typology	Cost per sqm GFA	Total Cost
Warehouse, under 20m clear span. Colorsteel® cladding	s 9(2)(b)(ii)	
Warehouse, under 20m clear span. 1200mm high precast or block walls, Colorsteel® cladding above		
Warehouse, over 20m clear span. 1200mm high precast or block walls, Colorsteel® cladding above		
Factory or Warehouse with administration office of up to 2 storeys attached. 30% admin, 70% high stud warehouse		
Cold Store. Internal height—10m		
Light Industrial Workshop		
Heavy Industrial Workshop		
<b>Total</b>		

This level of construction activity requires the construction sector to employ staff (or to utilise staff they have on their books), purchase raw materials and services and carry out the development work. This sets in train a series of economic transactions back through the economy as all the businesses and sectors that supply the construction sector, increase output in order to meet increased demands.

These industries also increase employment – or utilise employment already engaged, purchase raw materials and services from their suppliers and increase output. The sum of these transactions back through the economy are captured in backwards linkage multipliers.

The final round of stimulated activity occurs when employees and business owners who receive income from this increase in construction sector activity (either directly engaged in the construction sector, or its suppliers) spend a portion of their income more generally in the economy.

The sum of these direct, indirect and induced expenditures represents the full economic impacts felt from this development. They are presented in Figure 5, below in terms of employment, gross output and value added (GDP).

Figure 5: Construction Sector Direct and Total Effects on Christchurch Economy, 104 Ryans Rd Development

	Non Res Build	Civil Construc.	Construc. Services	Total
<b>Direct Effects</b>	s 9(2)(b)(ii)			
Employment				
Gross Output				
Value Added				
<b>Total Effects</b>				
Employment				
Gross Output				
Value Added				

The development of 104 Ryans Rd is expected to sustain the employment equivalent of **610 construction sector workers for a full year** (note this will be spread over the build periods). The development construction **will inject approximately \$73m of GDP into the Christchurch economy** from a total level of output of \$295m (equivalent to the total build cost).

Once the backwards linkages are fully accounted for, this level of stimulus **sustains the employment equivalence of 1,800 workers working for 1 year and supports \$220m in contributions to Christchurch City's GDP** (Figure 5).

While the construction activity represents a one-off injection into the sector, it is a significant addition. I note that the construction sector operates by stringing together a number of developments such as this over the course of a number of years. Any one single development may not sustain the sector long term, rather they all contribute to maintaining a healthy part of the Christchurch economy.

#### *Operational Phase*

Once the building is completed, new businesses are able to move in and establish in close proximity to each other and the Christchurch International Airport. For the businesses likely to be attracted here, the airport is the key draw card. The other key attractor of businesses to this location is the ability to freehold own the site. This is not the case with other collocated Airport land. Most of that land is held by the Airport and is only available for lease. This may be a significant barrier to some businesses.

It is obviously not possible to know exactly what businesses will choose to locate on the site – given it does not exist, however, given the nature of the site and the nature of the buildings, I have developed a mix of activities that potentially could locate there. This then forms the basis for estimating the scale of economic impacts and the resulting benefits that accrue to the Christchurch economy as a result.

Figure 6: Economic Effects on Christchurch of Operational Phase – 104 Ryan Rd

Economic Effects	Wholesale	Transport and Storage	Industrial	Total
<b>Direct Effects</b>	s 9(2)(b)(ii)			
Employment				
Gross Output				
Value Added				
<b>Total Effects</b>				
Employment				
Gross Output				
Value Added				

Assuming the activity mix is 20% Wholesaling, 65% Transportation and Storage and other Logistics and 15% Industrial and the density averages out to be around 350sqm of land area per worker. This is estimated based on assuming that the smaller lots (less than 1ha) operate at 250sqm/worker and the larger lots (greater than 1ha) are 500sqm/worker. IN total this development has the potential to accommodate over 1,230 workers once fully developed (under these assumptions).

The activity mix sees 800 workers in Transport and logistics operations, almost 250 in wholesale operations and 185 in light industrial activities. Collectively, using Christchurch specific productivity factors, these businesses would generate turnover of just under \$369m annually. **Of this some \$171m is delivered as a direct contribution to GDP in the Christchurch economy.**

Once the effects of all supplying businesses and wage and salary transactions are included across the whole economy, the Ryans Road Development helps facilitate the equivalent of 2,650 workers working full time for a year (every year) in Christchurch. **In addition, this level of direct, indirect and induced activity contributes almost \$316m to Christchurch City's GDP each year.**

## Conclusions

Based on my analysis of the economic benefits associated with the development of 104 Ryans Rd as described above, are a one off total construction effect of \$220m into the Christchurch economy and an operational effect of \$316m annually into the Christchurch economy.

**Therefore, I conclude that the regional benefits of development under the fast track approvals bill are significant.** IN addition, there will be a range of national benefits associated with the development that have not been quantified.

I recommend that the Ministers approve this development for Fast Track status.



Ngā mihi

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